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KANSAS CITY SOUTHERN  
Form 8-K  
November 01, 2004

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported):  
October 28, 2004

KANSAS CITY SOUTHERN  
(Exact name of company as specified in its charter)

DELAWARE	1-4717	44-0663509
(State or other jurisdiction of incorporation)	(Commission file number)	(IRS Employer Identification Number)

427 West 12th Street, Kansas City, Missouri 64105  
-----  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code:  
(816) 983 - 1303

Not Applicable  
(Former name or former address if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition

Kansas City Southern ("the Company, "KCS") is furnishing under Item 2.02 of this Current Report on Form 8-K the information included as Exhibit 99.1 to this report. Exhibit 99.1 is the Company's press release, dated October 28, 2004,

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announcing the Company's third quarter and year to date earnings and operating results. Included in Exhibit 99.1 are schedules regarding certain financial information discussed during the Company's third quarter 2004 analyst presentation and conference call.

The information included in this Item 2.02, and Exhibit 99.1 to this Current Report on Form 8-K, shall not be deemed "filed" for the purposes of or otherwise subject to the liabilities under Section 18 of the Securities Exchange Act of 1934 as amended (the "Exchange Act"). Unless expressly incorporated into a filing of KCS under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act made after the date hereof, the information contained in this item 2.02 and Exhibit 99.1 hereto shall not be incorporated by reference into any filing of KCS, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

### Item 9.01. Financial Statements and Exhibits

#### (c) Exhibits

Exhibit No. (99)	Document Additional Exhibits
99.1	Press Release issued by Kansas City Southern dated October 28, 2004 entitled "Kansas City Southern Announces Third Quarter 2004 Earnings Release Date, Conference Call," is attached hereto as Exhibit 99.1.

#### SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Kansas City Southern

Date: October 28, 2004

By: /s/ James S. Brook

-----  
James S. Brook  
Vice President and Comptroller  
(Principal Accounting Officer)

EXHIBIT 99.1

Date: October 28, 2004

Media Contact: William H. Galligan

816/983-1551

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William.h.galligan@kcsr.com

### Kansas City Southern Reports Strong Third Quarter 2004 Results

- o Kansas City Southern's (KCS) third quarter 2004 consolidated net income of \$11.1 million, increased 158% compared with third quarter 2003 consolidated net income of \$4.3 million.
- o Kansas City Southern Railway (KCSR) operating revenue reached record levels for third quarter 2004, increasing by 11.9 % over third quarter 2003 to \$162.1 million.
- o KCSR's operating income increased 35.9 % over the comparable 2003 period to \$24.6 million.

Kansas City, MO. Kansas City Southern (KCS) (NYSE:KSU) today reported net income available to common shareholders for third quarter 2004 was \$8.9 million, or \$0.14 diluted earnings per share, compared to \$1.0 million, or \$0.02 diluted earnings per share, for third quarter 2003.

KCSR posted record third quarter 2004 operating revenues of \$162.1 million, an increase of \$17.2 million, or 11.9%, over the comparable 2003 period. Four of its five commodity groups attained quarter-over-quarter double digit revenue growth led by Paper & Forest Products, which increased 23.3% with strong gains in all its market segments. Intermodal revenues, including Norfolk Southern and CSX haulage business, increased 14.1% in third quarter 2004 compared with a year earlier. Agriculture & Minerals, led by strong gains in domestic grain, ores and minerals, and glass, stone and clay, grew 12.9%. Chemicals & Petroleum Products increased 11.7% based on strong growth in gases, plastics, petroleum, and inorganic chemicals business. Coal, the only business segment to experience a quarter-over-quarter decline, experienced a 3.7% decrease in revenues, due primarily to sharply lower deliveries to one plant served by KCSR.

KCSR third quarter 2004 total operating expenses of \$137.5 million were \$10.7 million higher than the same period in 2003, driven by higher fuel prices, compensation, and casualty and insurance costs.

KCSR third quarter 2004 operating income increased \$6.5 million, or 35.9 % year-over-year. KCSR's operating ratio improved to 84.8 % compared with 87.5% for the prior year period.

Third quarter 2004 equity earnings from Grupo Transportacion Ferroviaria Mexicana, S.A. de C.V. (Grupo TFM), KCS' Mexican affiliate railroad, increased 19% from the comparable prior year period to \$1.9 million, excluding the impact of the Mexrail transaction. Grupo TFM's third quarter 2004 revenues were \$174.5 million compared to \$178.2 million for the comparable 2003 period. The decline was primarily due to the impact of peso devaluation to the U.S. dollar quarter-over-quarter. KCS reports its equity in Grupo TFM under U.S. GAAP, while Grupo TFM reports under International Financial Reporting Standards (IFRS).

#### Year-to-Date

KCS year-to-date 2004 consolidated net income is \$23.7 million, compared with \$17.4 million for 2003. Net income available to common shareholders was \$17.1 million or \$0.27 diluted earnings per share for the first nine months of 2004 compared with \$12.7 million or \$0.20 diluted earnings per share year-to-date

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2003. Results for 2003 included the cumulative effect of an accounting change, which increased net income by \$8.9 million.

KCSR year-to-date 2004 operating revenues of \$462.0 million increased \$33.7 million, or 7.9%, over the comparable nine-month period in 2003. Total KCSR year-to-date 2004 expenses of \$390.8 million increased \$8.9 million over the same 2003 period. KCSR's operating ratio for the first nine months of 2004 of 84.6% was an improvement of 460 basis points from 89.2% in the prior year.

Chairman, President & Chief Executive Officer Michael R. Haverty commented, "KCSR has continued to grow its carload volume and revenues throughout the first nine months of 2004, and that positive trend should continue through the remainder of the year. As KCSR continues to expand its market presence, an equal degree of effort is being placed on controlling costs while operating its rail network efficiently.

"During the third quarter there were a number of positive developments in KCS' effort to complete the Grupo TFM acquisition process. KCS received the approval of the Mexican National Foreign Investment Commission, which combined with an extension of the previous approval by the Mexican Competition Commission, gives KCS the approval of the two Mexican regulatory bodies needed for it to become the majority owner of TFM. KCS continues to work closely with its partner, Grupo TMM, S.A. (Grupo TMM), and with Mexican government officials in its attempt to complete the acquisition process in a timely manner."

KCS is comprised of, among others, The Kansas City Southern Railway Company ("KCSR") and equity investments in Grupo Transportacion Ferroviaria Mexicana, S.A. de C.V. (Grupo TFM), Southern Capital Corporation ("Southern Capital") and Panama Canal Railway Company ("PCRC").

This press release includes statements concerning potential future events involving the Company, which could materially differ from the events that actually occur. The differences could be caused by a number of factors including those factors identified in the "Risk Factors" and the "Cautionary Information" sections of the Company's Form 10-K for the year-ended December 31, 2003 filed by the Company with the Securities and Exchange Commission ("SEC") (Commission file no. 1-4717). The Company will not update any forward-looking statements in this press release to reflect future events or developments.

More

KANSAS CITY SOUTHERN  
CONSOLIDATED STATEMENTS OF INCOME  
(Dollars in millions, except share and per share data)  
(Unaudited)  
(Preliminary)

Three Months  
Ended September 30,

-----  
2004

2003  
-----

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Revenues	\$	163.2	\$	146.3
Operating expenses				
Compensation and benefits		52.9		48.4
Purchased services		16.1		15.8
Fuel		16.4		11.2
Equipment costs		13.3		15.2
Depreciation and amortization		13.4		16.2
Casualties and insurance		13.9		9.7
Other leases		3.2		2.5
Other		14.8		12.4
		-----		-----
Total operating expenses		144.0		131.4
		-----		-----
Operating income		19.2		14.9
Equity in net earnings of unconsolidated affiliates:				
Grupo Transportacion Ferroviaria Mexicana, S.A. de C.V.		1.9		1.6
Other		(0.8)		(0.9)
Interest expense		(11.3)		(11.6)
Debt retirement costs		-		-
Other income		8.6		2.0
		-----		-----
Income before income taxes and cumulative effect of accounting change		17.6		6.0
Income tax provision		6.5		1.7
		-----		-----
Income (loss) before cumulative effect of accounting change		11.1		4.3
Cumulative effect of accounting change, net of income taxes		-		-
		-----		-----
Net income (loss)	\$	11.1	\$	4.3
Preferred stock dividends		2.2		3.3
		-----		-----
Net income (loss) available to Common shareholders	\$	8.9	\$	1.0
		=====		=====
Per Share Data				
Basic earnings per Common share				
Income (loss) before cumulative effect of accounting change	\$	0.14	\$	0.02
Cumulative effect of accounting change, net of income taxes		-		-
		-----		-----
Total basic earnings (loss) per Common share	\$	0.14	\$	0.02
		=====		=====
Diluted earnings per Common share				
Income (loss) before cumulative effect of accounting change	\$	0.14	\$	0.02
Cumulative effect of accounting change, net of income taxes		-		-
		-----		-----
Total diluted earnings (loss) per Common share	\$	0.14	\$	0.02
		=====		=====
Weighted average Common shares outstanding (in thousands)				
Basic		62,683		61,765

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Potential dilutive Common shares	1,272	1,378
	-----	-----
Diluted	63,955	63,143
	=====	=====

KANSAS CITY SOUTHERN  
CONSOLIDATED BALANCE SHEETS  
(Dollars in millions)  
(Preliminary)

	September 30, 2004
	----- (Unaudited)
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 170.0
Accounts receivable, net	125.3
Inventories	42.1
Other current assets	27.9
	-----
Total current assets	365.3
	-----
Investments	481.5
Properties (net of \$742.6 and \$734.3 accumulated depreciation and amortization, respectively)	1,414.8
Goodwill	10.6
Other assets	33.7
	-----
Total assets	\$ 2,305.9
	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>	
Current Liabilities:	
Debt due within one year	\$ 7.9
Accounts and wages payable	56.4
Accrued liabilities	161.7
	-----
Total current liabilities	226.0
	-----
Other Liabilities	
Long-term debt	563.5
Deferred income taxes	419.1
Other noncurrent liabilities and deferred credits	111.3
Stockholders' Equity	986.0
	-----
Total liabilities and stockholders' equity	\$ 2,305.9

KANSAS CITY SOUTHERN  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Dollars in millions)  
(Unaudited)  
(Preliminary)

		Nine Ended S
		----- 2004 -----
CASH FLOWS PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES:		
Net income	\$	23.7
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization		39.3
Deferred income taxes		26.7
Equity in undistributed earnings of unconsolidated affiliates		(5.7)
Distributions from unconsolidated affiliates		8.8
Gain on sale of property		(1.1)
Cumulative effect of accounting change		-
Tax benefit realized upon exercise of stock options		1.0
Changes in working capital items:		
Accounts receivable		(10.7)
Inventories		(5.3)
Other current assets		(3.9)
Accounts and wages payable		10.6
Accrued liabilities		41.0
Other, net		7.9
Net cash provided by operating activities		----- 132.3 -----
INVESTING ACTIVITIES:		
Property additions		(93.4)
Proceeds from disposal of property		2.5
Investment in and loans to affiliates		(41.2)
Proceeds from sale of investments, net		-
Other, net		(7.8)
Net cash used for investing activities		----- (139.9) -----
FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt		150.0
Repayment of long-term debt		(102.0)

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Issuance of preferred stock, net	-
Debt issuance costs	(2.9)
Proceeds from stock plans	3.6
Cash dividends paid	(6.5)

Net cash provided by financing activities	42.2
---	------

CASH AND CASH EQUIVALENTS:

Net increase in cash and cash equivalents	34.6
At beginning of year	135.4
At end of period	\$ 170.0

Kansas City Southern Railway  
Operating Statements  
Dollars in Millions

	Third Quarter 2004	Third Quarter 2003	Ye
Revenues			
Chemical and Petroleum	\$ 34.4	\$ 30.8	
Paper and Forest	46.4	37.6	
Agricultural and Mineral	29.1	25.7	
Intermodal and Automotive Revenue	17.4	15.3	
Unit Coal Revenue	22.2	23.0	
Haulage Revenue	2.7	2.7	
Other Revenue	9.9	9.8	
Total Revenues	162.1	144.9	
Operating Expenses			
Compensation and Benefits	51.9	47.4	
Purchased Services	14.5	14.6	
Fuel	16.4	11.2	
Equipment Costs	13.3	15.2	
Casualties & Insurance	10.8	8.6	
Material and Supplies	7.1	6.8	
Other	3.6	0.9	
Variable Operating Expenses	117.6	104.7	
Fixed Expenses			
Other Lease	3.1	2.5	
Depreciation	13.2	15.9	
Taxes (Other Than Income)	3.6	3.7	
Fixed Operating Expenses	19.9	22.1	



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Total Operating Expenses	137.5	126.8
Operating Income	\$ 24.6	\$ 18.1
Operating Ratio	84.8%	87.5%

Note:

Certain prior year amounts have been reclassified to conform to the current year presentation.

Kansas City Southern Railway  
Carloadings By Commodity - Third Quarter 2004

Dollars in Thousands

Carloadings			Revenue	
Third Quarter		%	Third Quarter	
2004	2003	Change	2004	2003
Coal				
47,376	47,751	(0.8)%	\$ 22,202	\$ 23,049
642	847	(24.2)%	472	508
48,018	48,598	(1.2)%	22,674	23,557
Chemical & Petroleum Products				
1,360	1,455	(6.5)%	907	975
4,251	3,637	16.9%	4,355	3,658
7,482	5,802	29.0%	6,538	6,168
5,791	5,305	9.2%	6,268	5,522
14,116	13,537	4.3%	10,525	9,368
4,846	4,363	11.1%	5,766	5,065
37,846	34,099	11.0%	34,359	30,756
Agriculture and Minerals				
10,158	9,644	5.3%	8,915	7,881
4,704	4,993	(5.8)%	3,826	3,929
8,042	8,367	(3.9)%	7,001	6,868
7,795	6,424	21.3%	4,751	3,722
5,187	4,372	18.6%	4,558	3,332
35,886	33,800	6.2%	29,051	25,732
Paper & Forest Products				
26,084	24,439	6.7%	21,606	19,932

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2,065	1,797	14.9%	Scrap Paper	1,555	1,120
7,801	7,503	4.0%	Pulpwood/Logs/Chips	4,101	3,437
8,722	7,950	9.7%	Lumber/Plywood	9,010	7,699
4,968	4,544	9.3%	Metal/Scrap	4,345	4,053
3,299	1,459	126.1%	Military/Other carloads	5,752	1,368
-----	-----			-----	-----
52,939	47,692	11.0%	Total	46,369	37,609
-----	-----			-----	-----
			Intermodal & Automotive		
2,193	2,080	5.4%	Automotive	1,676	1,532
86,066	77,799	10.6%	Intermodal	15,715	13,774
-----	-----			-----	-----
88,259	79,879	10.5%	Total	17,391	15,306
-----	-----			-----	-----
262,948	244,068	7.7%	TOTAL FOR BUSINESS UNITS	149,844	132,960
3,740	6,067	(38.4)%	Haulage	2,669	2,746
(469)	(1,074)	56.3%	Adjustments	-	-
-----	-----		Other KCSR Revenue	9,599	9,216
-----	-----			-----	-----
266,219	249,061	6.9%	TOTAL	\$162,112	\$144,922
=====	=====			=====	=====

Note:

Certain prior year amounts have been reclassified to conform to the current year presentation.

Kansas City Southern Railway  
Carloadings By Commodity - Year to Date September 30, 2004  
Dollars in Thousands

Carloadings				REVENUE	
Year to Date		%		Year to Date	
2004	2003	Change		2004	2003
-----	-----	-----		-----	-----
			Coal		
142,361	139,117	2.3%	Unit Coal	\$ 66,661	\$ 68,550
1,880	2,375	(20.8)%	Other Coal	1,180	1,321
-----	-----			-----	-----
144,241	141,492	1.9%	Total	67,841	69,871
-----	-----			-----	-----
			Chemical & Petroleum Products		
4,335	4,288	1.1%	Agri Chemicals	2,823	2,858
12,601	11,116	13.4%	Gases	12,716	11,017
21,493	16,560	29.8%	Organic	19,144	17,532
16,375	16,491	(0.7)%	Inorganic	17,642	17,182
42,280	41,276	2.4%	Petroleum	31,283	27,997

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14,036	14,672	(4.3)%	Plastics	16,497	15,964
-----	-----			-----	-----
111,120	104,403	6.4%	Total	100,105	92,550
-----	-----			-----	-----
			Agriculture and Minerals		
34,874	32,872	6.1%	Domestic Grain	29,873	26,759
17,895	13,220	35.4%	Export Grain	15,807	10,539
22,729	24,943	(8.9)%	Food Products	19,935	20,249
21,422	19,114	12.1%	Ores and Minerals	12,836	10,954
13,550	12,360	9.6%	Stone, Clay & Glass	11,344	9,588
-----	-----			-----	-----
110,470	102,509	7.8%	Total	89,795	78,089
-----	-----			-----	-----
			Paper & Forest Products		
73,283	70,839	3.5%	Pulp/Paper	59,797	56,243
5,822	5,184	12.3%	Scrap Paper	4,052	3,219
20,582	22,751	(9.5)%	Pulpwood/Logchips	10,016	10,436
25,286	22,861	10.6%	Lumber/Plywood	25,649	22,182
13,710	13,582	0.9%	Metal/Scrap	11,763	11,656
6,975	4,725	47.6%	Military/Other Carloads	10,064	6,159
-----	-----			-----	-----
145,658	139,942	4.1%	Total	121,341	109,895
-----	-----			-----	-----
			Intermodal & Automotive		
4,701	5,225	(10.0)%	Automotive	3,706	4,145
251,266	224,307	12.0%	Intermodal	44,840	39,589
-----	-----			-----	-----
255,967	229,532	11.5%	Total	48,546	43,734
-----	-----			-----	-----
767,456	717,878	6.9%	TOTAL FOR BUSINESS UNITS	427,628	394,139
13,038	21,019	(38.0)%	Haulage	7,967	7,944
(1,803)	(2,809)	35.8%	Adjustments	-	(1,025)
			Other KCSR Revenue	26,368	27,252
-----	-----			-----	-----
778,691	736,088	5.8%	TOTAL	\$461,963	\$428,310
=====	=====			=====	=====

Note: Certain prior year amounts have been reclassified to conform to the current year presentation.