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KANSAS CITY SOUTHERN  
Form 8-K  
November 03, 2003

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 29, 2003

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

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

427 WEST 12TH STREET, KANSAS CITY, MISSOURI 64105  
-----  
(Address of principal executive offices) (Zip Code)

COMPANY'S TELEPHONE NUMBER, INCLUDING AREA CODE:  
(816) 983 - 1303

NOT APPLICABLE  
(Former name or former address if changed since last report)

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

(c) Exhibits

EXHIBIT NO.  
(99)

99.1

DOCUMENT  
Additional Exhibits

Press Release issued by  
Kansas City Southern dated  
October 29, 2003 entitled,  
"Kansas City Southern

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Reports Third Quarter  
2003 Earnings," is  
attached hereto as  
Exhibit 99.1

99.2

The following schedules are  
attached hereto as Exhibit  
99.2 - Kansas City Southern  
Operating Statements, Kansas  
City Southern Railway  
Carloadings by Commodity,  
Kansas City Southern  
Consolidated Balance Sheets

ITEM 12. RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Kansas City Southern ("KCS" or "Company") is furnishing under Item 12 of this Current Report on Form 8-K the information included as Exhibit 99.1 and 99.2 of this report. Exhibit 99.1 is the Company's press release, dated October 29, 2003, announcing KCS's third quarter and year to date 2003 earnings and operating results. Included in Exhibit 99.2 are schedules regarding certain financial information discussed at the Company's third quarter 2003 analyst presentation and conference call.

The information in this Current Report on Form 8-K, including the exhibits, 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, and shall not be deemed to be incorporated by reference into the filings of the registrant under the Securities Act of 1933.

SIGNATURE

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

Kansas City Southern

Date: November 3, 2003

By: /S/ LOUIS G. VAN HORN

-----  
Louis G. Van Horn  
Vice President and Comptroller  
(Principal Accounting Officer)

EXHIBIT 99.1

KANSAS CITY SOUTHERN  
Cathedral Square - 427 West 12TH Street - P.O. Box 219335  
Kansas City, Missouri 64121-9335

PRESS RELEASE  
NYSE SYMBOL: KSU

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Date: October 29, 2003

Media Contact: William H. Galligan  
william.h.galligan@kcsr.com

Phone: 816/983-1551

## KANSAS CITY SOUTHERN REPORTS THIRD QUARTER 2003 EARNINGS

### EARNINGS ANALYSIS & COMMENTARY

Kansas City Southern (KCS or Company) (NYSE: KSU) reported net income of \$4.3 million (\$0.02 per diluted share) for the third quarter of 2003, compared to net income of \$10.6 million (\$0.17 per diluted share) for the third quarter of 2002. Consolidated revenues for the third quarter of 2003 were \$146.3 million, compared to \$138.9 million for the comparable 2002 period, a 5% increase. Operating income more than doubled to \$14.9 million compared to \$6.2 million during the third quarter last year. Consolidated KCS results were negatively affected by lower earnings from Grupo Transportacion Ferroviaria Mexicana, S.A. de C.V. (Grupo TFM) and a reduction in other income. In addition, KCS earnings per share for the third quarter of 2003 were impacted by the accumulated dividends for the 4.25% Redeemable Cumulative Convertible Perpetual Preferred Stock issued April 29, 2003. These preferred dividends reduced earnings per share by five cents in the third quarter of 2003.

For the nine months ended September 30, 2003, consolidated net income was \$17.4 million (\$0.20 per diluted share) compared to \$36.8 million (\$0.59 per diluted share). This \$19.4 million decrease was the result of a \$20.5 million decline in equity in net earnings of unconsolidated affiliates, a \$10.5 million decline in other income, and a \$9.0 increase in costs and expenses. Partially offsetting was a one-time \$8.9 million benefit (net of tax) booked in the first quarter of 2003 relating to the cumulative effect of a required change in accounting for removal costs of certain track structure assets.

#### Diluted earnings per share information<sup>1</sup>:

|  | THIRD QUARTER |      | YTD THROUGH 9/30 |      |
|--|---------------|------|------------------|------|
|  | 2003          | 2002 | 2003             | 2002 |
| U.S. Operations  | 0.06          | 0.08 | 0.16             | 0.35 |
| Grupo TFM and PCRC<br>(including allocated interest)           | (0.04)        | 0.09 | (0.10)           | 0.24 |
| INCOME BEFORE CUMULATIVE EFFECT<br>OF ACCOUNTING CHANGE        | 0.02          | 0.17 | 0.06             | 0.59 |
| Cumulative effect of accounting<br>change, net of income taxes | -             | -    | 0.14             | -    |
| NET INCOME   | 0.02          | 0.17 | 0.20             | 0.59 |

<sup>1</sup> The components of the diluted earnings per share information include measurements that are not presented under accounting principles generally accepted in the United States of America ("U.S. GAAP"). This presentation includes an internal allocation of interest expense from U.S. operations to Grupo TFM. Management believes this interest expense allocation results in a more accurate reflection of the diluted earnings per share relating to the contribution of Grupo TFM to the consolidated net income of KCS. The interest expense allocation is based upon the initial amount of capital invested by KCS in Grupo TFM and is calculated utilizing a blended interest rate applicable to the Company's indebtedness composition. This measurement is presented to provide

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the reader of these financial statements with a better understanding of the impact of financing costs on the earnings per share related to KCS's investment in Grupo TFM. The nearest U.S. GAAP measurement is net income, which is included in the consolidated statements of income included in this press release.

### THIRD QUARTER

Consolidated operating income for the third quarter of 2003 was \$14.9 million, compared to \$6.2 million for comparable 2002, an \$8.7 million increase. Third quarter 2003 revenues increased by \$7.4 million compared to third quarter of 2002. Consolidated costs and expenses decreased by \$1.3 million quarter-to-quarter, principally due to decreases in car hire and compensation expenses, and further boosted by operating gains on property sales of \$4.1 million compared to \$2.7 million for the third quarter of 2002. Other income declined \$4.5 million primarily due to lower gains recorded on the sales of non-operating properties compared to the third quarter of 2002.

Third quarter 2003 revenues from the Company's principal operating subsidiary, The Kansas City Southern Railway (KCSR) were \$144.9 million compared to \$137.6 million for third quarter of 2002, a \$7.3 million (5%) increase. Agriculture & minerals revenues increased by \$3.5 million, with strong gains in export grain, food products, and ores and minerals. Paper & forest products revenues grew \$2.8 million, attributable to a 12% increase in pulp and paper revenues, and a 17% gain in lumber revenues. Chemical & petroleum products revenues declined \$1.8 million quarter-to-quarter attributable to a \$2.1 million decline in its plastics business which was due in part to the continued high price of natural gas. Coal revenues declined \$0.8 million coming off record volume levels in 2002. Intermodal & automotive revenues were relatively unchanged versus corresponding 2002.

Third quarter 2003 KCSR expenses decreased \$3.1 million (2%) compared with third quarter of 2002 primarily due to lower car hire (\$2.8 million) and compensation (\$2.2 million) expenses. KCSR casualty and insurance costs increased \$2.3 million, and fuel costs increased by \$2.2 million attributable to a 19% increase in the average price per gallon. KCSR's third quarter of 2003 operating ratio was 87.5% compared with 94.3% for the comparable 2002 period.

The Company's equity in earnings from Grupo TFM decreased approximately \$8.2 million quarter-to-quarter. Grupo TFM's third quarter revenues increased \$2.9 million (2%) from third quarter of 2002. Operating income decreased \$4.6 million quarter-to-quarter. As calculated under U.S. GAAP, Grupo TFM's operating expenses increased approximately \$7.5 million, primarily due to higher car hire, fuel, and purchased services expenses. The Company reports its equity in Grupo TFM under U.S. GAAP while Grupo TFM reports under International Accounting Standards (IAS).

### YEAR-TO-DATE

KCS's consolidated revenues of \$432.8 million for the first nine months of 2003 improved by \$10.8 million over the prior year's nine-month period, a 3% increase. Consolidated operating income was \$35.9 million, compared with \$34.1 million for the 2002 period. KCS's other income for the first nine months of 2003 was \$4.8 million, \$10.5 million less than comparable 2002, due to a decline on sales of non-operating property. In the first nine months of 2002, the Company recorded a charge of \$4.3 million related to debt retirement costs, and a gain of \$4.4 million related to the sale to Grupo TFM of the Company's ownership interest in Mexrail. Consolidated year-to-date interest expense increased \$1.5 million (5%) from the same prior year period as a result of higher interest rates caused by a shift to fixed-rate debt.

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Year-to-date 2003 revenues for KCSR were \$428.3 million, an increase of \$11.4 million (3%) from the previous year's nine-month period. KCSR's year-to-date 2003 costs and expenses were \$9.1 million higher compared to the prior year primarily due to increased fuel (\$7.5 million), purchased services (\$4.3 million), and casualty and

insurance (\$2.8 million) expenses. Partially offsetting these increases was a \$6.4 million reduction in car hire expense over the corresponding 2002 period.

The Company's equity in earnings from Grupo TFM for the nine-month period ended September 30, 2003, decreased by approximately \$21.4 million, in part caused by a period to period reduction of \$18.4 million related to deferred tax benefits (calculated under U.S. GAAP) recorded by Grupo TFM. Also affecting the nine-month period was a \$9.0 million decrease in Grupo TFM revenues, an \$11.6 million increase in fuel costs, and a \$7.7 million reduction in deferred employee profit sharing credits.

### COMMENTS FROM THE CHAIRMAN

Michael R. Haverty, KCS's Chairman, President and Chief Executive Officer stated, "We are encouraged with KCSR's improved operating performance during the third quarter. Train velocity and on-time performance statistics rank KCSR at the forefront of the rail industry, which is a tribute to both KCSR's operating personnel and to the substantial benefits achieved through the integration of MCS, the new computer operating platform, throughout the KCSR system.

"We are also cautiously optimistic that KCSR's 5% percent revenue growth during the quarter is indicative of a strengthening economy and that it can continue to experience top line growth, especially in 2004. A combination of revenue growth and stringent cost controls resulted in KCSR operating income more than doubling over the previous year's quarter, an acceptable achievement given a 25% increase in fuel costs, and continued high natural gas prices that affected plastics commodity group shipments.

"While Grupo TFM results were not as strong as we have experienced in so many past quarters, we were encouraged that its third quarter of 2003 revenues increased over the corresponding 2002 period, another sign that the North American economy may be gaining strength. We look forward to continued revenue growth at Grupo TFM along with a strong commitment by TFM management to control operating expenses.

"The ruling of the Court of Chancery of the State of Delaware granting KCS's motion seeking a preliminary injunction preserves the status quo pending resolution of our dispute with Grupo TMM, S.A. (TMM). KCS remains committed to pursuing NAFTA Rail and will continue to aggressively pursue the integration of the three rail franchises.

"During the second quarter of 2003, we saw signs of an improving economy as, simultaneously, our U.S. rail operations were improving. Both of these trends continued during the third quarter, which gives rise to expectations that 2004 may very well be an improved year for KCS."

KCS IS COMPRISED OF, AMONG OTHERS, THE KANSAS CITY SOUTHERN RAILWAY COMPANY ("KCSR") AND EQUITY INVESTMENTS IN 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 A CURRENT REPORT ON FORM 8-K DATED

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DECEMBER 11, 2001 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.

KANSAS CITY SOUTHERN  
CONSOLIDATED STATEMENTS OF INCOME  
(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)  
(Unaudited)

|   | THREE MONTHS<br>ENDED SEPTEMBER 30, |          | NINE MONTHS<br>ENDED SEPTEMBER 30, |
|---|-------------------------------------|----------|------------------------------------|
|   | 2003                                | 2002     | 2003                               |
| REVENUES  | \$ 146.3                            | \$ 138.9 | \$ 432.8                           |
| Costs and expenses  | 115.2                               | 116.9    | 348.8                              |
| Depreciation and amortization   | 16.2                                | 15.8     | 48.1                               |
| OPERATING INCOME  | 14.9                                | 6.2      | 35.9                               |
| Equity in net earnings (losses) of unconsolidated affiliates:         |                                     |          |                                    |
| Grupo Transportacion Ferroviaria Mexicana, S.A. de C.V. (PRELIMINARY) | 1.6                                 | 9.8      | 6.2                                |
| Other   | (0.9)                               | (0.7)    | (1.0)                              |
| Gain on sale of Mexrail, Inc.   | -                                   | -        | -                                  |
| Interest expense  | (11.6)                              | (11.5)   | (34.8)                             |
| Debt retirement costs   | -                                   | -        | -                                  |
| Other income  | 2.0                                 | 6.5      | 4.8                                |
|   | 6.0                                 | 10.3     | 11.1                               |
| INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE |                                     |          |                                    |
| Income tax provision (benefit)  | 1.7                                 | (0.3)    | 2.6                                |
|   | 4.3                                 | 10.6     | 8.5                                |
| INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE                  |                                     |          |                                    |
| Cumulative effect of accounting change, net of income taxes           | -                                   | -        | 8.9                                |
|   | 4.3                                 | 10.6     | 17.4                               |
| NET INCOME  |                                     |          |                                    |
| PREFERRED STOCK DIVIDENDS   | 3.3                                 | 0.1      | 4.7                                |
|   | 1.0                                 | 10.5     | 12.7                               |
| NET INCOME AVAILABLE TO COMMON SHAREHOLDERS                           | \$ 1.0                              | \$ 10.5  | \$ 12.7                            |
| PER SHARE DATA:   |                                     |          |                                    |
| Basic Weighted Average Common shares outstanding (IN THOUSANDS)       | 61,765                              | 60,481   | 61,607                             |
| Basic Earnings per Common share                                       |                                     |          |                                    |
| Income before cumulative effect of accounting change                  | \$ 0.02                             | \$ 0.17  | \$ 0.06                            |
| Cumulative effect of accounting change                                | -                                   | -        | 0.15                               |

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|  |         |         |         |
|--|---------|---------|---------|
| Net income   | \$ 0.02 | \$ 0.17 | \$ 0.21 |
| Diluted Weighted Average Common shares<br>OUTSTANDING (IN THOUSANDS) | 63,143  | 62,453  | 62,998  |
| Diluted Earnings per Common share                                    |         |         |         |
| Income before cumulative effect of<br>accounting change              | \$ 0.02 | 0.17    | 0.06    |
| Cumulative effect of accounting change                               | -       | -       | 0.14    |
| Net income   | \$ 0.02 | \$ 0.17 | \$ 0.20 |

GRUPO TRANSPORTACION FERROVIARIA MEXICANA  
CONSOLIDATED INCOME STATEMENT - UNAUDITED  
U.S. GAAP BASIS  
(\$ IN THOUSANDS)

|   | THIRD QTR ENDED SEPTEMBER 30, |            | YEAR TO DATE |
|---|-------------------------------|------------|--------------|
|   | 2003                          | 2002       | 2003         |
| OPERATING REVENUE                           | \$ 178,247                    | \$ 175,304 | \$ 523,365   |
| OPERATING EXPENSES                          | 139,691                       | 132,059    | 420,214      |
| OPERATING PROFIT                            | 38,556                        | 43,245     | 103,151      |
| INTEREST EXPENSE                            | (27,785)                      | (27,130)   | (83,403)     |
| EXCHANGE GAIN/(LOSS)                        | (7,168)                       | (3,085)    | (10,119)     |
| OTHER INCOME (EXPENSE)                      | (15,972)                      | (2,339)    | (23,121)     |
| PRE TAX INCOME                              | (12,369)                      | 10,691     | (13,492)     |
| INCOME TAX PROVISION (BENEFIT)              | (16,263)                      | (9,937)    | (30,395)     |
| INCOME BEFORE MINORITY INTEREST             | 3,894                         | 20,628     | 16,903       |
| MINORITY INTEREST                           | (691)                         | (4,143)    | (3,395)      |
| NET INCOME                                  | \$ 3,203                      | \$ 16,485  | \$ 13,508    |
| U.S. GAAP OPERATING RATIO                   | 78.37%                        | 75.33%     | 80.29%       |
| KCS EQUITY IN NET EARNINGS OF GRUPO TFM     | \$ 1,656                      | \$ 9,841   | \$ 6,454     |
| LESS: ALLOCATION OF INTEREST                | (3,864)                       | (3,819)    | (11,583)     |
| ADJUSTED CONTRIBUTION TO NET INCOME OF KCS1 | \$ (2,208)                    | \$ 6,022   | \$ (5,129)   |

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1 This schedule includes a measurement that is not presented under U.S. GAAP. The adjusted contribution of Grupo TFM to the net income of KCS includes an internal allocation of interest expense applied against the equity in net earnings of the Company's investment in Grupo TFM. Management believes this interest expense allocation results in a more accurate reflection of the contribution of Grupo TFM to the consolidated net income of KCS. The interest expense allocation is based upon the initial amount of capital invested by KCS in Grupo TFM and is calculated utilizing a blended interest rate applicable to the Company's indebtedness composition. This measurement is presented to provide the reader of these financial statements with a better understanding of the impact of financing costs on the contribution of Grupo TFM to the consolidated net income of KCS. The nearest U.S. GAAP measurement is included in the consolidated statements of income included in this press release.

EXHIBIT 99.2

KANSAS CITY SOUTHERN  
OPERATING STATEMENTS  
DOLLARS IN MILLIONS

|                                      | THIRD QUARTER<br>2003 | THIRD QUARTER<br>2002 | YEAR TO DATE<br>2003 | YEAR |
|--------------------------------------|-----------------------|-----------------------|----------------------|------|
| Revenues                             |                       |                       |                      |      |
| Freight Revenue                      | \$ 93.7               | \$ 88.2               | \$ 278.8             | \$   |
| Intermodal and Automotive<br>Revenue | 15.3                  | 15.5                  | 43.7                 |      |
| Unit Coal Revenue                    | 23.0                  | 23.7                  | 68.5                 |      |
| Haulage Revenue                      | 2.7                   | 2.5                   | 7.9                  |      |
| Other Revenue                        | 11.6                  | 9.0                   | 33.9                 |      |
| Total Revenues                       | 146.3                 | 138.9                 | 432.8                |      |
| Operating Expenses                   |                       |                       |                      |      |
| Compensation                         | 34.0                  | 36.1                  | 101.6                |      |
| Fringe Benefits                      | 14.4                  | 15.1                  | 44.8                 |      |
| Fuel                                 | 11.2                  | 8.9                   | 35.3                 |      |
| Material and Supplies                | 6.7                   | 6.1                   | 21.3                 |      |
| Car Hire                             | 2.8                   | 5.6                   | 8.5                  |      |
| Purchased Services                   | 15.8                  | 15.6                  | 46.1                 |      |
| Casualties & Insurance               | 9.7                   | 6.9                   | 26.2                 |      |
| Other                                | 1.9                   | 4.8                   | 10.5                 |      |
| Net Operating Expenses               | 96.5                  | 99.1                  | 294.3                |      |
| Fixed Expenses                       |                       |                       |                      |      |
| Leases, Net                          | 14.9                  | 13.8                  | 43.4                 |      |
| Depreciation                         | 16.2                  | 15.8                  | 48.1                 |      |
| Taxes (Other Than Income)            | 3.8                   | 4.0                   | 11.1                 |      |



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|                      |         |        |         |    |
|----------------------|---------|--------|---------|----|
| Total Fixed Expenses | 34.9    | 33.6   | 102.6   |    |
| Total Expenses       | 131.4   | 132.7  | 396.9   |    |
| Operating Income     | \$ 14.9 | \$ 6.2 | \$ 35.9 | \$ |

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, 2003  
 DOLLARS IN THOUSANDS

| CARLOADINGS                   |         |         | REVENUE                 |           |        |        |
|-------------------------------|---------|---------|-------------------------|-----------|--------|--------|
| Year to Date                  |         | %       | Year to Date            |           | %      |        |
| 2003                          | 2002    | Change  | 2003                    | 2002      | Change |        |
| COAL                          |         |         |                         |           |        |        |
| 139,117                       | 152,203 | (8.6)%  | \$ 68,550               | \$ 72,907 | (6.0)  |        |
| 2,375                         | 3,153   | (24.7)% | 1,318                   | 1,748     | (24.6) |        |
| 141,492                       | 155,356 | (8.9)%  | Total                   | 69,868    | 74,655 | (6.4)  |
| CHEMICAL & PETROLEUM PRODUCTS |         |         |                         |           |        |        |
| 4,288                         | 4,404   | (2.6)%  | Agri Chemicals          | 2,854     | 3,173  | (10.1) |
| 11,116                        | 10,671  | 4.2%    | Gases                   | 11,001    | 10,469 | 5.1    |
| 16,560                        | 16,839  | (1.7)%  | Organic                 | 17,510    | 17,474 | 0.2    |
| 16,491                        | 15,153  | 8.8%    | Inorganic               | 17,160    | 16,296 | 5.3    |
| 41,276                        | 40,252  | 2.5%    | Petroleum               | 27,961    | 28,963 | (3.5)  |
| 14,672                        | 21,980  | (33.2)% | Plastics                | 15,944    | 21,758 | (26.7) |
| 104,403                       | 109,299 | (4.5)%  | Total                   | 92,430    | 98,133 | (5.8)  |
| AGRICULTURE AND MINERALS      |         |         |                         |           |        |        |
| 32,872                        | 34,641  | (5.1)%  | Domestic Grain          | 26,732    | 26,888 | (0.6)  |
| 13,220                        | 9,782   | 35.1%   | Export Grain            | 10,524    | 8,055  | 30.7   |
| 24,943                        | 20,762  | 20.1%   | Food Products           | 20,224    | 17,778 | 13.8   |
| 19,114                        | 16,399  | 16.6%   | Ores and Minerals       | 10,939    | 9,233  | 18.5   |
| 12,360                        | 11,924  | 3.7%    | Stone, Clay & Glass     | 9,576     | 9,188  | 4.2    |
| 102,509                       | 93,508  | 9.6%    | Total                   | 77,995    | 71,142 | 9.6    |
| PAPER & FOREST PRODUCTS       |         |         |                         |           |        |        |
| 70,839                        | 65,608  | 8.0%    | Pulp/Paper              | 56,164    | 49,698 | 13.0   |
| 5,184                         | 4,597   | 12.8%   | Scrap Paper             | 3,214     | 2,708  | 18.7   |
| 22,751                        | 24,424  | (6.8)%  | Pulpwood/Logchips       | 10,423    | 10,112 | 3.1    |
| 22,861                        | 20,869  | 9.5%    | Lumber/Plywood          | 22,153    | 19,183 | 15.5   |
| 13,582                        | 13,904  | (2.3)%  | Metal/Scrap             | 11,640    | 11,487 | 1.3    |
| 4,725                         | 5,425   | (12.9)% | Military/Other Carloads | 6,154     | 7,569  | (18.7) |

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|         |         |         |                          |            |            |         |
|---------|---------|---------|--------------------------|------------|------------|---------|
| 139,942 | 134,827 | 3.8%    | Total                    | 109,748    | 100,757    | 8.9%    |
| -----   | -----   |         |                          | -----      | -----      |         |
| 5,225   | 11,177  | (53.3)% | INTERMODAL & AUTOMOTIVE  |            |            |         |
| 224,307 | 211,395 | 6.1%    | Automotive               | 4,137      | 7,800      | (47.0)% |
| -----   | -----   |         | Intermodal               | 39,559     | 38,531     | 2.7%    |
| 229,532 | 222,572 | 3.1%    | Total                    | 43,696     | 46,331     | (5.7)%  |
| -----   | -----   |         |                          | -----      | -----      |         |
| 717,878 | 715,562 | 0.3%    | TOTAL FOR BUSINESS UNITS | 393,737    | 391,018    | 0.7%    |
| 27,106  | 17,698  | 53.2%   | HAULAGE                  | 7,944      | 7,545      | 5.3%    |
| (2,809) | (4,934) | 43.1%   | Adjustments              | (1,025)    | (3,815)    | 73.1%   |
| -----   | -----   |         |                          | -----      | -----      |         |
| 742,175 | 728,326 | 1.9%    | TOTAL                    | \$ 400,656 | \$ 394,748 | 1.5%    |
| =====   | =====   |         |                          | =====      | =====      |         |

NOTE:

CERTAIN PRIOR YEAR AMOUNTS HAVE BEEN RECLASSIFIED TO CONFORM TO THE CURRENT YEAR PRESENTATION.

KANSAS CITY SOUTHERN RAILWAY  
CARLOADINGS BY COMMODITY - THIRD QUARTER 2003  
DOLLARS IN THOUSANDS

| CARLOADINGS   |        |         | REVENUE                       |               |           |         |
|---------------|--------|---------|-------------------------------|---------------|-----------|---------|
| Third Quarter |        | %       |                               | Third Quarter |           | %       |
| 2003          | 2002   | Change  |                               | 2003          | 2002      | Change  |
| -----         | -----  | -----   |                               | -----         | -----     | -----   |
| 47,751        | 49,108 | (2.8)%  | Coal                          |               |           |         |
| 847           | 1,141  | (25.8)% | Unit Coal                     | \$ 23,049     | \$ 23,701 | (2.8)%  |
| -----         | -----  |         | Other Coal                    | 505           | 666       | (24.2)% |
| 48,598        | 50,249 | (3.3)%  | Total                         | 23,554        | 24,367    | (3.3)%  |
| -----         | -----  |         |                               | -----         | -----     |         |
| 1,455         | 1,191  | 22.2%   | CHEMICAL & PETROLEUM PRODUCTS |               |           |         |
| 3,637         | 3,843  | (5.4)%  | Agri Chemicals                | 971           | 836       | 16.1%   |
| 5,802         | 5,447  | 6.5%    | Gases                         | 3,642         | 3,762     | (3.2)%  |
| 5,305         | 4,917  | 7.9%    | Organic                       | 6,146         | 5,944     | 3.4%    |
| 13,537        | 13,099 | 3.3%    | Inorganic                     | 5,500         | 5,431     | 1.3%    |
| 4,363         | 7,101  | (38.6)% | Petroleum                     | 9,332         | 9,309     | 0.2%    |
| -----         | -----  |         | Plastics                      | 5,045         | 7,179     | (29.7)% |
| 34,099        | 35,598 | (4.2)%  | Total                         | 30,636        | 32,461    | (5.6)%  |
| -----         | -----  |         |                               | -----         | -----     |         |
| 9,644         | 10,376 | (7.1)%  | AGRICULTURE AND MINERALS      |               |           |         |
| 4,993         | 2,336  | 113.7%  | Domestic Grain                | 7,854         | 8,244     | (4.7)%  |
| 8,367         | 6,907  | 21.1%   | Export Grain                  | 3,914         | 1,808     | 116.5%  |
| 6,424         | 5,352  | 20.0%   | Food Products                 | 6,843         | 5,910     | 15.8%   |
| 4,372         | 4,123  | 6.0%    | Ores and Minerals             | 3,707         | 3,052     | 21.5%   |
|               |        |         | Stone, Clay & Glass           | 3,320         | 3,154     | 5.3%    |

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|                         |         |         |                          |            |            |         |
|-------------------------|---------|---------|--------------------------|------------|------------|---------|
| 33,800                  | 29,094  | 16.2%   | Total                    | 25,638     | 22,168     | 15.0%   |
| PAPER & FOREST PRODUCTS |         |         |                          |            |            |         |
| 24,439                  | 22,979  | 6.4%    | Pulp/Paper               | 19,853     | 17,732     | 12.0%   |
| 1,797                   | 1,671   | 7.5%    | Scrap Paper              | 1,115      | 978        | 14.0%   |
| 7,503                   | 7,320   | 2.5%    | Pulpwood/Logs/Chips      | 3,424      | 3,151      | 8.7%    |
| 7,950                   | 7,103   | 11.9%   | Lumber/Plywood           | 7,670      | 6,577      | 16.6%   |
| 4,544                   | 4,960   | (8.4)%  | Metal/Scrap              | 4,037      | 3,945      | 2.3%    |
| 1,459                   | 1,926   | (24.2)% | Military/Other carloads  | 1,363      | 2,294      | (40.6)% |
| 47,692                  | 45,959  | 3.8%    | Total                    | 37,462     | 34,677     | 8.0%    |
| INTERMODAL & AUTOMOTIVE |         |         |                          |            |            |         |
| 2,080                   | 1,696   | 22.6%   | Automotive               | 1,524      | 1,472      | 3.5%    |
| 77,799                  | 77,182  | 0.8%    | Intermodal               | 13,744     | 14,021     | (2.0)%  |
| 79,879                  | 78,878  | 1.3%    | Total                    | 15,268     | 15,493     | (1.5)%  |
| 244,068                 | 239,778 | 1.8%    | TOTAL FOR BUSINESS UNITS | 132,558    | 129,166    | 2.6%    |
| 9,240                   | 4,993   | 85.1%   | HAULAGE                  | 2,746      | 2,583      | 6.3%    |
| (1,074)                 | (1,411) | 23.9%   | Adjustments              | -          | (1,275)    | 100.0%  |
| 252,234                 | 243,360 | 3.6%    | TOTAL                    | \$ 135,304 | \$ 130,474 | 3.7%    |

NOTE:

CERTAIN PRIOR YEAR AMOUNTS HAVE BEEN RECLASSIFIED TO CONFORM TO THE CURRENT YEAR PRESENTATION.

KANSAS CITY SOUTHERN  
CONSOLIDATED BALANCE SHEETS  
(DOLLARS IN MILLIONS)

|                                 | SEPTEMBER 30, 2003<br>(UNAUDITED) | PRELIMINARY<br>DECEMBER 31, 2002 |
|---------------------------------|-----------------------------------|----------------------------------|
| ASSETS                          |                                   |                                  |
| Cash                            | \$ 227.4                          | \$                               |
| Accounts receivable             | 113.0                             |                                  |
| Inventories                     | 36.2                              |                                  |
| Other current assets            | 18.0                              |                                  |
| Total current assets            | 394.6                             |                                  |
| Investments                     | 433.8                             |                                  |
| Properties, net of depreciation | 1,348.9                           | 1,348.9                          |
| Other assets                    | 37.9                              |                                  |

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|  |            |       |
|--|------------|-------|
| Total assets                               | \$ 2,215.2 | \$ 2  |
| =====                                      |            |       |
| LIABILITIES AND STOCKHOLDERS' EQUITY       |            |       |
| Current portion of long-term debt          | \$ 10.0    | \$    |
| Accounts payable                           | 43.8       |       |
| Accrued liabilities                        | 139.7      |       |
|  | -----      | ----- |
| Total current liabilities                  | 193.5      |       |
| Long-term debt                             | 568.7      |       |
| Deferred income taxes                      | 393.9      |       |
| Other                                      | 92.9       |       |
| Stockholders' equity                       | 966.2      |       |
|  | -----      | ----- |
| Total liabilities and stockholders' equity | \$ 2,215.2 | \$ 2  |
| =====                                      |            |       |