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KANSAS CITY SOUTHERN
Form 8-K
March 31, 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):
MARCH 30, 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)

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) | DOCUMENT |
|---------------------|--|
| 99.1 | Press Release issued by Kansas City Southern dated March 30, 2004 entitled, "KCS Files 2003 Form 10-K with SEC; Reports Final Earnings for 2003. KCS to seek |

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Renewed Authority From Mexican Competition Commission," is attached hereto as Exhibit 99.1

ITEM 12. RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

Kansas City Southern ("KCS" or "Company") is filing under Item 12 of this Current Report on Form 8-K the information included as Exhibit 99.1 of this report. Exhibit 99.1 is the Company's press release, dated March 30, 2004, announcing that KCS has filed its 2003 Form 10-K reporting final earnings for 2003. Additionally, in an unrelated matter, the press release announced that the Company is seeking renewed authority from the Mexican Competition Commission. See Exhibit 99.1 for further information. Included in Exhibit 99.1 are schedules regarding certain financial information contained within the Company's press release dated March 30, 2004.

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: March 31, 2004

By: /S/ RONALD G. RUSS

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Ronald G. Russ
Executive Vice President and Chief Financial 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

Date: March 30, 2004

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

Phone: 816/983-1551

KCS FILES 2003 FORM 10-K WITH SEC; REPORTS FINAL EARNINGS RESULTS FOR 2003
KCS TO SEEK RENEWED AUTHORITY FROM MEXICAN COMPETITION COMMISSION

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Kansas City Southern (KCS or the Company) (NYSE: KSU) today filed its Annual Report on Form 10-K with the Securities and Exchange Commission (SEC), and released its final earnings for the year ended December 31, 2003.

On January 29, 2004, KCS released its financial earnings results for 2003, which included estimated equity earnings from Grupo Transportacion Ferroviaria Mexicana, S.A. de C.V. (Grupo TFM). The 10-K filing today reflects an increase in net income to \$12.2 million from \$11.2 million reported earlier, and a corresponding \$0.02 increase in 2003 annual earnings per share to \$0.10 from \$0.08. These adjustments in earnings primarily resulted from additional U.S. GAAP deferred tax adjustments at Grupo TFM.

Attached to this release is KCS's revised Consolidated Statement of Income for 2003. Also attached are further details of Grupo TFM's U.S. GAAP earnings, and a reconciliation of these earnings to equity earnings reported by KCS. The Company believes the additional information provides the investor with a better understanding of those components of Grupo TFM's earnings and how they impact KCS's net income.

In a separate matter, KCS announced it intends to seek renewed authority from the Mexican Competition Commission (FCC) for the proposed NAFTA Rail transaction. The FCC granted that authority on June 19, 2003, and the authority was previously extended for 180 days by the Executive Secretary of the FCC. As a procedural matter, the Executive Secretary of the FCC declined to provide an additional extension, consistent with past practice.

KCS is continuing to review its alternatives in light of the recent decision by the AAA International Centre for Dispute Resolution that the Acquisition Agreement remains valid and in effect. KCS remains committed to completing the acquisition in accordance with the terms of the Acquisition Agreement.

KCS is comprised of, among others, The Kansas City Southern Railway Company, and equity investments in Grupo TFM, Southern Capital Corporation, and Panama Canal Railway Company.

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

| | THREE MONTHS ENDED DECEMBER 31, | | YEAR ENDED DECEMBER 31, | |
|-------------------------------|------------------------------------|----------|----------------------------|----------|
| | 2003 | 2002 | 2003 | 2002 |
| | (UNAUDITED) | | | |
| REVENUES | \$ 148.5 | \$ 144.2 | \$ 581.3 | \$ 566.0 |
| OPERATING EXPENSES | | | | |
| Compensation and benefits | 51.4 | 50.7 | 197.8 | 197.0 |
| Depreciation and amortization | 16.2 | 16.1 | 64.3 | 61.0 |
| Purchased services | 17.4 | 16.1 | 63.5 | 59.0 |
| Casualties and insurance | 30.2 | 3.2 | 56.4 | 25.0 |
| Operating leases | 13.8 | 13.9 | 57.2 | 55.0 |
| Fuel | 12.1 | 10.7 | 47.4 | 38.0 |
| Car hire | 1.5 | 4.8 | 10.0 | 19.0 |
| Other | 12.7 | 14.8 | 55.6 | 61.0 |

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| | | | | |
|---|-----------|---------|-----------|-------|
| TOTAL OPERATING EXPENSES | 155.3 | 130.3 | 552.2 | 518 |
| OPERATING INCOME (LOSS) | (6.8) | 13.9 | 29.1 | 48 |
| Equity in net earnings (losses) of unconsolidated affiliates | | | | |
| Grupo Transportacion Ferroviaria Mexicana, S.A. de C.V. | 6.1 | 18.2 | 12.3 | 45 |
| Other | (0.3) | (0.5) | (1.3) | (2) |
| Gain on sale of Mexrail, Inc. | - | - | - | 4 |
| Interest expense | (11.6) | (11.7) | (46.4) | (45) |
| Debt retirement costs | - | - | - | (4) |
| Other income | 2.0 | 2.3 | 6.8 | 17 |
| | ----- | ----- | ----- | ----- |
| INCOME (LOSS) BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE | (10.6) | 22.2 | 0.5 | 64 |
| Income tax provision (benefit) | (5.4) | 1.8 | (2.8) | 6 |
| | ----- | ----- | ----- | ----- |
| INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE | (5.2) | 20.4 | 3.3 | 57 |
| Cumulative effect of accounting change, net of income taxes | - | - | 8.9 | |
| | ----- | ----- | ----- | ----- |
| NET INCOME (LOSS) | \$ (5.2) | \$ 20.4 | \$ 12.2 | \$ 57 |
| PREFERRED STOCK DIVIDENDS | 1.2 | 0.1 | 5.9 | 0 |
| | ----- | ----- | ----- | ----- |
| NET INCOME (LOSS) AVAILABLE TO COMMON SHAREHOLDERS | \$ (6.4) | \$ 20.3 | \$ 6.3 | \$ 57 |
| | ===== | ===== | ===== | ===== |
| PER SHARE DATA | | | | |
| ----- | | | | |
| Basic weighted average Common shares outstanding (IN THOUSANDS) | 62,053 | 60,987 | 61,725 | 60,3 |
| Basic earnings (loss) per Common share | | | | |
| Income (loss) before cumulative effect of accounting change | \$ (0.10) | \$ 0.33 | \$ (0.04) | \$ 0. |
| Cumulative effect of accounting change | - | - | 0.14 | |
| | ----- | ----- | ----- | ----- |
| Net income (loss) | \$ (0.10) | \$ 0.33 | \$ 0.10 | \$ 0. |
| | | | | |
| Diluted weighted average Common shares outstanding (IN THOUSANDS) | 62,053 | 62,642 | 61,725 | 62,3 |
| Diluted earnings (loss) per Common share | | | | |
| Income (loss) before cumulative effect of accounting change | \$ (0.10) | \$ 0.32 | \$ (0.04) | \$ 0. |
| Cumulative effect of accounting change | - | - | 0.14 | |
| | ----- | ----- | ----- | ----- |
| Net income (loss) | \$ (0.10) | \$ 0.32 | \$ 0.10 | \$ 0. |

GRUPO TRANSPORTACION FERROVIARIA MEXICANA S.A. DE C.V.
CONSOLIDATED INCOME STATEMENT
U.S. GAAP BASIS
(DOLLARS IN MILLIONS)

| | YEAR ENDED DECEMBER 31, | |
|-------------------------|-------------------------|----------|
| | 2003 | 2002 |
| Transportation revenues | \$ 698.5 | \$ 712.1 |
| Costs and expenses | 558.4 | 541.2 |

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| | | |
|--|----------|----------|
| Income on transportation | 140.1 | 170.9 |
| Other expenses, net | (32.5) | (11.7) |
| Operating income | 107.6 | 159.2 |
| Interest expense | (111.2) | (95.9) |
| Exchange gain (loss) | (13.7) | (17.4) |
| Income (loss) before taxes and minority interest | (17.3) | 45.9 |
| Income tax provision (benefit) | (51.5) | (91.5) |
| Income before minority interest | 34.2 | 137.4 |
| Minority interest | (6.9) | (27.2) |
| Net income | \$ 27.3 | \$ 110.2 |
| U.S. GAAP Operating Ratio | 84.6% | 77.6% |
| KCS Equity in Net Earnings of Grupo TFM | \$ 12.3 | \$ 45.8 |
| Less: Allocation of Interest | (15.1) | (14.7) |
| Adjusted Contribution to Net Income of KCS 1 | \$ (2.8) | \$ 31.1 |

1This 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.

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.

