

KANSAS CITY SOUTHERN  
Form 10-Q  
July 27, 2010  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 10-Q**

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2010

or

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 1-4717

**KANSAS CITY SOUTHERN**

*(Exact name of registrant as specified in its charter)*

**Delaware**

*(State or other jurisdiction of*

*incorporation or organization)*

**427 West 12th Street,**

**44-0663509**

*(I.R.S. Employer*

*Identification No.)*

**64105**

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**Kansas City, Missouri**  
(Address of principal executive offices)

(Zip Code)

**816.983.1303**

(Registrant's telephone number, including area code)

**None**

(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at July 20, 2010
Common Stock, \$0.01 per share par value	102,554,920 Shares

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**PART I FINANCIAL INFORMATION**

**Item 1. *Financial Statements*  
Introductory Comments**

The Consolidated Financial Statements included herein have been prepared by Kansas City Southern, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ( SEC ). As used herein, KCS or the Company may refer to Kansas City Southern or, as the context requires, to one or more subsidiaries of Kansas City Southern. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles ( U.S. GAAP ) have been condensed or omitted, pursuant to such rules and regulations. The Company believes that the disclosures are adequate to enable a reasonable understanding of the information presented. The Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations included in this Form 10-Q should be read in conjunction with the consolidated financial statements and the related notes, as well as Management's Discussion and Analysis of Financial Condition and Results of Operations, included in the Company's Annual Report on Form 10-K for the year ended December 31, 2009. Results for the three and six months ended June 30, 2010 are not necessarily indicative of the results expected for the full year ending December 31, 2010.

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	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>(In millions, except share and per share amounts) (Unaudited)</b>			
Revenues	\$ 461.6	\$ 341.3	\$ 897.9	\$ 687.3
Operating expenses:				
Compensation and benefits	93.7	79.0	184.4	157.0
Purchased services	48.0	46.6	92.9	92.2
Fuel	69.1	40.2	129.9	83.5
Equipment costs	41.3	41.2	80.0	80.3
Depreciation and amortization	46.9	47.4	92.7	94.3
Casualties and insurance	0.2	7.7	12.1	20.2
Materials and other	35.2	36.1	70.5	69.1
Total operating expenses	334.4	298.2	662.5	596.6
Operating income	127.2	43.1	235.4	90.7
Equity in net earnings of unconsolidated affiliates	4.6	2.0	11.0	3.0
Interest expense	(41.9)	(45.4)	(86.3)	(87.2)
Debt retirement costs	(32.5)		(47.4)	(5.9)
Foreign exchange gain (loss)	(1.4)	6.0	1.2	0.9
Other income, net	1.0	2.9	1.5	4.4