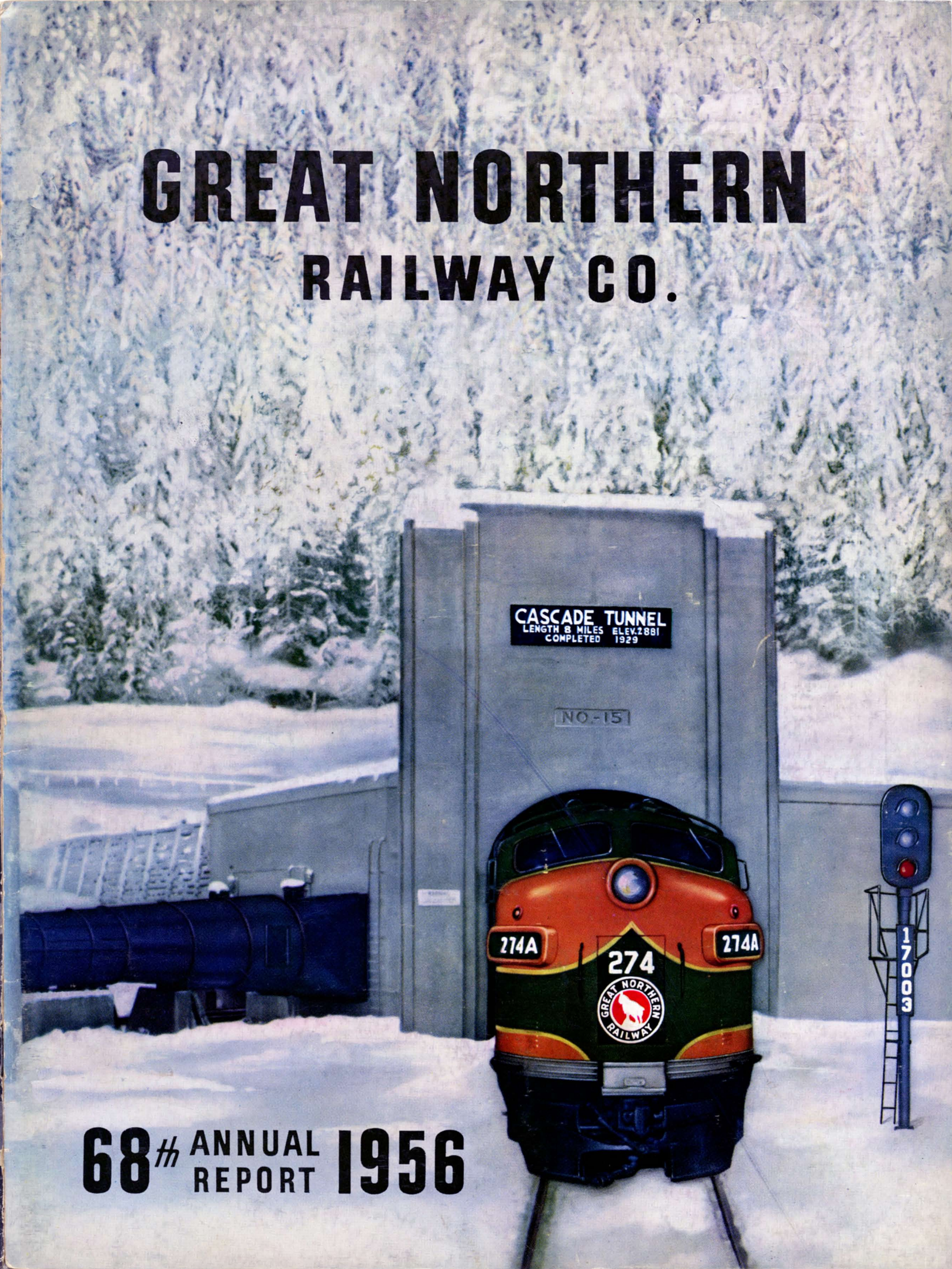
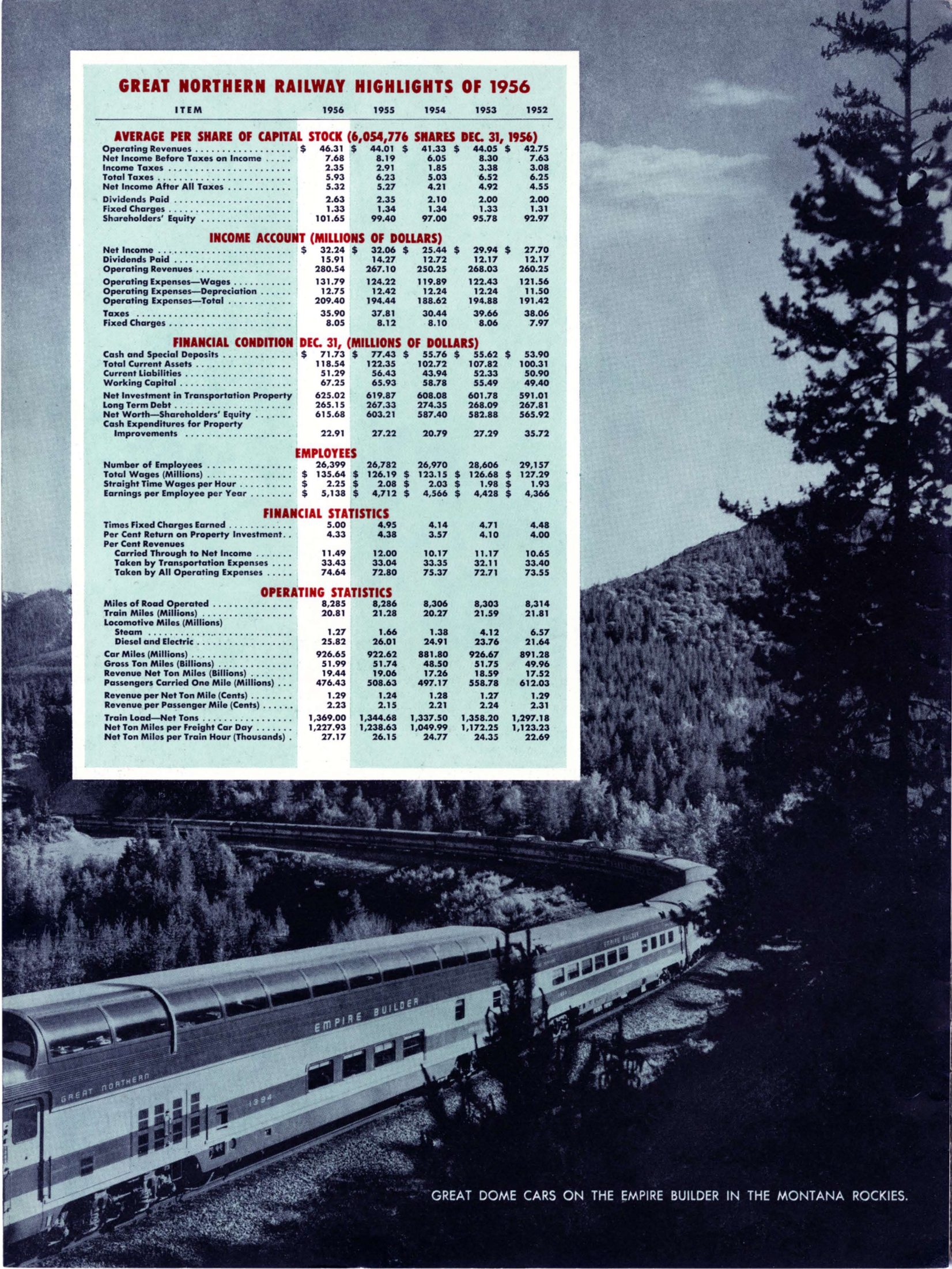
GREAT NORTHERN RAILWAY CO.



68th ANNUAL REPORT 1956

GREAT NORTHERN RAILWAY HIGHLIGHTS OF 1956

ITEM	1956	1955	1954	1953	1952
AVERAGE PER SHARE OF CAPITAL STOCK (6,054,776 SHARES DEC. 31, 1956)					
Operating Revenues	$ 46.31	$ 44.01	$ 41.33	$ 44.05	$ 42.75
Net Income Before Taxes on Income	7.68	8.19	6.05	8.30	7.63
Income Taxes	2.35	2.91	1.85	3.38	3.08
Total Taxes	5.93	6.23	5.03	6.52	6.25
Net Income After All Taxes	5.32	5.27	4.21	4.92	4.55
Dividends Paid	2.63	2.35	2.10	2.00	2.00
Fixed Charges	1.33	1.34	1.34	1.33	1.31
Shareholders' Equity	101.65	99.40	97.00	95.78	92.97
INCOME ACCOUNT (MILLIONS OF DOLLARS)					
Net Income	$ 32.24	$ 32.06	$ 25.44	$ 29.94	$ 27.70
Dividends Paid	15.91	14.27	12.72	12.17	12.17
Operating Revenues	280.54	267.10	250.25	268.03	260.25
Operating Expenses—Wages	131.79	124.22	119.89	122.43	121.56
Operating Expenses—Depreciation	12.75	12.42	12.24	12.24	11.50
Operating Expenses—Total	209.40	194.44	188.62	194.88	191.42
Taxes	35.90	37.81	30.44	39.66	38.06
Fixed Charges	8.05	8.12	8.10	8.06	7.97
FINANCIAL CONDITION DEC. 31, (MILLIONS OF DOLLARS)					
Cash and Special Deposits	$ 71.73	$ 77.43	$ 55.76	$ 55.62	$ 53.90
Total Current Assets	118.54	122.35	102.72	107.82	100.31
Current Liabilities	51.29	56.43	43.94	52.33	50.90
Working Capital	67.25	65.93	58.78	55.49	49.40
Net Investment in Transportation Property	625.02	619.87	608.08	601.78	591.01
Long Term Debt	265.15	267.33	274.35	268.09	267.81
Net Worth—Shareholders' Equity	615.68	603.21	587.40	582.88	565.92
Cash Expenditures for Property Improvements	22.91	27.22	20.79	27.29	35.72
EMPLOYEES					
Number of Employees	26,399	26,782	26,970	28,606	29,157
Total Wages (Millions)	$ 135.64	$ 126.19	$ 123.15	$ 126.68	$ 127.29
Straight Time Wages per Hour	$ 2.25	$ 2.08	$ 2.03	$ 1.98	$ 1.93
Earnings per Employee per Year	$ 5,138	$ 4,712	$ 4,566	$ 4,428	$ 4,366
FINANCIAL STATISTICS					
Times Fixed Charges Earned	5.00	4.95	4.14	4.71	4.48
Per Cent Return on Property Investment	4.33	4.38	3.57	4.10	4.00
Per Cent Revenues					
Carried Through to Net Income	11.49	12.00	10.17	11.17	10.65
Taken by Transportation Expenses	33.43	33.04	33.35	32.11	33.40
Taken by All Operating Expenses	74.64	72.80	75.37	72.71	73.55
OPERATING STATISTICS					
Miles of Road Operated	8,285	8,286	8,306	8,303	8,314
Train Miles (Millions)	20.81	21.28	20.27	21.59	21.81
Locomotive Miles (Millions)					
Steam	1.27	1.66	1.38	4.12	6.57
Diesel and Electric	25.82	26.01	24.91	23.76	21.64
Car Miles (Millions)	926.65	922.62	881.80	926.67	891.28
Gross Ton Miles (Billions)	51.99	51.74	48.50	51.75	49.96
Revenue Net Ton Miles (Billions)	19.44	19.06	17.26	18.59	17.52
Passengers Carried One Mile (Millions)	476.43	508.63	497.17	558.78	612.03
Revenue per Net Ton Mile (Cents)	1.29	1.24	1.28	1.27	1.29
Revenue per Passenger Mile (Cents)	2.23	2.15	2.21	2.24	2.31
Train Load—Net Tons	1,369.00	1,344.68	1,337.50	1,358.20	1,297.18
Net Ton Miles per Freight Car Day	1,227.93	1,238.63	1,049.99	1,172.25	1,123.23
Net Ton Miles per Train Hour (Thousands)	27.17	26.15	24.77	24.35	22.69



GREAT DOME CARS ON THE EMPIRE BUILDER IN THE MONTANA ROCKIES.

68TH ANNUAL REPORT

GREAT NORTHERN RAILWAY COMPANY

1956

69 TALKBACK SPEAKERS IN GAVIN YARD, ENABLES YARDMASTER AND MEN IN ANY SECTION OF THE YARD TO CONVERSE WITH ONE ANOTHER.

GREAT NORTHERN RAILWAY COMPANY

DIRECTORS AND OFFICERS

STOCKHOLDERS

36,539 Stockholders, November 23, 1956.

DIRECTORS

TERM EXPIRES MAY	
1957	J. STEWART BAKER, *Chairman Executive Committee, The Chase Manhattan Bank, New York.*
1958	JOHN M. BUDD, *President, Great Northern Railway Company, St. Paul.*
1958	THOMAS L. DANIELS, *President, Archer-Daniels-Midland Company, Minneapolis.*
1957	FRANK J. GAVIN, *Chairman of the Board, Great Northern Railway Company, St. Paul.*
1959	F. PEAVEY HEFFELFINGER, *President, F. H. Peavey & Company, Minneapolis.*
1959	GRANT KEEHN, *Executive Vice President and Assistant to the Chairman, The First National City Bank of New York, New York.*
1959	RICHARD C. LILLY, *Director, First National Bank of Saint Paul, St. Paul.*
1958	WILLIAM L. McKNIGHT, *Chairman of the Board, Minnesota Mining and Manufacturing Company, St. Paul.*
1957	JAMES F. OATES, JR., *Chairman, The Peoples Gas Light and Coke Company, Chicago.*
1959	WALTER G. SEEGER, *Chairman of the Board, Whirlpool-Seeger Corporation, St. Paul.*
1957	FREDERICK K. WEYERHAEUSER, *President, Weyerhaeuser Timber Company, St. Paul.*
1958	ARCHIBALD W. WITHERSPOON, *Chairman of the Board, The Old National Bank of Spokane, Spokane.*

EXECUTIVE COMMITTEE

JOHN M. BUDD
F. PEAVEY HEFFELFINGER
WILLIAM L. McKNIGHT
FRANK J. GAVIN
RICHARD C. LILLY
WALTER G. SEEGER
FREDERICK K. WEYERHAEUSER

OFFICERS

F. J. GAVIN, *Chairman of the Board, St. Paul.*
J. M. BUDD, *President, St. Paul.*
V. P. TURNBURKE, *Vice President, Executive Department, St. Paul.*
T. BALMER, *Vice President, Seattle.*
I. G. POOL, *Vice President, Operating Department, St. Paul.*
C. E. FINLEY, *Vice President, Traffic Department, St. Paul.*
E. C. MATTHIAS, *Vice President and General Counsel, St. Paul.*
J. A. TAUER, *Vice President and Comptroller, St. Paul.*
F. L. PAETZOLD, *Secretary and Treasurer, St. Paul.*

TRANSFER AGENTS

FINANCIAL OFFICE, *2 Wall Street, New York (5), N. Y.*
R. M. O'KELLY, *Assistant Secretary and Assistant Treasurer, New York.*
E. V. FINK, *Assistant Treasurer and Transfer Agent, New York.*
C. M. BYRNES, *Transfer Agent, New York.*
A. SELANDER, *Assistant Treasurer and Transfer Agent, St. Paul.*
C. F. ZIEGAHN, *Assistant Secretary and Transfer Agent, St. Paul.*

STOCKHOLDERS ANNUAL MEETING

GREAT NORTHERN BUILDING, *St. Paul, Minn., May 9, 1957.*

EMPLOYES

26,399 Average Number for 1956.

GREAT NORTHERN RAILWAY COMPANY

EXECUTIVE DEPARTMENT

J. M. BUDD
PRESIDENT

ST. PAUL 1, MINNESOTA

March 20, 1957

To our Shareholders:

With operating revenues at an all-time peak in 1956, Net income of $32.2 million was also of record-breaking proportions. Under accounting procedures required by the Interstate Commerce Commission, with respect to accelerated amortization of defense projects, 1956 earnings are in excess of normal to the extent of $.64 per share. Per share earnings were $5.32 for 1956, $5.27 for 1955 and fluctuated between $3.91 and $4.92 for each of the previous 5 years.

Dividend payments for 1956 were $2.625 per share, dividend for the last quarter being $.75 per share. For 1955 dividends were $2.35; for 1954, $2.10 per share; 1951 to 1953 they were $2.00 per share each year; and for 1950, dividend payments were $1.75 per share. For the first time fixed charges were covered over 5 times in 1956.

Until early in July the 1956 iron ore movement exceeded that for 1955, but a strike by miners virtually shut off production for 5 weeks. As a result the 1956 iron ore tonnage handled over Great Northern docks was down 4.6 million tons when compared with 1955. Pipeline construction and lower production schedules in the automotive industry also resulted in substantial traffic declines. Despite these setbacks the volume of freight traffic handled in 1956 increased to near record levels, 2% above the 1955 figure, with substantial improvement in the movement of grain, lumber, iron and steel articles, and aluminum, and in agricultural traffic from the developing Columbia Basin on Great Northern's line in north central Washington. This is an indication of the exceptional position of your Company in diversification of products handled and growth in the territory served.

Passengers carried one mile decreased 6% in 1956 compared with 1955, most of the loss being in military traffic. Passenger train miles were down over 500,000 in 1956, or 7.2%, from eliminating unprofitable trains and consolidating the Western Star and Fast Mail for a large part of their St. Paul to Seattle run during the off-peak season. Passenger revenues decreased 2.8% in 1956 and passenger service train revenues, including mail, express, etc., were off 3.3%.

A national three-year agreement with all non-operating employes provides for a wage increase equivalent to 12½¢ per hour on November 1, 1956, and a 7¢ per hour increase on November 1, 1957 and 1958, all subject to cost-of-living adjustments, and a three-year moratorium on rules affecting compensation. The firemen and switchmen have accepted a similar agreement and negotiations are continuing with other operating employes.

With wage rates and material prices at record high levels since December 1, 1955, the Interstate Commerce Commission permitted a delayed increase in freight rates, effective March 7, 1956, amounting to slightly over 5%; rail passenger fares were increased 5% on May 1, 1956, and sleeping car fares were raised 7½% on that same date.

Over 200 new industries were located on your Company's lines in 1956. Important warehouse additions were completed in the east and west, including the Columbia Basin area. Grain storage and fertilizer plants were located on the eastern part of the system and a lumber mill, hardboard plant, oil refinery, etc., placed in operation in the western district.

Study is being actively progressed of the possible merger of Great Northern and Northern Pacific Railway Companies and their subsidiaries, Chicago, Burlington & Quincy Railroad Company and Spokane, Portland and Seattle Railway System.

Among the major physical changes in 1956 were the completion of electronic freight car classification Gavin Yard at Minot, N. D., speeding the movement of freight trains and reducing yard handlings; completion of ventilating system for the 8-mile Cascade Tunnel in the state of Washington, eliminating the 75-mile electrified zone which set up a barrier to the economies from through operation of diesel locomotives; installation in general office at St. Paul of a giant Univac to reduce the cost of paper work; and the extension of centralized traffic control for 151 miles.

During 1956 the acquisition of new equipment was continued, including twenty 1,750 H.P. diesel locomotive units, 597 freight cars of various kinds and a modern combination passenger-baggage motor car.

The 1957 outlook appears promising. With a prospective increase in iron ore traffic, and a larger volume of stored grain in country elevators on line at the beginning of the year, there is every indication of a substantial volume of traffic to be moved. A 5% general increase in freight rates, with certain maximum limitations, was approved by the Interstate Commerce Commission, effective December 28, 1956, and hearings are being held on the application for further increases. The 1957 improvement and maintenance expenditures will total approximately the same as those for 1956. With the physical property in good shape and the loyal and efficient personnel available for service to the public, another successful year should be reported by Great Northern for 1957.

The annual meeting of your Company will be held at the St. Paul office, 175 East 4th Street, on Thursday, May 9, at 12 o'clock Noon. It is always a pleasure to meet the owners of the property and I hope it will be possible for many shareholders to attend. A summary account of the proceedings at the annual meeting will be mailed to all shareholders.

President

NET INCOME

FOR 1956 GREAT NORTHERN HAD A NET INCOME OF $32.24 MILLION, $5.32 PER SHARE OF STOCK OUTSTANDING AND A NEW HIGH FOR THE SECOND CONSECUTIVE YEAR. NET INCOME FOR 1955 WAS $32.06 MILLION OR $5.27 PER SHARE, AND FOR 1954, $25.44 MILLION OR $4.21 PER SHARE.

Tax deferments now being realized under Interstate Commerce Commission accounting rules because of accelerated amortization of defense projects amounted to $.64 per share for 1956, $.61 per share for 1955 and $.56 per share for 1954. These amounts will decrease hereafter and disappear by 1962. Tax deferments realized from accelerated depreciation under the Internal Revenue Code of 1954 amounted to $.05 per share in 1956 and is increasing approximately $.01 per share annually as new property is acquired. Accounting for accelerated tax depreciation to reflect its effect on net income is now receiving consideration and study by the Interstate Commerce Commission and the railroads.

Great Northern's equity in the undistributed earnings of Chicago, Burlington & Quincy R. R. Co., Spokane, Portland and Seattle Ry. Co. and Western Fruit Express Co., for 1956 amounted to $7.6 million or $1.26 per share of Great Northern stock, the same as for the previous three years.

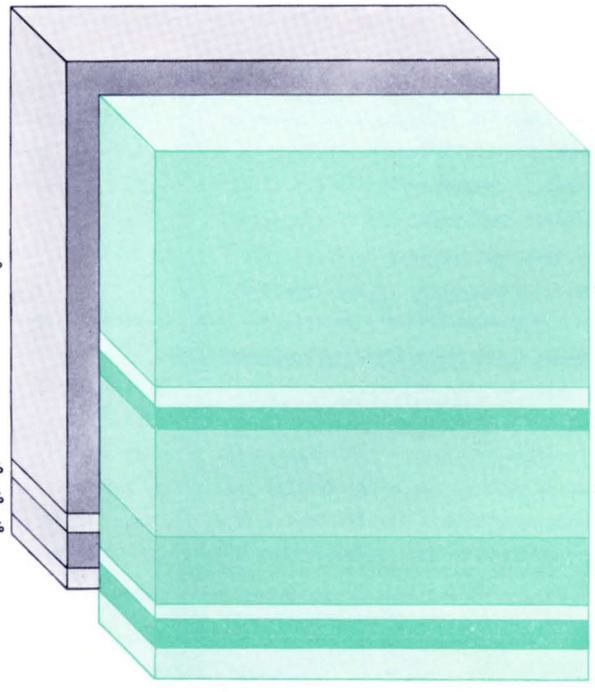
THE DIVIDEND RATE WAS INCREASED FOR THE LAST QUARTER OF 1956 FROM $.625 TO $.75 PER SHARE, AND PAYOUTS PER SHARE FOR THE ENTIRE YEAR WERE $2.625 FOR 1956, $2.35 FOR 1955, $2.10 FOR 1954 AND $2.00 FOR 1953.

Operating revenues for 1956 were over $280 million, a new record, up $13.4 million from the 1955 figures. It is unfortunate that more of this increase could not have been translated into net income. Delay in granting rate relief by the Interstate Commerce Commission and their failure to grant the full increase requested while peak wage and material costs were running were partly responsible for this situation. In 1956 there was a continuance of the improvement in operating efficiency as measured by the increase in traffic units per man hour worked. It is difficult, however, to build up net income as long as there continues to be a decrease in traffic units produced per dollar of wages paid. Tax accruals were down $1.9 million, largely due to non-recurring income tax adjustments.

For the first time fixed charges were earned more than 5 times in 1956. In recent years the coverage has been generally between 4 and 5 times, the average for the 5 years 1951 to 1955 being 4.4 times.

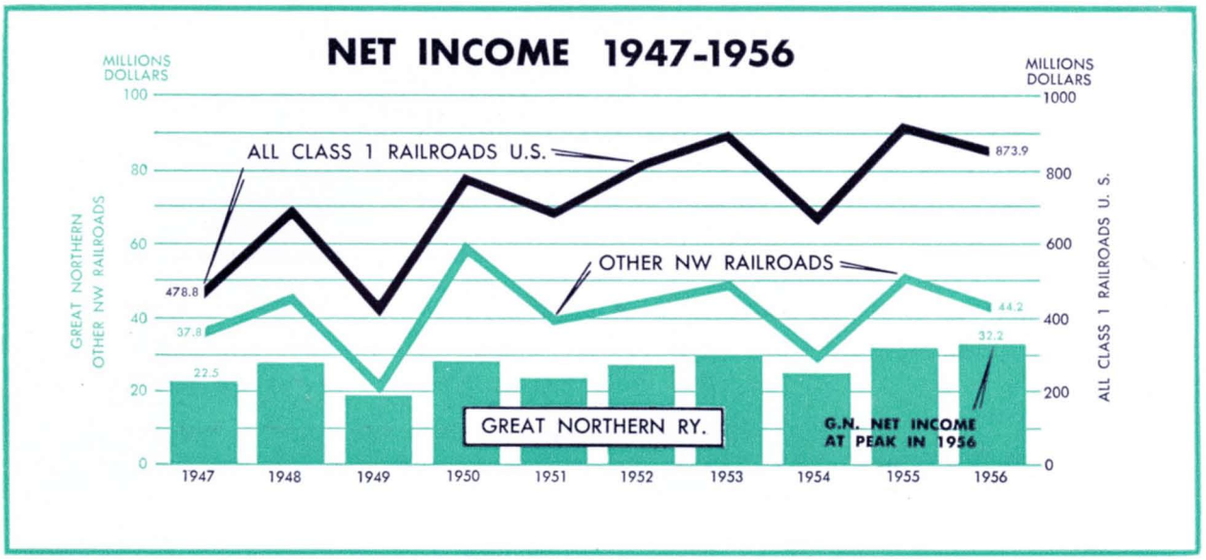
1956 INCOME

$250,885,005	FREIGHT	86.2%
10,637,136	PASSENGER	3.7%
19,020,363	OTHER REVENUE	6.5%
10,316,076	OTHER INCOME	3.6%
$290,858,580		



1956 OUTGO

45.3%	WAGES	$131,791,417
3.6%	FUEL	10,390,059
4.4%	DEPRECIATION	12,747,144
20.6%	OTHER OPERATING EXPENSES, RENTS, ETC.	59,737,148
12.3%	TAXES	35,899,918
2.7%	FIXED CHARGES	8,053,426
5.5%	DIVIDENDS PAID	15,910,682
5.6%	FOR REINVESTMENT ETC.	16,328,786
		$290,858,580



FINANCIAL POSITION AT END OF YEAR

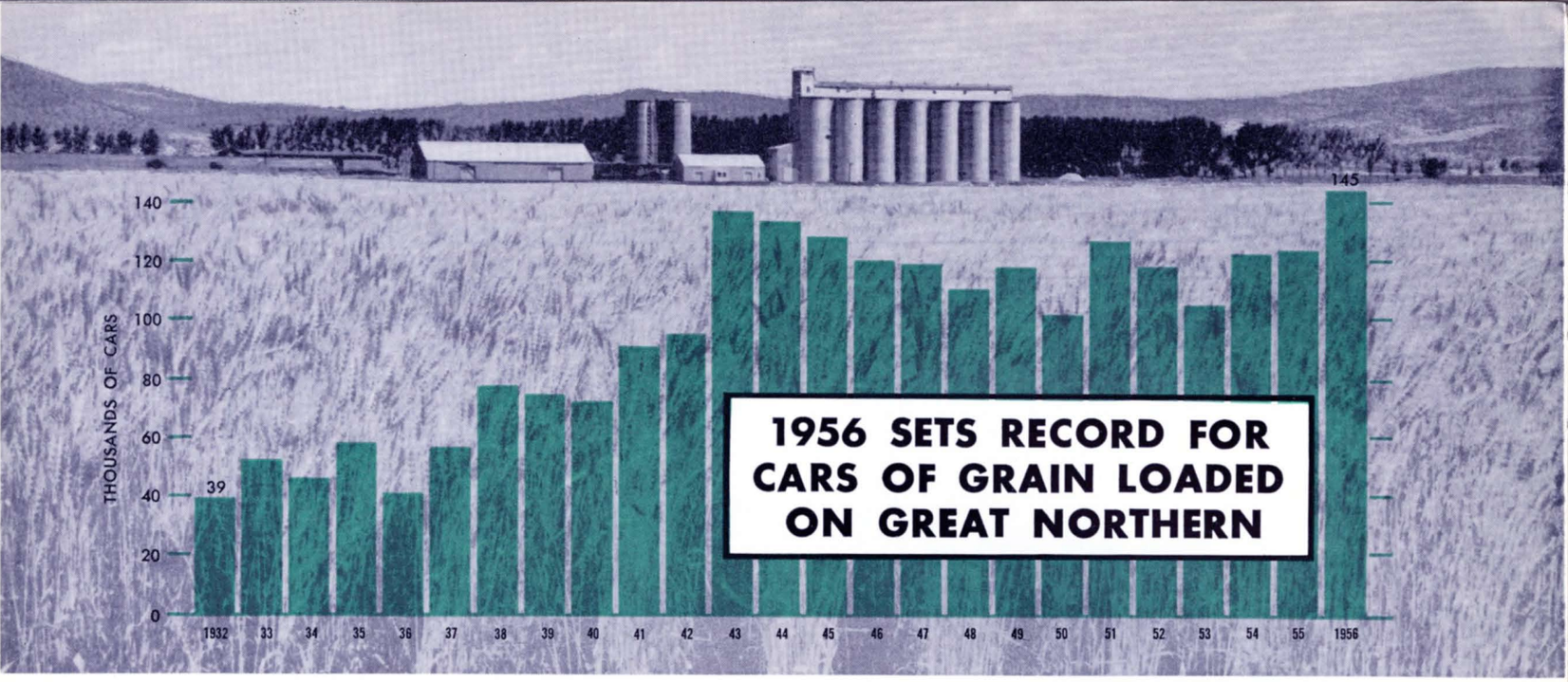
Cash, including temporary cash investments, was $71.7 million at the end of 1956, current assets including these cash items were $118.5 million, and current liabilities amounted to $51.3 million. Working capital, the excess of current assets over current liabilities, totalled $67.2 million. At the end of 1955 working capital was $65.9 million.

GREAT NORTHERN'S FINANCIAL POSITION AT END OF 1956

QUICK ASSETS:	1956
Cash and special deposits	$ 71,727,134
Due from agents, conductors and others	15,149,104
Material and supplies on hand	31,663,799
Total quick assets, readily convertible into cash	$118,540,037

CURRENT LIABILITIES:	1956
Employes' pay checks outstanding	$ 8,264,604
Taxes not yet due	22,790,995
Bond interest due and paid January 1	3,120,502
Other current liabilities	17,118,097
Total current liabilities	$ 51,294,198

	1956	1955
"WORKING CAPITAL":		
The excess of quick assets over current liabilities	**$ 67,245,839**	**$ 65,926,645**
GREAT NORTHERN'S INVESTMENTS:		
Road, equipment and other property, less depreciation	$ 638,120,714	
48.59% of Chicago, Burlington & Quincy R. R. Co. stock	109,245,456	
50% of Spokane, Portland and Seattle Ry. Co. stock and bonds	41,248,500	
Capital and other reserve funds	3,752,429	
Other stocks, bonds, etc.	24,389,338	
Deferred and unadjusted items	7,849,841	
Total investments	**$824,606,278**	**$814,239,780**
GREAT NORTHERN'S OTHER OBLIGATIONS:		
To investors for bonds and notes outstanding	$ 265,154,445	
To all others	11,017,109	
Total owed in addition to current liabilities	**$276,171,554**	**$276,958,423**
NET WORTH: "Working Capital" plus "Investments" minus "Other Obligations"	**$615,680,563**	**$603,208,002**
CAPITAL STOCK	**$267,088,675**	**$268,206,510**
RETAINED EARNINGS: "Net Worth" minus "Capital Stock"— largely invested in the property	**$348,591,888**	**$335,001,492**



OPERATING REVENUES

With a high tempo of business activity and bountiful crops in the territory served, the volume of freight traffic increased, and with higher rates the operating revenues for 1956 of $280.5 million substantially exceeded the previous highs of $268.0 million in 1953, and $267.1 million in 1955. Important revenue sources were:

Source of Revenue	Operating Revenues (In Millions) 1956	1955	1953 (Previous High)
Iron ore	$ 31.5	$ 33.7	$ 34.9
Other freight	223.8	207.3	205.7
Passenger	10.6	10.9	12.5
Mail	7.4	7.8	7.6
Express	2.1	2.1	2.5
All other	5.1	5.3	4.8
Total	280.5	267.1	268.0

Revenue from iron ore was 11.2% of all revenues in 1956, 12.6% in 1955 and 13.0% in 1953.

1. FREIGHT SERVICE

For the third year revenue net ton miles exceeded 19 billion with 19.44 billion reported for 1956. In 1955 some 19.06 billion revenue net ton miles were produced and in 1944, a war year, the revenue net ton miles reached an all-time high of 19.59 billion. Excluding iron ore, the total car loads handled in 1956, over 859 thousand, exceeded the 1955 movement by 22 thousand cars and was the largest volume handled in over 10 years.

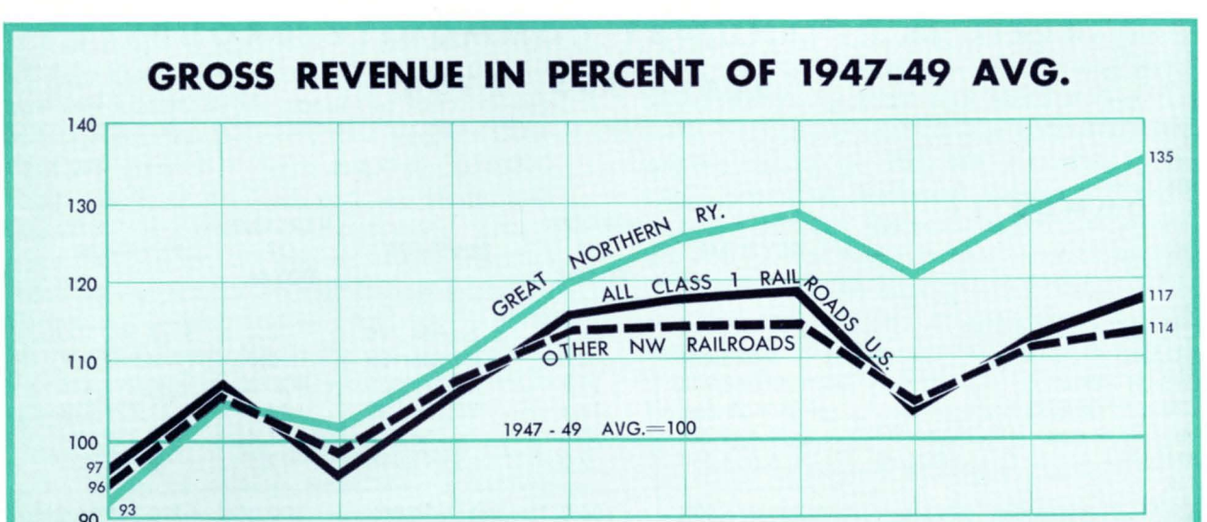
Important freight rate changes, to partially offset higher wage rates, material costs and taxes, approved by the Interstate Commerce Commission, included:

1. Effective March 7, 1956, a 5% increase in rates on grain and its products, livestock, fresh meats, etc., and a 6% increase in rates on other commodities generally with maximums and "hold-downs" on lumber, coal, sugar, fresh fruits and vegetables, etc. **The competitive disability of far western producers has forced the imposition of limitations, called "hold-downs", on general freight rate increases for the purpose of preserving market relationships with competitors located much nearer the great consuming areas.** The net effect on Great Northern operations was an increase of just over 5%.

2. Effective December 28, 1956, a general raise of 5% with certain commodities held to a maximum. Coming so late in the year this increase had little effect upon the year's operations. For 1957 these higher rates should yield an additional $11 million in freight revenues.

3. Effective October 13, 1956, a temporary voluntary reduction of 50% on hay to drought designated areas in the south and southwest. The reduced rates expired on March 31, 1957.

The average revenue per net ton mile handled in 1956 was 1.290 cents and for 1955 it was 1.240 cents. The year 1952 had the highest average revenue per net ton mile, 1.292 cents.



Box cars were in much better supply in 1956 than in 1955 and car orders were filled promptly, with minor exceptions, during the year.

Revenue by important commodities included:

Commodity	Operating Revenues (In Millions) 1956	1955
Grain and grain products	$68.0	$55.2
Lumber and wood products	37.8	36.9
Iron and steel products	8.0	6.5
Aluminum ore and products	9.3	7.1
Forwarder traffic and I. c. l.	11.4	11.0
Crude petroleum and asphalt	2.7	4.0
Petroleum products	7.6	8.7
Iron ore, including dock handling	31.5	33.7

Cars of grain loaded on line during 1956 amounted to over 145 thousand, exceeding any previous year, as shown by the chart on Page 6. In 1956 the bushels of grain transported were nearly 286 million, and in 1955 over 244 million, the largest increase being in barley and rye. Although this was due partly to moving out some old storage grain, there were actually 66.4 million bushels of grain in country elevators on line at the end of 1956, compared with 62.7 million bushels in store at the beginning of the year.

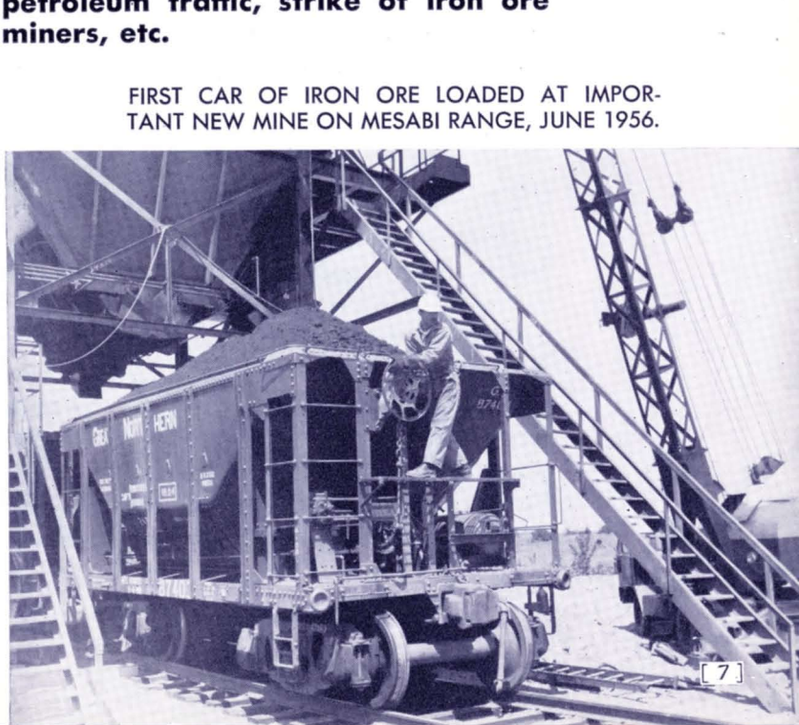
With the opening of a third aluminum reduction plant at a local point on Great Northern in August, 1956, the revenue from inbound alumina ores and outbound aluminum pig and manufactured products has mounted to an important source of revenue as indicated by the chart on page 17.

As anticipated, pipeline construction into the Williston Basin area has resulted in the loss of most of the crude petroleum movement.

The decrease in revenue from iron ore was brought about solely by a strike of miners that completely shut down mining operations from July 1 to August 6, 1956. Up to the beginning of the strike the iron ore tonnage handled over Great Northern docks was more than for the same period in 1955. The 27.3 million tons handled over the docks for the entire year 1956 were 4.6 million long tons less than for 1955.

The tabulation of "Freight Revenue By Commodity Groups" for 1954, 1955, and 1956 on Page 8 indicates that your Company is obtaining its share of the growing traffic available from agriculture and industry, and that the wide range of commodities handled permits important growth despite such set-backs as loss of crude petroleum traffic, strike of iron ore miners, etc.

FIRST CAR OF IRON ORE LOADED AT IMPORTANT NEW MINE ON MESABI RANGE, JUNE 1956.



FREIGHT REVENUE BY COMMODITY GROUPS
1956, 1955, 1954

COMMODITY	1956		1955		1954	
	REVENUE	PERCENT OF TOTAL	REVENUE	PERCENT OF TOTAL	REVENUE	PERCENT OF TOTAL
PRODUCTS OF AGRICULTURE	$ 78,953,184	31.5	$ 66,964,296	28.4	$ 68,892,100	31.2
ANIMALS AND PRODUCTS	5,027,477	2.0	4,746,185	2.0	4,947,587	2.2
PRODUCTS OF MINES	47,868,904	19.1	49,173,358	20.8	40,298,445	18.2
PRODUCTS OF FORESTS	36,051,652	14.4	35,191,229	14.9	31,721,317	14.4
MANUFACTURES AND MISCELLANEOUS	77,416,228	30.8	74,268,222	31.4	69,239,074	31.4
MERCHANDISE—ALL L. C. L. FREIGHT	5,567,560	2.2	5,892,918	2.5	5,663,663	2.6
TOTAL	$250,885,005	100.0	$236,236,208	100.0	$220,762,186	100.0

2. PASSENGER SERVICE

The revenue from passenger service has been fairly steady recently, amounting to $10.64 million in 1956, $10.94 million in 1955 and $10.97 million in 1954. The 1956 results were aided by a 5% increase in fares on all Western railroads on May 1, 1956. The average revenue per passenger mile was 2.23 cents for 1956, 2.15 cents for 1955 and 2.21 cents for 1954. Sleeping car fares were increased 7½% as of May 1, 1956.

The entire decrease in passenger revenue from 1955 to 1956 occurred in military travel on government transportation orders. Revenue from civilian travel showed a slight increase. All of the decrease in passenger revenues from 1954 to 1955 also resulted from reduced military travel.

Reduction in unprofitable passenger train operation continued in 1956. For the year 1956 passenger train service was being given on 4,639 miles of road, 1,013 less than 5 years ago. Freight service was given on 8,273 miles of road. Passenger train miles by years are shown on the chart on Page 15. **The 72 average passengers per train in 1956 was the highest during the past 10 years with one exception.**

Two important sources of economy were developed in 1956, through the consolidation of the Western Star and Fast Mail west of Williston, N. D. during the months of light passenger traffic, and by substituting a new self-propelled diesel motor car for more expensive train service between Great Falls, Mont., and Butte, Mont., and Great Falls, Mont., and Billings, Mont.

3. MAIL AND EXPRESS

Mail revenue for 1956 of $7.4 million compares with $7.8 million for 1955. About half of this decrease is due to elimination of mail space which in some instances has led to savings through the removal of unprofitable trains. The other half of the decrease is from reduction in payment for terminal service as postal employes are now doing the loading and unloading of cars at the Seattle terminal post office, work that was formerly done by Great Northern employes.

Express revenues were slightly higher in 1956, $2.11 million. In 1955 they were $2.05 million.

OPERATING EXPENSES

For 1956 operating expenses amounted to $209.4 million, up nearly $15 million—7.7% from the $194.4 million reported for 1955.

Weather conditions, that play such an important part in operating costs, were more severe early in 1956 than in the same months for 1955, but the reverse is true for the later months of the year.

Comparing 1956 with 1955, operating costs were increased not only because of higher material costs but also by substantial wage increases, effective December 1, 1955, another round of wage increases on November 1, 1956, and the assumption of health and welfare benefits for all non-operating crafts, not only for the employe but for his dependents as well.

Maintenance of Way expenditures increased from $48.2 million for 1955 to $50.2 million for 1956, an increase of approximately 4%, compared with an increase in wage rates of some 8%.

Your property continues to be well maintained. There were over 37,000 net tons of new rail laid in 1956, about the same as the average for the previous four years. Over 744,000 cross ties were applied, 616,000 cubic yards of crushed rock or stone and 102,000 cubic yards of processed gravel were used for ballast and nearly 11 miles of roadbed was reinforced with cement grouting. Continuous welded rail was laid for 30 miles on the main line in North Dakota. As a result there is a total of 60 miles of welded rail in service.

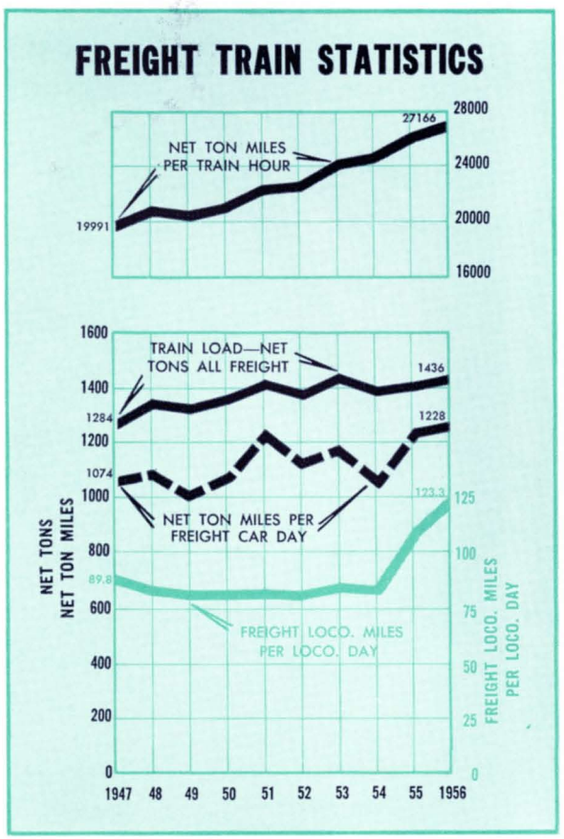
Maintenance of Equipment expenditures in 1956 of $48.3 million were $6.7 million—16% above the 1955 charges of $41.6 million. The increase was due in part to wage and material costs, in part to the lower cost of freight car maintenance in 1955 when the extreme car shortage was encountered, and in part to a more concentrated maintenance program with fewer units held out of service for repairs. Unserviceable freight cars in 1956 averaged only 2.7% compared with 2.9% for 1955, and unserviceable locomotives of 7.0% for 1955 were reduced to 6.3% for 1956.

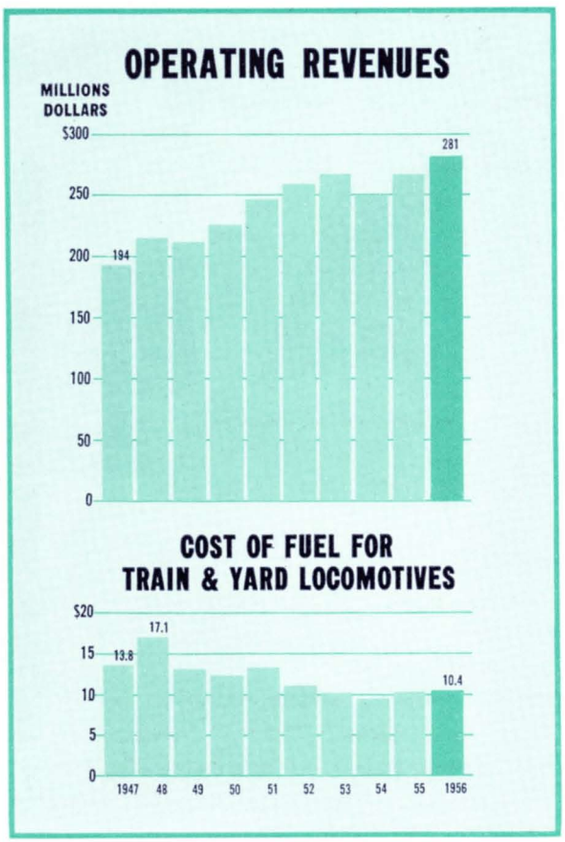
Included in the Maintenance of Equipment expenses was $9.1 million for equipment depreciation for 1956 and $8.7 million for 1955.

Transportation expenses include direct train, yard and station service costs and were $93.8 million for 1956 and $88.3 million for 1955, increasing $5.5 million or 6.3%, due almost entirely to increase in wage rates. Notwithstanding the larger volume of freight handled and the increase in price of diesel oil, charges for fuel for train locomotives for 1956 were actually slightly less than for 1955. Another reassignment of operating division limits permitted the elimination of one division on the west end of the line. An additional 151 miles of centralized traffic control put in service late in the year should result in further operating economies hereafter.

The lag in granting rate increases in 1956 while higher costs were being experienced resulted in a higher operating ratio for 1956.

Year	Ratio of Operating Expenses to Revenues	Ratio of Transportation Expenses to Revenues
1956.....	74.6%	33.4%
1955.....	72.8	33.0
1954.....	75.4	33.4
1953.....	72.7	32.1
1952.....	73.6	33.4

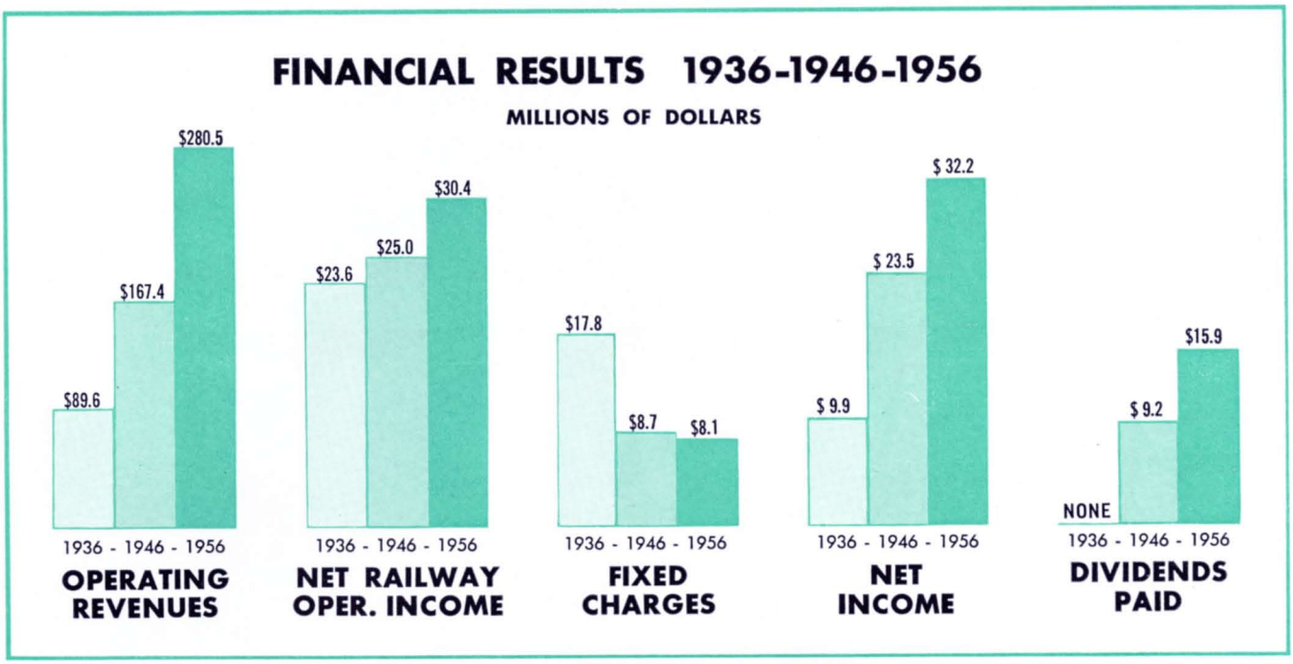




VOLUME OF TRAFFIC
AND OPERATING AVERAGES

ITEM	1956	1955	1954	1953	1952
REVENUE NET TON MILES (1000's)	19,443,847	19,056,847	17,255,531	18,586,111	17,518,226
PASSENGERS CARRIED ONE MILE (1000's)	476,432	508,634	497,173	558,784	612,030
TRAIN LOAD—NET TONS ALL FREIGHT	1,436	1,406	1,397	1,440	1,384
FREIGHT LOCOMOTIVE MILES PER LOCOMOTIVE DAY	123.3	109.1	84.2	85.5	82.5
FREIGHT CAR MILES PER CAR DAY	51.4	52.4	46.5	50.0	48.1
NET TON MILES PER FREIGHT CAR DAY	1,228	1,239	1,050	1,172	1,123
REVENUE PER NET TON MILE (cents)	1.290	1.240	1.279	1.269	1.292
REVENUE PER PASSENGER MILE (cents)	2.233	2.151	2.207	2.238	2.307
NET TON MILES PER TRAIN HOUR	27,171	26,147	24,766	24,349	22,689

PRESIDENT BUDD RECEIVING "OSCARS" FOR GREAT NORTHERN'S 1955 REPORT FROM DR. PIERRE R. BRETEY, CHAIRMAN OF THE FINANCIAL WORLD BOARD OF JUDGES. THE BRONZE "OSCAR" IS FOR THE BEST 1955 REPORT TO STOCKHOLDERS OF THE LARGER RAILROADS, THE SILVER "OSCAR" FOR THE BEST REPORT OF ALL TRANSPORTATION AGENCIES AND THE GOLD "OSCAR" FOR THE BEST REPORT OF 5000 COMPANIES FROM ALL INDUSTRY.



FUNDED DEBT

Funded debt at the end of 1956 was $265.2 million, compared with $267.3 million at the end of 1955. The break-down is:

As of Dec. 31	General Mortgage Gold Bonds (Millions)	Equipment Obligations (Millions)	Total Long Term Debt (Millions)
1956....	$201.7	$62.8	$265.2
1955....	203.7	62.8	267.3
1954....	203.7	69.6	274.4

The decrease in General Mortgage Bonds for 1956 is due to the purchase during the year of $2.0 million par value of General Mortgage 2¼% Bonds, due January 1, 1961.

Equipment obligations of various issues retired through serial payments in 1956 were almost equal to the new $6.6 million 3⅜% equipment trust issued in April, 1956, and therefore the total equipment obligations outstanding at the end of 1956 was the same as at the beginning of the year, or $62.8 million.

TAXES

Tax accruals for 1956 were $35.9 million and for 1955 they were $37.8 million. The smaller figure for 1956 is due to unusual non-recurring items in the United States Income Tax. Over-accruals of $1.3 million in income taxes of previous years were reversed in 1956. Property account retirements and other adjustments reduced the 1956 income tax accrual $2.1 million.

Unemployment insurance taxes on the payroll increased from less than $600 thousand for 1955 to over $1.7 million for 1956, due to increasing the rate from ½% to 1½% on the first $350 of wages paid each employe each month. For 1957 the rate has been increased to 2% which will increase the payments by nearly $600 thousand. Railroad Retirement tax of $7.1 million was over $400 thousand higher in 1956.

Federal income taxes have been checked by the government through 1954 and the accounts for that period have been settled.

GLACIER NATIONAL PARK

Patronage of the hotels and cabins in Glacier National Park, owned and operated by a subsidiary of Great Northern, increased in 1956, with train arrivals the highest since 1953, and a noticeable increase in tour party business. The housecount in 1956 exceeded any since 1947.

A contract with the Knutson Hotel Corporation has been made under which the Hotel Corporation will furnish management services for a fixed fee and a share of any improvement in net earnings. This should prove an advantageous arrangement as the Hotel Corporation has the experience and knowledge necessary for obtaining maximum results from the seasonal operations at Glacier National Park.

VANCOUVER

Glacier Nat. Park

SHELBY

HAVRE

EVERETT

SEATTLE

TACOMA

SPOKANE

WENATCHEE

PORTLAND

BEND

KLAMATH FALLS

BIEBER

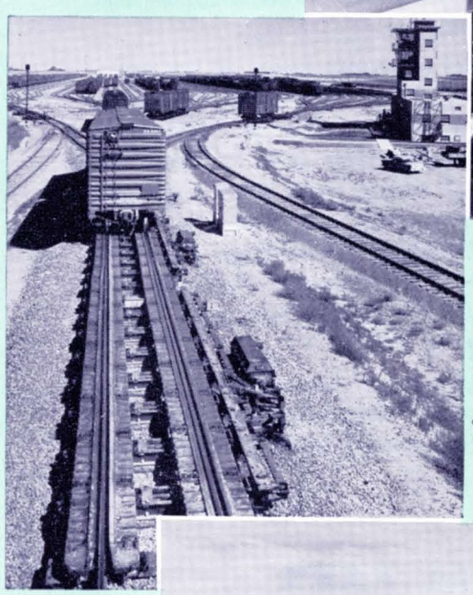
GAVIN YARD, Minot, North Dakot

Great Northern's New 6½ Million Dollar Electronic Freight Classification Yard

Speeds Freight, Reduces Switching, Sorts Cars Gently

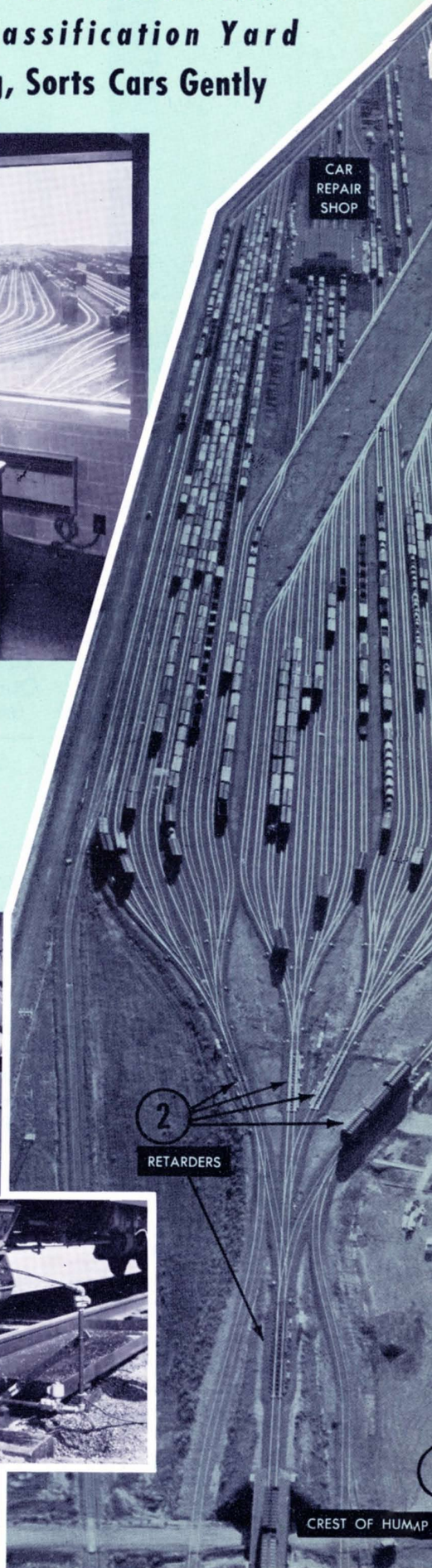
1 The Yardmaster's Office is the Communication and Supervisory Center.

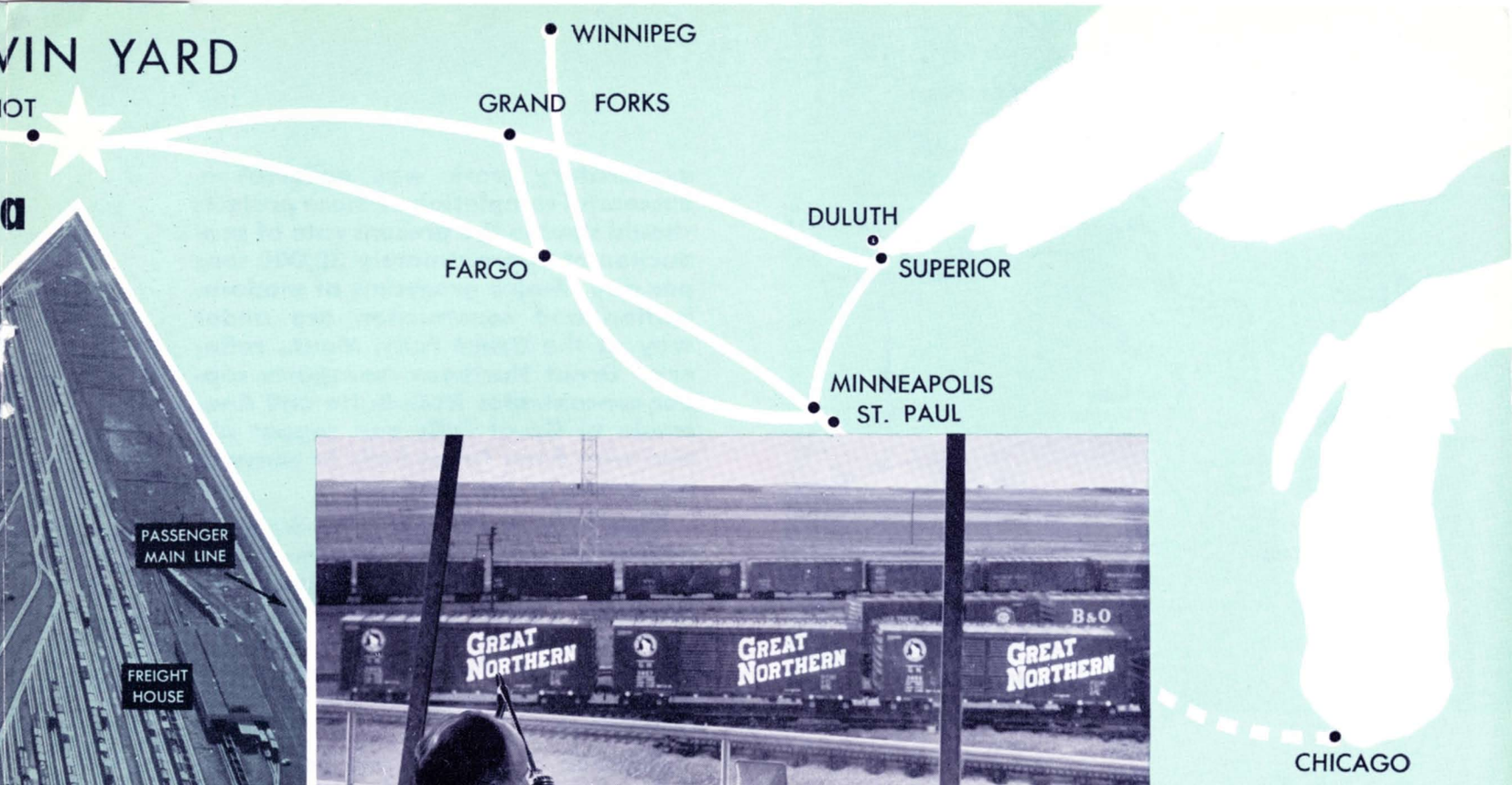
2 Retarders Using Radar and Electronic Scales Automatically Control the Speed of Cars.



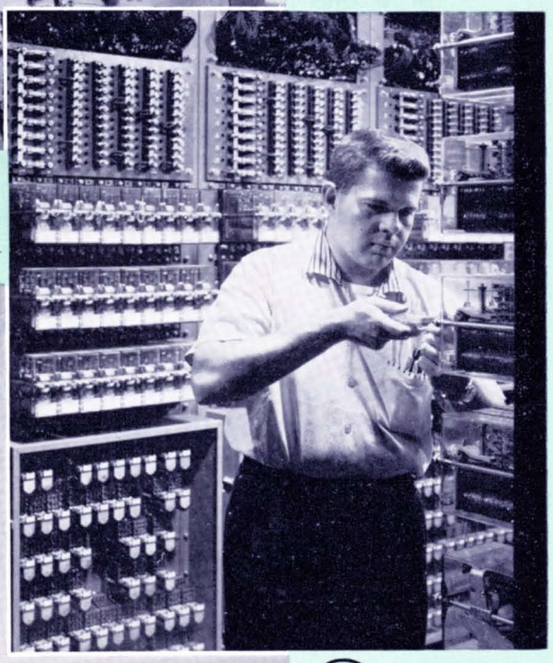
3 Every Car Must Pass A Close Mechanical Inspection.

Each Journal Box is Automatically Oiled. 4

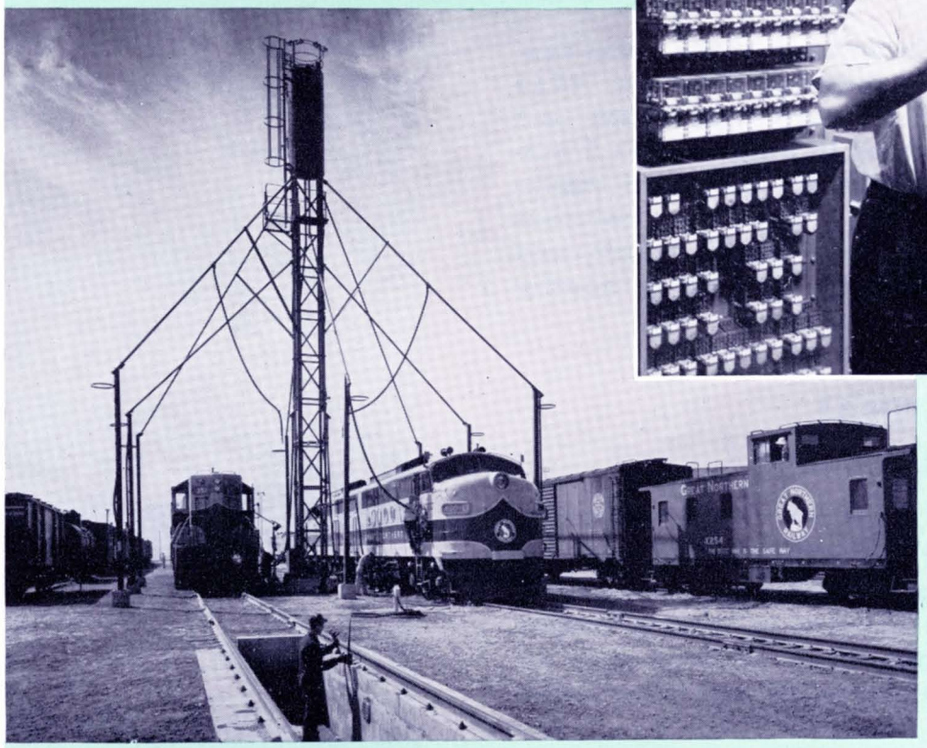




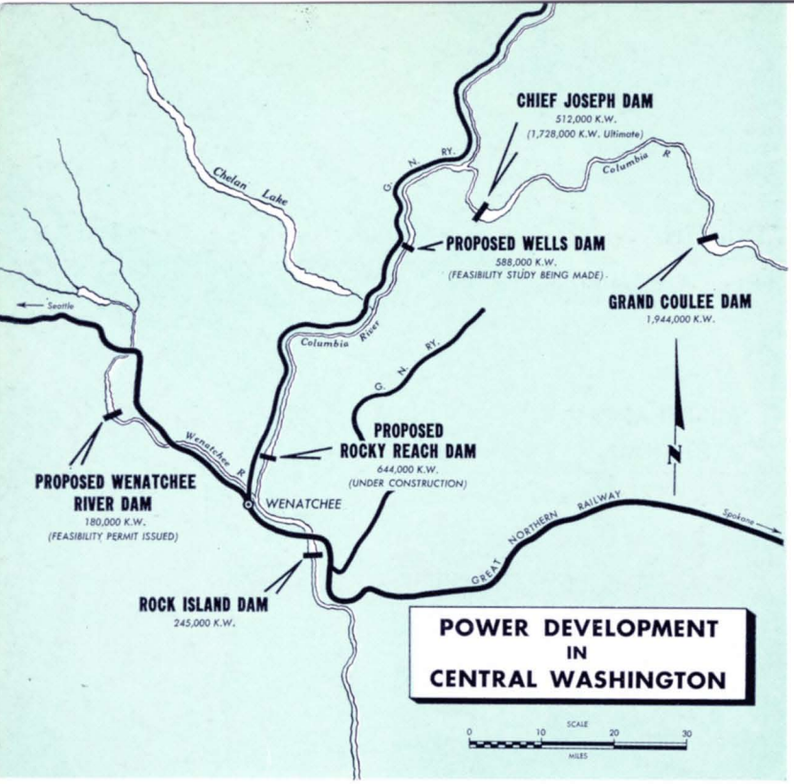
(5) ◆ An Operator Checks and Supervises Car Movement by Gravity into the Proper Track.



(6) ◆ Electrical Data Input is Automatically Translated into Retarder and Switch Control.



(7) ◆ Diesel Locomotives are Serviced While Their Trains are Being Switched.



COLUMBIA BASIN DEVELOPMENT

The Columbia Basin area served by your Company in central Washington continues to grow and provide substantial inbound and outbound traffic for the railroad. A total of over 96,000 irrigated acres are adjacent to Great Northern on which are located 1,281 farms of an average size of 75 acres. Over 19,000 additional acres will receive water in 1957 in this same area, and some 17,000 acres that can be served through Great Northern stations are also scheduled for water in 1957.

Traffic in and out of the Basin continues to increase and in 1956 amounted to more than 6,000 cars with revenues in excess of $1.5 million. The principal outbound movement consisted of dry beans, potatoes and onions, and peas, carrots and squash for quick freezing at nearby Wenatchee.

INDUSTRIAL DEVELOPMENT

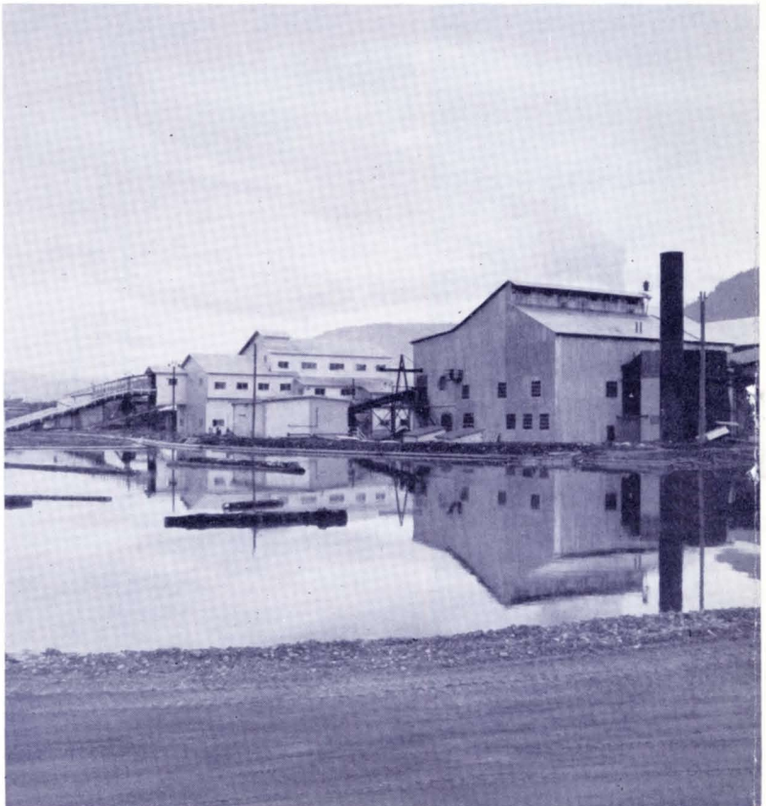
During 1956 another 206 industries were located along Great Northern lines.

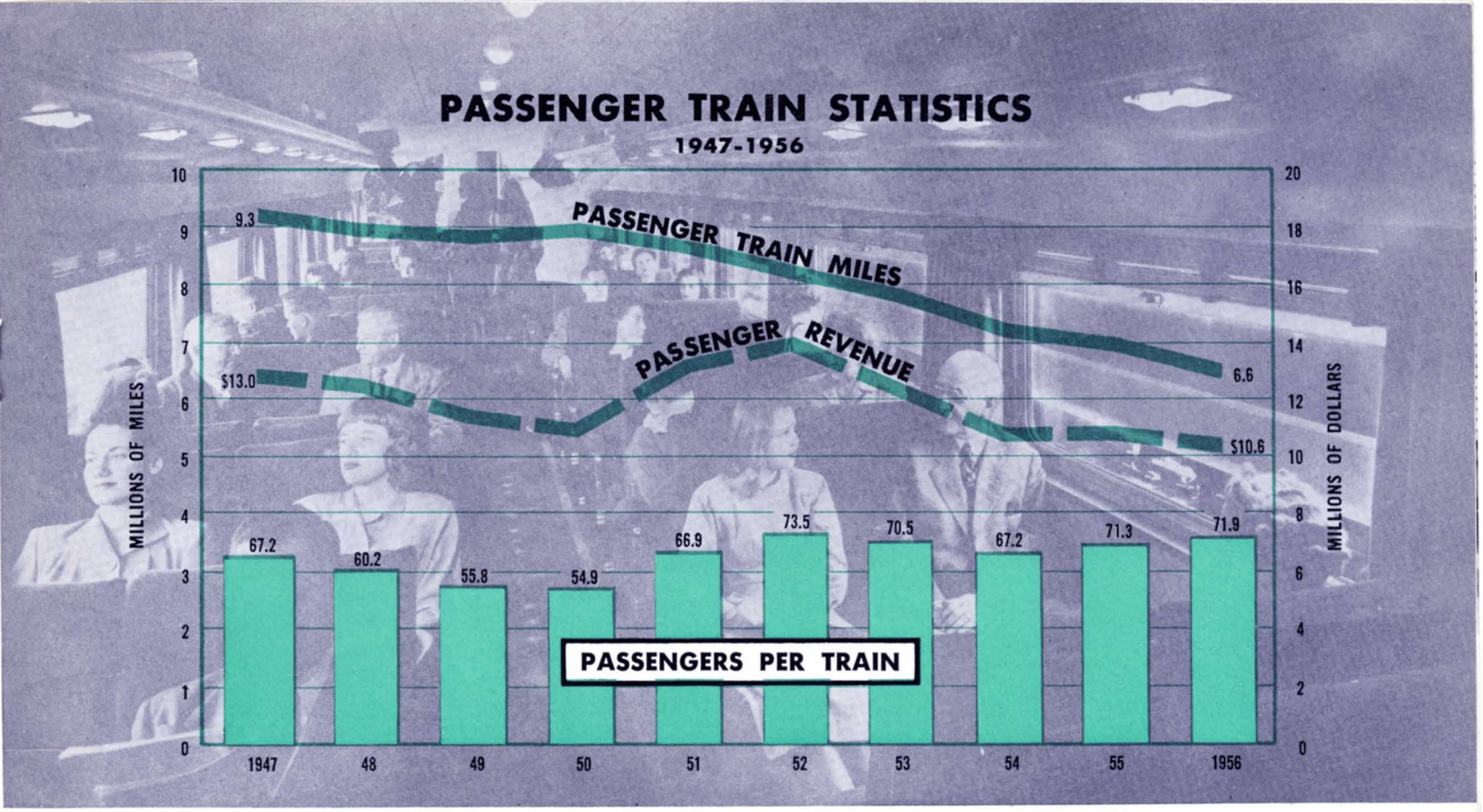
An important development is the increased activity in mining copper ore at Butte, Mont. A large open pit operation was begun and other active exploratory work was undertaken. Successful completion of these projects should double the present rate of production of approximately 30,000 tons per day. Major programs of modernization and construction are under way at the Great Falls, Mont., refinery. Great Northern transports copper concentrates from Butte and Anaconda to Great Falls and copper pig and wire from Great Falls to consuming areas in the east.

Three large jet air bases are under active construction along Great Northern lines in North Dakota and eastern Montana, with substantial inbound construction materials and what promises to be a very important inbound tonnage of jet fuel, heating fuel and supplies for the personnel that will be located on the bases.

Shipments of iron ore were begun from an important new mine on the Mesabi Range in Minnesota, and grain storage facilities, fertilizer plants, potato storage and washing facilities, cold storage plants, concrete mixing plants, lumber plants and various types of warehouse installations were placed in service throughout Great Northern territory. New industrial installations in states on the eastern part of the system are being located on Great Northern trackage. The west end, with its growth in power, population and industry, has been exceptionally active, particularly the dynamic Columbia Basin area and fast growing western Canada, especially the city of Vancouver, B. C.

NEW SAW MILL AT TROY, MONT. OPENED LATE IN 1956.





POWER PROJECTS

Two important power projects are being developed in Montana along the Great Northern line. A second power house is to be constructed at Fort Peck dam at an estimated cost of over $26.0 million to produce 84,210 kilowatts, with completion scheduled for 1961. A new dam is being erected on the Missouri River northeast of Great Falls, Mont., to cost about $15.0 million and generate 60,000 kilowatts. This project should be put on stream by the end of 1957.

A great deal of activity is occurring in the Columbia River drainage area in the state of Washington between Chief Joseph dam and the Rock Island dam. Three separate power projects are being progressed. See map on opposite page.

Construction has started on the Rocky Reach dam about 9 miles north of Wenatchee, on the Columbia River. The estimated cost is $250.0 million and it will produce 644,000 kilowatts.

A feasibility permit has been issued for the Wenatchee River power development that will produce 180,000 kilowatts near Leavenworth, Wash., about 22 miles west of Wenatchee. The estimated cost of this project is nearly $40.0 million. Actual construction has not yet commenced.

A contract for a feasibility study has been awarded by the Federal Power Commission for the Wells dam on the Columbia River about 40 miles north of Wenatchee. This installation would produce about 588,000 kilowatts of power from eight generating units.

This activity along the Great Northern line is tied in with the need for more aluminum reduction capacity and other industrial activity.

During 1956 three additional generators were placed in service at the Chief Joseph dam on the Columbia River, about 75 miles northeast of Wenatchee, Wash., bringing the total capacity to 512,000 kilowatts. Additional generators will go on stream in 1957 and 1958, and the total ultimate power production of this dam is planned at 1,728,000 kilowatts.

A flood control project to cost $20 million has been approved for the Eagle Gorge dam on the Green River, about 35 miles southeast of Seattle, Wash. This will remove the danger of flooding from 346 acres of Great Northern industrial land near Renton, Wash., a suburb of Seattle.

HILL CENTENNIAL EXHIBIT AT FIRST NATIONAL BANK OF ST. PAUL JULY 19 TO AUGUST 3, 1956.

LABOR MATTERS

Increases in wages for railroad employes continues to follow the pattern set by other industries.

Three-year agreements were signed nationally with representatives of all non-operating employes including the shop crafts, maintenance of way, clerks, telegraphers, signalmen, etc. A wage increase of 10¢ per hour was made effective November 1, 1956, and 7¢ per hour additional on both November 1, 1957 and November 1, 1958, all subject to cost of living adjustments. A three-year moratorium on rules affecting compensation was also included and full payment by the railroad of medical and hospital insurance for employes and their dependents, the latest allowance being equivalent to 2½¢ per hour.

A similar agreement was made with the locomotive firemen's and switchmen's organizations and negotiations are continuing with the other operating crafts who have been offered the same pattern of increases agreed upon with the non-operating group, firemen and switchmen.

As a result of these changes the payroll for 1957 will be increased some $7.3 million, aside from possible cost of living adjustments that would increase the payroll $50 thousand per month for each 1 cent an hour wage increase.

FRINGE BENEFITS

In accordance with the developments for industry generally, payments for pensions, unemployment, health and welfare by all railroads have been increasing steadily. For 1954 the total cost to Great Northern was $7.9 million, $8.9 million for 1955 and $11.1 million for 1956. With present rates in effect and the same employment as in 1956, a full year's cost would be $12.6 million.

Health and welfare benefits are paid for all non-operating employes who make up over 80% of all Great Northern employes. The Company assumed one-half of the cost for each employe, $3.40 per month, effective March 1, 1955; the full cost of $6.80 per month as of April 1, 1956; and full cost of dependent insurance making the overall cost $11.05 per month, effective December 1, 1956. All of these matters were the subject of national agreements for all railroads.

For all non-operating employes the payment per person for fringe benefits at present is nearly $43 per employe per month, including pensions, unemployment, group insurance and health and welfare benefits.

The operating employes receive substantially the same benefits, the only difference being that they elected to receive in cash additional compensation rather than in insurance for health and welfare benefit payments.

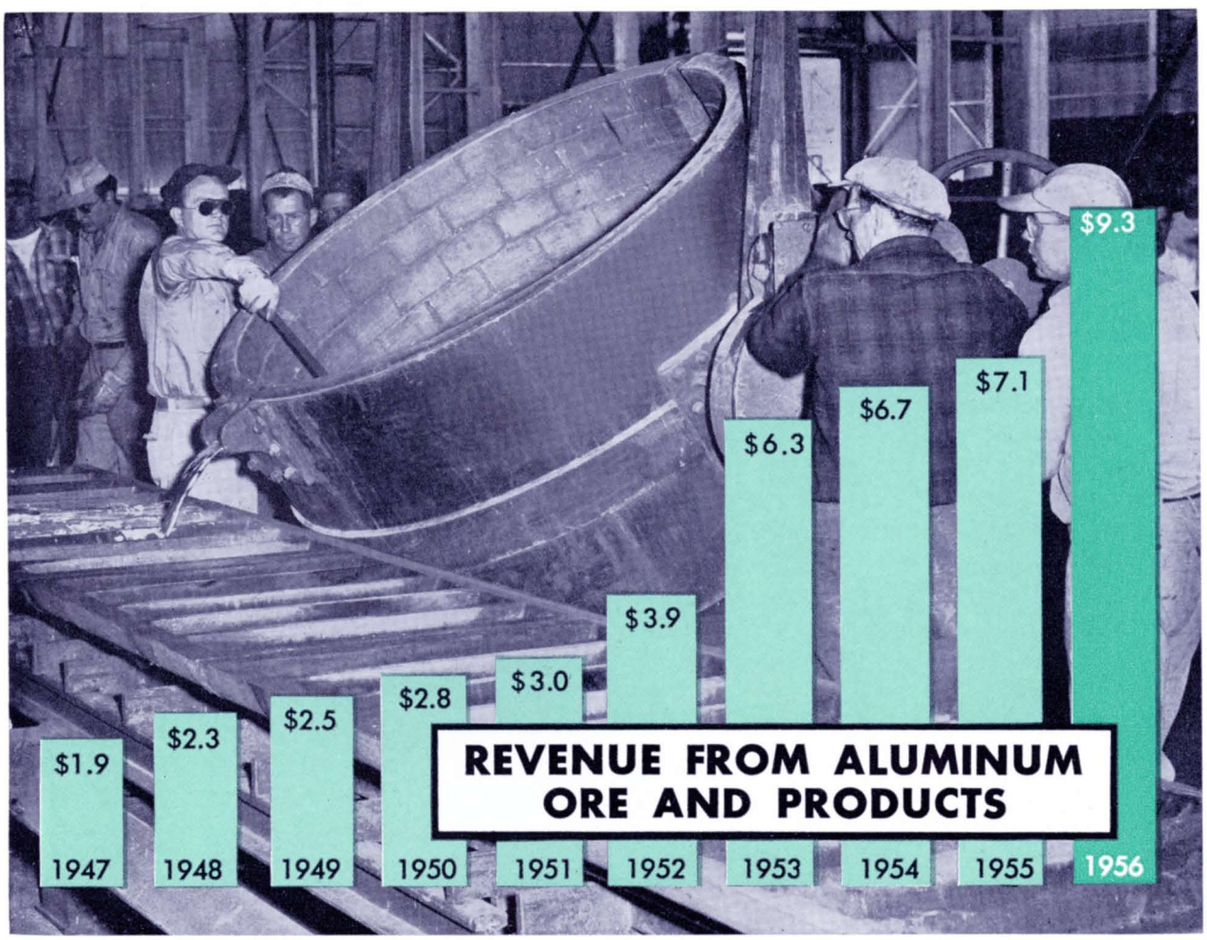
PROPERTY INVESTMENT

The cash expenditures for property improvements in 1956 amounted to $22.9 million, of which $12.8 million was for fixed property and $10.1 million for equipment. Delay in receiving steel carried over into 1957 expenditures of over $4 million for equipment that would otherwise have been included in 1956 figures. Cash expenditures for property improvements in 1955 amounted to $27.2 million.

1. FIXED PROPERTY IMPROVEMENTS

Important fixed property improvements completed in 1956 included the new electronic Gavin Yard for freight car classification at Minot, N. D., described on Pages 12 and 13 of this report. In this installation freight cars are pushed over a hump and allowed to coast down grade, reaching a speed of about 10 MPH. The switches are aligned mechanically for sorting cars into assigned tracks according to destination. Radar measures the speed of the cars and automatic scales determine their weight. The information thus developed is transmitted to electronic controls which automatically determine the pressure to be exerted by the retarders on the sides of the wheels thus regulating the speed of the cars so they will reach the classification tracks at proper coupling speed, having due regard to the wind, weather and condition of the rails. The cars are thus rapidly sorted and gently handled, eliminating damage to the cars and their contents. Switching formerly performed in many yards at various locations is concentrated for speedier service in Gavin Yard. This new yard has given an excellent performance throughout the adverse weather conditions of the past winter.

Another development in 1956 was the installation of a ventilating system in the 8-mile Cascade Tunnel which permitted abandonment of the 75-mile electrified zone. This eliminates the maintenance on 20 electric locomotive units and the overhead trolley system (the lower cost diesel maintenance for the substitute service will still be incurred)



and gives a greater flexibility to the locomotive fleet by permitting diesel units formerly confined to service on the Coast to operate into the territory east of the Cascade Mountains. The front cover of this report shows part of the new ventilating installation, which is working out very well.

Important additions to the centralized traffic control systems were between Willmar and Breckenridge, Minn., and between Williston, N. D. and Bainville, Mont., for a total of 151 route miles. Service is speeded, some tracks eliminated and a more flexible operating performance obtained from these installations.

A new connecting track with the Chicago, Burlington & Quincy R.R. at Sioux City, Iowa, was completed late in 1956, with full use taken early in January, 1957. This provides a direct route for the substantial volume of Great Northern traffic to and from the southwest, the mid-continent oil fields, California, etc., outside of the congested area in downtown Sioux City formerly used in interchange. This will reduce the overall time on road trains by several hours and permit the Burlington to eliminate their terminal facilities at South Sioux City, Neb.

A new passenger station at Edmonds, Wash., was completed in 1956 and put in service on January 7, 1957. This location is 17 miles north of Seattle and provides a convenient point for train arrivals and departures for many persons residing in that area.

Installation of a Univac machine was completed late in 1956. This so-called "electric brain" uses punched cards and magnetic tape to simplify and reduce the high cost of paper work. Great Northern is the first railroad in the west making this kind of an application. A view of this installation is shown on the back cover of this report.

An important track extension was the three miles of track to the Emerado jet air base just west of Grand Forks, N. D., permitting direct delivery to the base of construction, maintenance and operating materials.

To improve track conditions between Seattle and Everett, Wash., an extensive line relocating job was begun in 1956. Heavy rains during the winter cause excessive runoff from the high bluffs along Great Northern tracks, bringing down a large volume of earth and trees. Relocation will move the tracks away from the bluffs on to a fill out in the bay.

SPECIAL BOX CAR WITH PLUG DOOR. THIS PERMITS USING A SINGLE DOOR FOR GRAIN LOADING BY LOCKING THE PLUG DOOR CLOSED, WHICH CANNOT BE DONE TO ADVANTAGE WITH THE ORDINARY DOUBLE DOOR CAR.

Work was begun in 1956 on a new passenger depot at New Westminster, B. C., an extension to the freight house at Fargo, N. D., and an overhead tow chain conveyor was installed at the Great Falls, Mont. freight house.

A temperature detection system was installed in 601 grain bins at the Company's large grain elevator at Superior, Wis. during 1956.

Many minor improvements of various kinds were continued in 1956, including industrial tracks, changes in line at 8 locations, maintenance facilities at shops, snow blowers, automatic crossing signals, slide protection fences, remote control and automatic interlockers, spring switches, color light signals replacing semaphores, etc.

2. NEW EQUIPMENT

The 1956 program for box car construction included 500—40 ft. 6 in. all steel box cars and 500—50 ft. 6 in. all steel box cars for construction in Company shops at St. Cloud, Minn. Delay in furnishing steel, resulting from the steel strike, prevented the completion of this order by the year's end, and 441 cars were finished during the first quarter of 1957.

Twenty 1750 H.P. diesel road-switch locomotives were delivered in 1956, along with 15 air-slide covered hopper cars used for bulk flour and sugar loading.

A 550 H.P. self-propelled baggage-passenger car was received in mid-year and placed in round trip service between Great Falls and Butte, Mont., and Great Falls and Billings, Mont., over 800 miles per day, six days a week. This is a cheaper operation than heretofore and diesel locomotives and car equipment were released for service elsewhere.

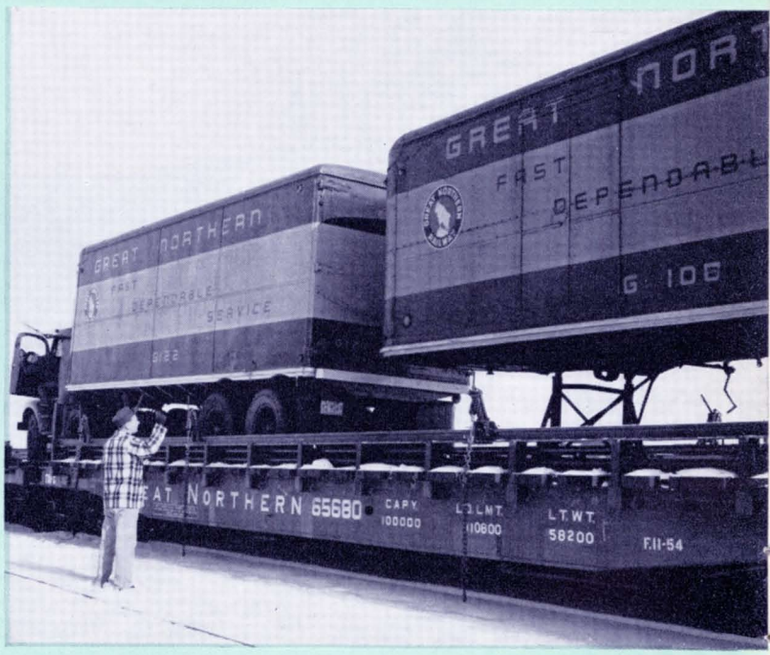
For company service, twenty-five large 19,000 gallon capacity tank cars were ordered in 1955 and two were received in that year. The remaining twenty-three were delivered early in 1956.

For 1957 delivery 750 box cars and 30 caboose cars will be built in Company shops, and 300 triple hopper cars, 200 gondola cars, 25 air dump cars, and 25 tank cars, together with thirty-four diesel locomotives, will be purchased from equipment builders. Western Fruit Express Co., a wholly owned subsidiary, in 1957 will build 100 mechanically equipped refrigerator cars and 100 insulated bunkerless type cars for handling special commodities not requiring cooling.

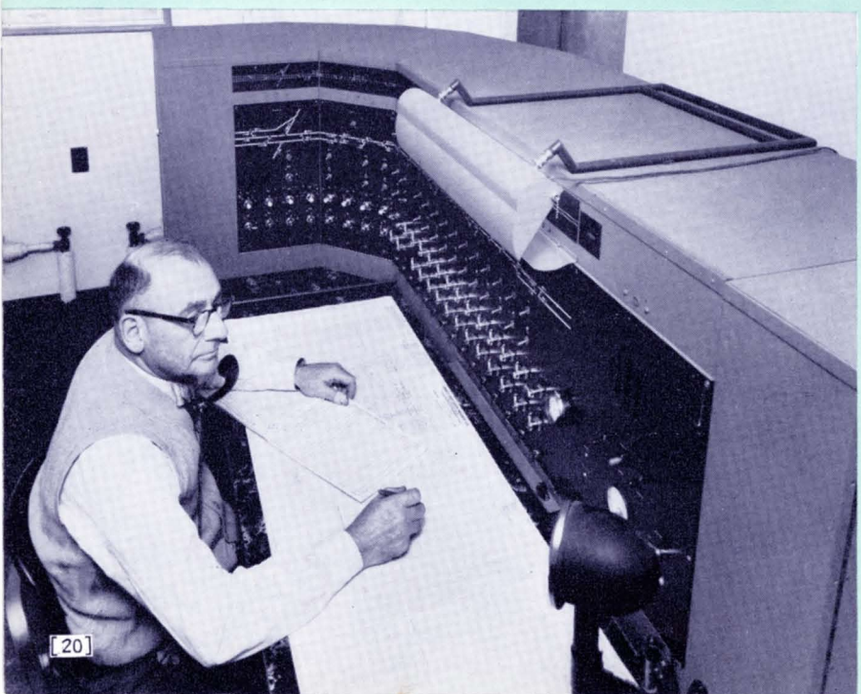
NEW SELF-PROPELLED PASSENGER-BAGGAGE CAR PLACED IN SERVICE BETWEEN GREAT FALLS AND BUTTE-BILLINGS, JULY, 1956.

CONTINUOUS CONVEYOR CHAIN SPEEDS LOADING OF MERCHANDISE.

UNLOADING THREE MILES OF WELDED RAIL PRIOR TO PLACING IN TRACK.



PIGGY-BACK OPERATIONS WERE EXPANDED IN 1956.



THE TRAIN DISPATCHER CONTROLS DISTANT SWITCHES IN CENTRALIZED TRAFFIC CONTROL TERRITORY.

LITIGATION

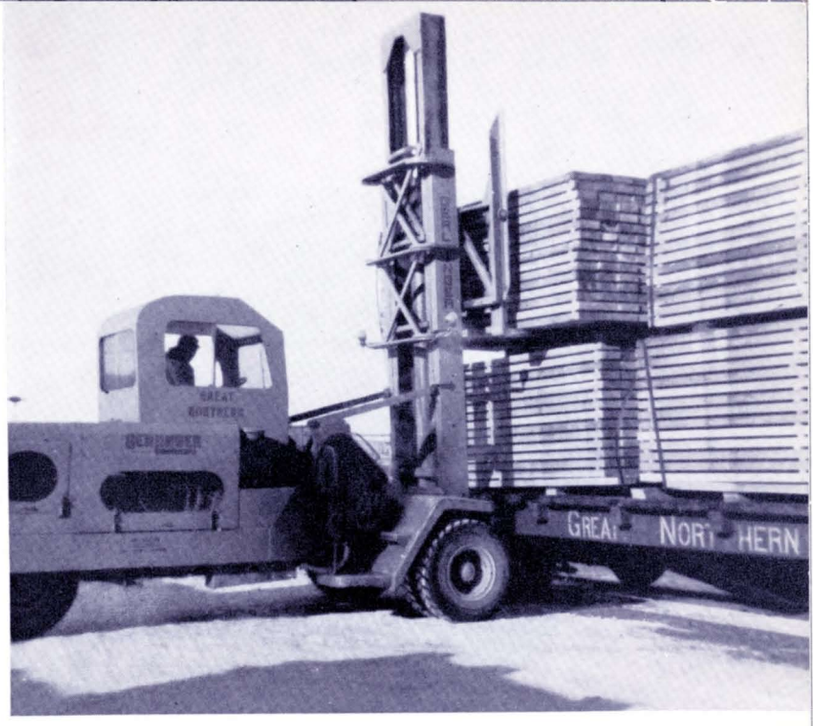
The Divisions cases, in which railroads in various sections of the country are seeking a larger share of the through revenues from the western railroads and in which the latter are asking for larger divisions of rates on many commodities, are still pending before the Intersate Commerce Commission. Numerous hearings have been held before examiners for the Commission, but the testimony has not been completed and it is doubtful if an examiner's report will be filed with the Commission this year.

The principal grain-carrying railroads of the country are defendants in proceedings before the Interstate Commerce Commission brought by the Southeastern Association of Railroad and Utilities Commissioners and the Southern Governors' Conference, seeking a readjustment in rates on grain and grain products moving to the southeastern portion of the United States. Great Northern is taking an active part in hearings which are now in progress before the Commission's examiners.

The Spokane Gateway case, a proceeding brought by the Chicago, Milwaukee, St. Paul and Pacific Railroad Company to obtain a greater share of the business moving east and west through Spokane to and from the Spokane, Portland and Seattle Railway and its subsidiaries, the Oregon Trunk and Oregon Electric, is under advisement by the Interstate Commerce Commission. A decision is expected within the next few months.

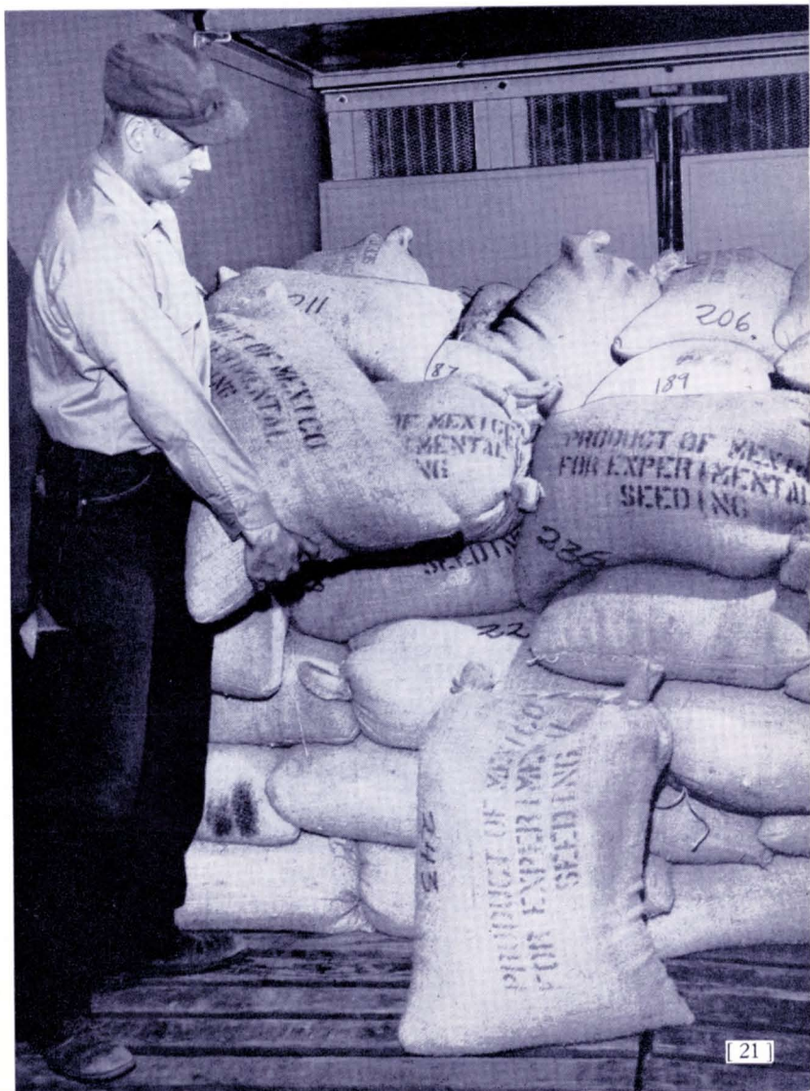
Late in December, 1956, Division 4 of the Interstate Commerce Commission approved the application of the Union Pacific Railroad Company to acquire, through stock ownership, sole control of the Spokane International Railroad Company, an independently owned carrier which connects Spokane, Wash., with the Canadian Pacific Railway at Kingsgate, B. C. The application of the Union Pacific was opposed by the Great Northern and other railway companies and petitions for reconsideration and other relief have been filed by Great Northern and other intervening railroads. Argument is expected before the entire Interstate Commerce Commission late in April.

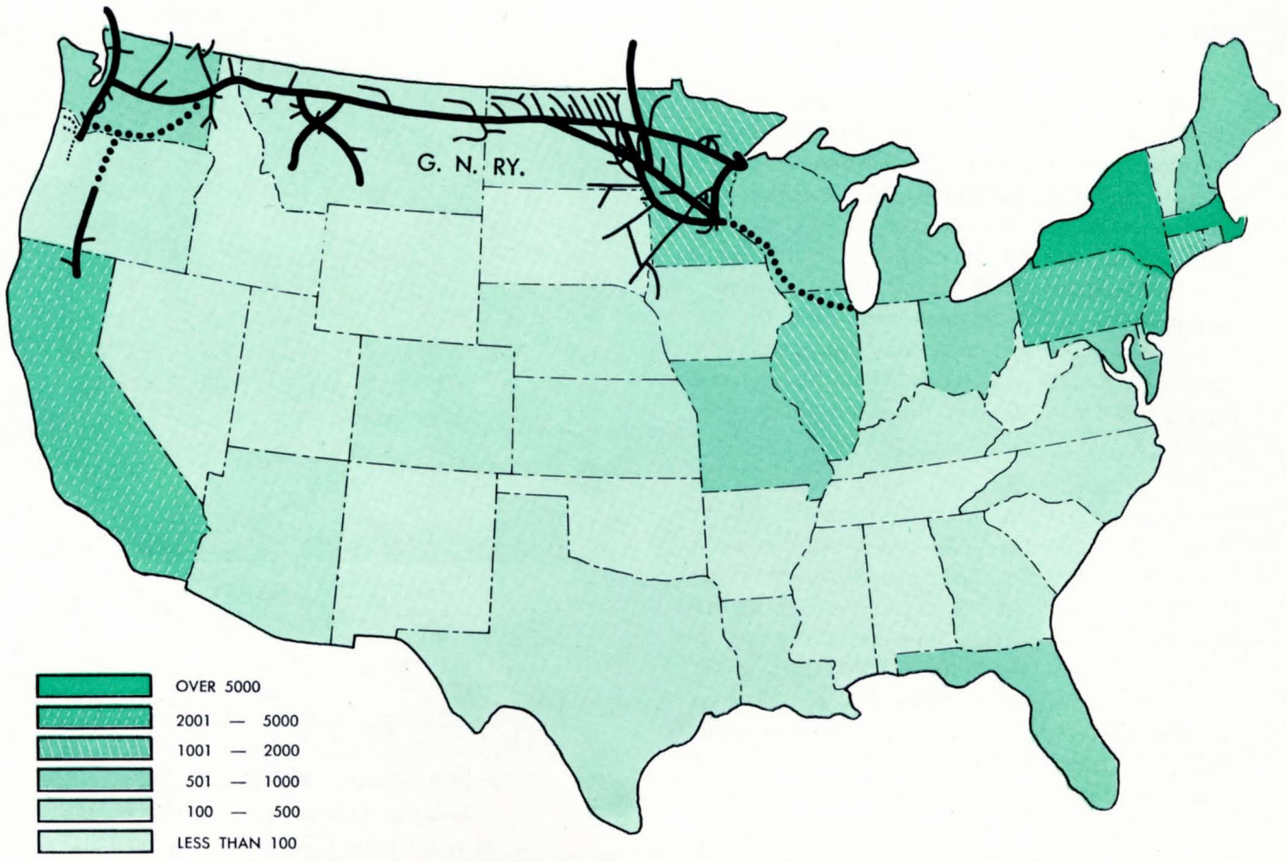
The suit brought by Riss & Co., Inc., a trucking firm, against some 85 major railroads, including Great Northern, referred to in last year's annual report, is still pending in the Federal District Court for the District of Columbia and may go to trial in the near future.



HANDLING LUMBER AT GREAT NORTHERN'S CAR BUILDING SHOP, ST. CLOUD, MINN.

UNLOADING MEXICAN GROWN DURUM SEED WHEAT AT GRAND FORKS, N. D., MAY 1956. THIS SPECIAL RUST-RESISTANT LANGDON SEED WAS PLANTED IN MEXICO IN OCTOBER, 1955, HARVESTED AND PLANTED IN NORTH DAKOTA IN MAY, 1956 THUS GETTING TWO CROPS IN ONE YEAR. BEGINNING WITH 198 BUSHELS LATE IN 1955 NORMAL PRODUCTION COULD REACH 30 MILLION BUSHELS IN 1958.





GREAT NORTHERN RAILWAY AND NUMBER OF SHAREHOLDERS BY STATES

SHAREHOLDERS

In common with many corporations, Great Northern has substantially more women shareholders than men. The distribution throughout the United States is quite general and is indicated on the map shown above.

Great Northern stock is receiving broader distribution and the number of shareholders at present is higher than at any time for over 20 years. For the past five years the count of shareholders has been:

As of November	Number of Shareholders
1956	36,539
1955	35,647
1954	33,110
1953	33,079
1952	32,612

UNIFICATION STUDY

As referred to in the report to stockholders for 1955, a study is being undertaken by Great Northern and Northern Pacific Railway Companies to explore the possible unification of these railroads together with the jointly owned Chicago, Burlington & Quincy Railroad Company and the Spokane, Portland and Seattle Railway Company. In 1956 working committees were set up and a transportation consulting firm employed to develop the potential operating economies. Studies are also being made of possible legal procedures that might be followed. Due to the magnitude and complexity of this matter, these studies are requiring considerable time; however it is hoped that they may be completed before the end of 1957. Thereafter decision must be made as to whether or not the unification is in the public interest and desirable for Great Northern and its shareholders.

GENERAL

The year 1956 was an important one in the history of your Company. It marks the one hundredth anniversary of the incorporation of the first operating railroad in Minnesota, the predecessor Minneapolis and St. Cloud Railroad Co., March 1, 1856, whose name was changed to Great Northern Railway Co. on September 18, 1889.

The year 1956 also is the one hundredth anniversary of the arrival in St. Paul of Mr. James J. Hill, July 21, 1856. Mr. Hill founded Great Northern Railway, vigorously promoting the settlement and agricultural and industrial growth of the territory served, and the Empire Builder lived to see the railway take its place among the foremost railroad systems in America. A centennial exhibit was displayed for two weeks in the First National Bank of St. Paul, beginning on July 19, commemorating Mr. Hill's arrival in St. Paul with contemporary and historical mementos of his career and continuing influence. Picture on page 16.

In co-operation with the Universities of Minnesota and North Dakota, your Company has set up a research program on so-called non-magnetic taconite low grade iron ore. Vast tonnages of this type of ore are located in Great Northern territory on the west end of the Mesabi Range. It is hoped that an economical process can be developed that will increase the volume of iron ore for transportation by Great Northern from the Mesabi Range to upper lake ports.

During 1956 Great Northern inaugurated a plan leading to ultimate complete self-insurance against losses from fire, injuries to passengers and non-employes, and property damage as a result of train accidents. This promises to develop cash savings of $200,000 per year.

In 1956 Great Northern was the recipient of three "Oscars" for excellence in its annual report for 1955. A bronze "Oscar" was awarded for the best annual report by a large railroad—one with revenues over $200 million, a silver "Oscar" for the best report among all transportation companies, and a gold "Oscar" for the "Best-of-all-Industry" annual report from among 5,000 reports originally rated from all industries across the nation. Picture on page 10.

MECHANIZED ACCOUNTS DEPARTMENT, GREAT NORTHERN GENERAL OFFICE, ST. PAUL. THE YOUNG LADY IN THE FOREGROUND IS OPERATING A CARD-TO-TAPE CONVERTER, IN THE BACKGROUND IS THE KEY PUNCH SECTION.

Three scholarships were awarded to sons of Great Northern employes in 1956. The winners determined by the selection committee were Gerald D. Middelstadt, son of a brakeman at St. Cloud, Minn., Stanley J. Underdal, whose father is a telegrapher at Shelby, Mont., and Frederick D. Williamson, son of a signalman helper at Williston, N. D. Each of these boys will receive a four-year college course at any accredited school which he selects. It is planned to offer three more scholarships in 1957 and annually thereafter.

The scholarship winners receive a $750 grant each year, an opportunity to work on the railroad in the summer and a chance for permanent employment after graduation.

Dividends received from stock owned of Chicago, Burlington & Quincy R.R. Co. were the same in 1956 as in 1955, that is, $6.2 million or $7.50 per share. Interest received from Spokane, Portland and Seattle Ry. Co. bonds in 1956 amounted to $1.3 million or some $150,000 less than the amount received in 1955. The difference is due to the sale to Spokane, Portland and Seattle Ry. Co. of $4.0 million par value of its bonds late in 1955, as explained in last year's report. In 1956 another $2.5 million of Spokane, Portland and Seattle Ry. Co. bonds were sold to that company at cost by each of its owners, Great Northern and Northern Pacific Ry. Cos. The decrease of $400,000 in dividends received in 1956 was the result of the dividend received on stock of Northland Greyhound Lines, Inc. in 1955, this stock being later disposed of.

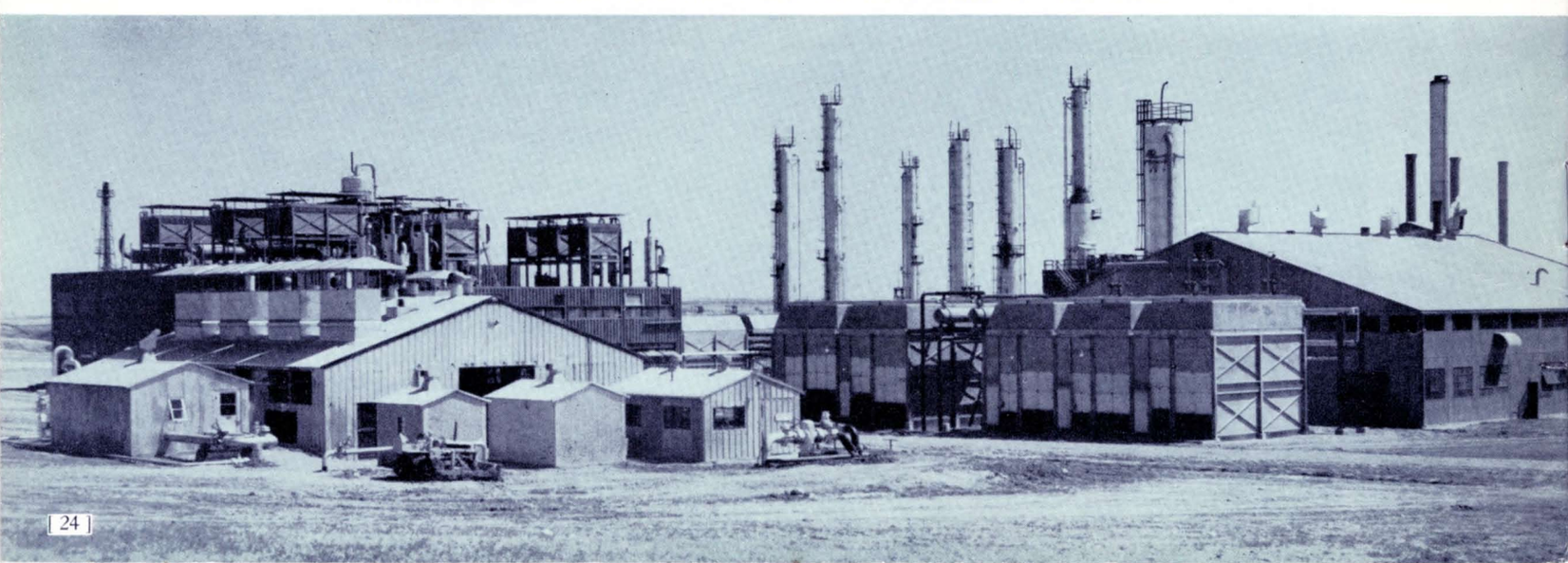
FOR 1957

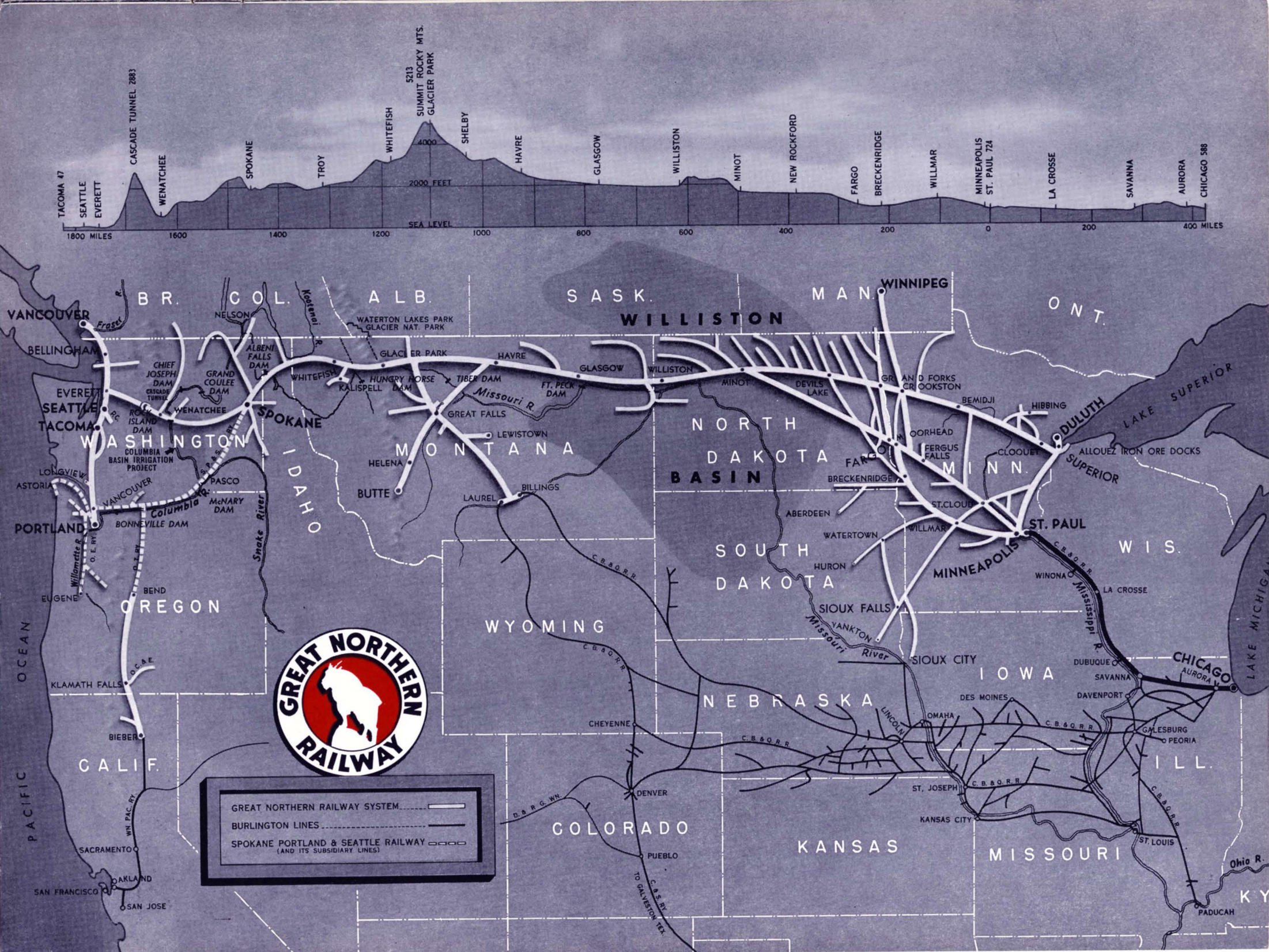
At present it appears that a large volume of traffic will be handled by Great Northern in 1957. Reports indicate that over 66 million bushels of grain were in storage in country elevators on line at the beginning of 1957, or 3.7 million bushels more than at the same time last year. The demand for steel products is high, and there should be an improvement in the tons of iron ore handled as the 1956 movement was restricted by the strike of iron ore miners. The movement of lumber has been disappointing during the first quarter of 1957. Crop production in Great Northern territory is an important tonnage producer and it is too early to say what the crop prospects might be for 1957. Moisture conditions are average or better from central Montana west, and subsurface moisture somewhat less than average east thereof, except in the Red River Valley, where conditions are generally favorable. Very few farmers have signed up for the soil bank program and only a limited acreage will be removed from production on this account.

While wage and material costs are higher at this time than they were in the spring of 1956, the freight rate increase, effective December 28, 1956, and the higher passenger fares beginning January 1, 1957, should help to offset increased operating costs. An application for higher freight rates to yield a fair return is now being considered by the Interstate Commerce Commission.

Your property is in excellent condition. With the improvements recently made available for the entire year, the expected substantial volume of traffic to be transported, and the loyal and dependable efforts of officers and employes, your Company should continue its progress with another creditable year in 1957.

THIS REFINERY AT TIOGA, N. D. IN 1956 SHIPPED THE FIRST SULPHUR RECOVERED FROM GAS FROM OIL WELLS IN THAT AREA.




TACOMA 47
SEATTLE
EVERETT
CASCADE TUNNEL 2883
WENATCHEE
SPOKANE
TROY
WHITEFISH
5213
SUMMIT ROCKY MTS.
GLACIER PARK
4000
2000 FEET
SEA LEVEL
SHELBY
HAVRE
GLASGOW
WILLISTON
MINOT
NEW ROCKFORD
FARGO
BRECKENRIDGE
WILLMAR
MINNEAPOLIS
ST. PAUL 724
LA CROSSE
SAVANNA
AURORA
CHICAGO 588
1800 MILES
1600
1400
1200
1000
800
600
400
200
0
200
400 MILES
BR. COL.
ALB.
SASK.
MAN.
WINNIPEG
ONT.
VANCOUVER
Fraser R.
NELSON
Kootenai R.
WATERTON LAKES PARK
GLACIER NAT. PARK
BELLINGHAM
ALBENI FALLS DAM
CHIEF JOSEPH DAM
CASCADE TUNNEL
GRAND COULEE DAM
GLACIER PARK
HAVRE
WHITEFISH
KALISPELL
HUNGRY HORSE DAM
TIBER DAM
FT. PECK DAM
GLASGOW
WILLISTON
MINOT
DEVILS LAKE
GRAND FORKS
CROOKSTON
BEMIDJI
HIBBING
DULUTH
LAKE SUPERIOR
EVERETT
SEATTLE
TACOMA
ROCK ISLAND DAM
WENATCHEE
SPOKANE
GREAT FALLS
Missouri R.
NORTH DAKOTA
MOORHEAD
FERGUS FALLS
CLOQUET
ALLOUEZ IRON ORE DOCKS
WASHINGTON
COLUMBIA BASIN IRRIGATION PROJECT
HELENA
MONTANA
LEWISTOWN
BASIN
FARGO
MINN.
SUPERIOR
LONGVIEW
ASTORIA
PASCO
BUTTE
LAUREL
BILLINGS
BRECKENRIDGE
ABERDEEN
ST. CLOUD
WATERTOWN
WILLMAR
ST. PAUL
VANCOUVER
Columbia R.
McNARY DAM
BONNEVILLE DAM
IDAHO
Snake River
PORTLAND
Willamette R.
O.E. RY.
S.P. & S. RY.
C.B.&Q.R.R.
HURON
MINNEAPOLIS
WIS.
WINONA
LA CROSSE
Mississippi R.
EUGENE
BEND
OREGON
SIOUX FALLS
YANKTON
Missouri River
WYOMING
SIOUX CITY
IOWA
DUBUQUE
CHICAGO
AURORA
SAVANNA
DAVENPORT
LAKE MICHIGAN
OCEAN
KLAMATH FALLS
O.C.A.E.
DES MOINES
NEBRASKA
LINCOLN
OMAHA
GALESBURG
PEORIA
CHEYENNE
BIEBER
CALIF.
ILL.
PACIFIC
DENVER
ST. JOSEPH
KANSAS CITY
WN. PAC. RY.
D. & R. G. W.
COLORADO
KANSAS
MISSOURI
ST. LOUIS
Ohio R.
SACRAMENTO
PUEBLO
TO GALVESTON TEX.
C.B.&S. RY.
OAKLAND
SAN FRANCISCO
SAN JOSE
PADUCAH
KY
GREAT NORTHERN RAILWAY
GREAT NORTHERN RAILWAY SYSTEM
BURLINGTON LINES
SPOKANE PORTLAND & SEATTLE RAILWAY
(AND ITS SUBSIDIARY LINES)

The Giant Univac, a completely electronic computing system, was installed in Great Northern's general offices late in 1956. It is the first "Giant Brain" in use on any Western railroad. Operation on accounting assignments began early in 1957.