



ANNUAL REPORT 1975

ST. LOUIS - SAN FRANCISCO RAILWAY COMPANY

St. Louis-San Francisco Railway Company

General Offices: 906 Olive Street • St. Louis, Mo. 63101

As shown on the map appearing on the facing page, the St. Louis-San Francisco Railway Company (Frisco) is a 4741-mile line-haul railroad system serving the states of Missouri, Oklahoma, Arkansas, Kansas, Texas, Tennessee, Mississippi, Alabama and Florida. The system mileage includes a wholly-owned subsidiary, the Quanah, Acme & Pacific Railway Company, which operates a 120-mile rail line through the Texas Panhandle to a connection with the Santa Fe Railway at Floydada. The Frisco derives 94% of its earnings from rail operations.

The Frisco's wholly-owned non-rail subsidiaries are: The Frisco Transportation Company, a motor common carrier which operates over routes generally paralleling the Frisco's rail lines in Missouri and which holds rights to operate over other routes in Arkansas, Tennessee, Mississippi, Oklahoma and Texas; two land companies — Clarkland, Inc. and Clarkland Royalty, Inc. — whose primary purpose is to acquire and develop property for the location of traffic-producing industries along the lines of the rail system, and 906 Olive Corporation, which holds the parent company's St. Louis, Mo. headquarters building and the Springfield, Mo. office building.

Frisco stock is listed and traded under the ticker symbol FN on both the New York and Midwest stock exchanges.

	DIVIDENDS PAID ON FRISCO STOCK		PRICE RANGE OF STOCK ON NYSE			
	1975	1974	1975		1974	
			High	Low	High	Low
First Quarter	62½ ¢	62½ ¢	27¾	22¼	35½	31½
Second Quarter	62½ ¢	62½ ¢	26⅞	21¼	32⅞	26¾
Third Quarter	62½ ¢	62½ ¢	26⅝	22½	29½	22
Fourth Quarter	62½ ¢	62½ ¢	25⅝	21¾	27⅝	21¼

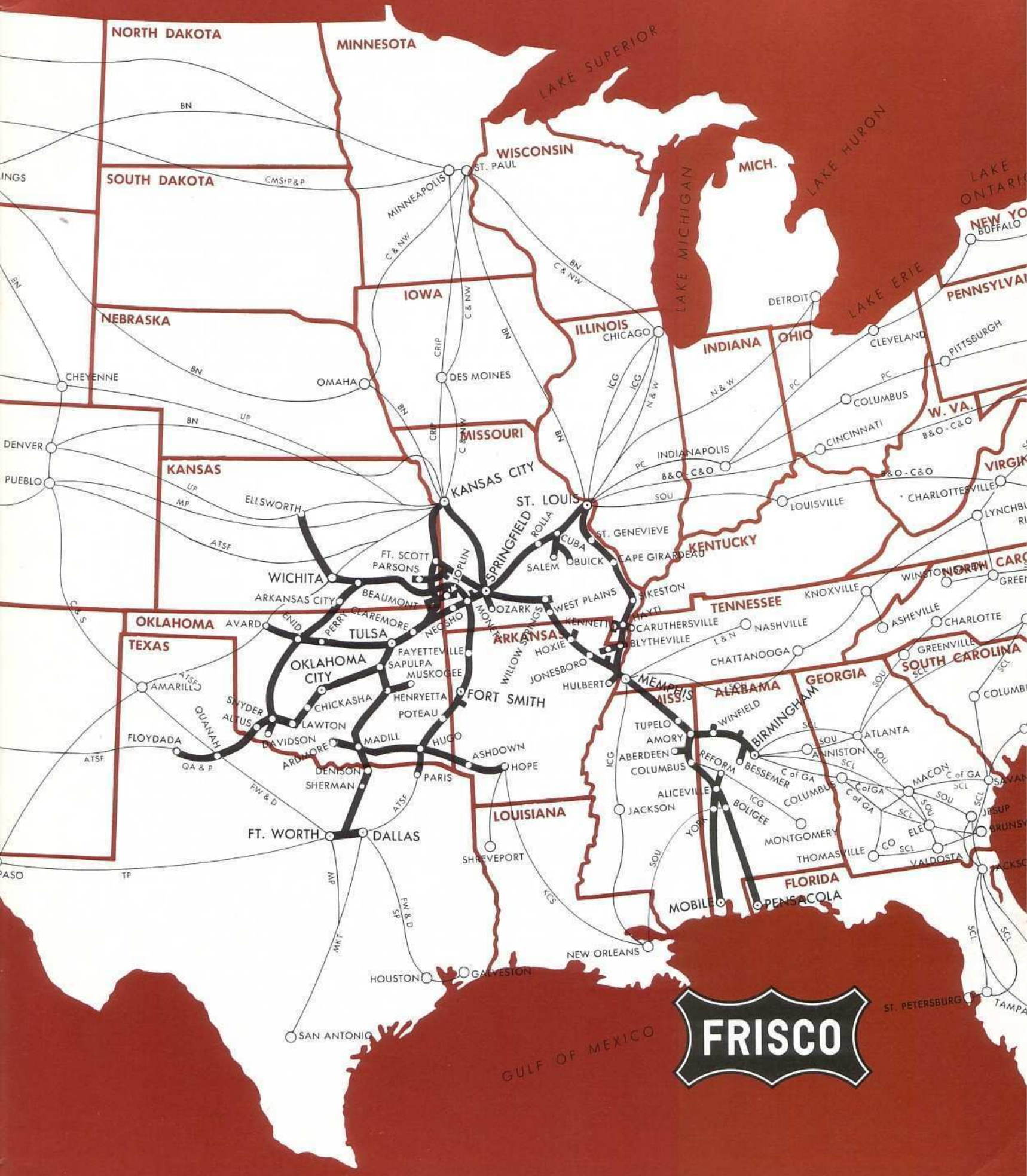
The Frisco also owns 50.04% of the stock of the New Mexico and Arizona Land Company whose financial results are reported in its own annual report but are included in the Frisco's consolidated results on an equity method basis. Anyone desiring a copy of the Land Company's annual report may obtain one by writing to the Secretary of the New Mexico and Arizona Land Company, 4350 East Camelback Road, Phoenix, Arizona 85018.

The financial statements which begin on page 14 are consolidated and have been audited by Price Waterhouse & Co. whose opinion thereon may be found on page 21. Instead of Form 10-K, the Frisco files Form 12-K with the Securities and Exchange Commission; the major portion of the information submitted consists of an appended copy of the R-1 Report filed with the Interstate Commerce Commission. Much of the statistical information contained in the R-1 Report is condensed and reproduced by the Frisco in a Financial and Statistical Report, a copy of which may be obtained without charge by writing to the Secretary of the Company at 906 Olive Street, St. Louis, Mo. 63101. A copy of the 12-K Report also may be obtained without charge, except that a reasonable fee will be imposed if a copy of the R-1 Report is requested.

Contents

	Page
President's Letter to Stockholders.....	2
Frisco Facts (Highlights of the Year).....	3
Management's Discussion and Analysis of the Summary of Operations.....	4
Consolidated Financial Statements, including 5-Year Summary of Operations.....	14

COVER: A carrier of diversified manufactured and agricultural commodities, as well as the products of mines and forests, Frisco helped move the largest wheat crop in history during 1975. Wheat revenues rose a third.





March 8, 1976

TO THE STOCKHOLDERS:

Inflation, a depressed economy and costly time lags in securing regulatory approval of higher freight rates brought one of the worst years in the history of the railroad industry. Frisco's consolidated earnings per share were \$3.30 versus \$5.08 in 1974, one of the Company's most profitable years. A more complete discussion of net income and the factors which affected it, including extraordinary income, appears on page 4 and a five-year summary on page 14.

The narrative, charts and statements which follow give a full account of our operations during the year just closed. Rather than discuss them further, I would like to invite attention to what we think lies ahead for the railroad industry. Thus far in 1976, the economic upswing has brought a measure of recovery in rail traffic and we are hopeful that this can be sustained and improved upon in the months ahead. Railroads depend on the traffic tendered by their patrons and thus share the fortunes of the industries they serve. In the case of the Frisco, profitability is dependent upon the movement of its principal revenue-producing commodities. These are shown on page 5 in the discussion of revenues.

Railroad viability also is affected by public policy—which for too many years has fostered inequitable competitive conditions in the transportation field—and by outdated, time-consuming regulatory procedures. Regulatory reform provisions are part of the Railroad Revitalization and Regulatory Reform Act of 1976 signed into law by the President of the United States on February 5. Your Company is carefully studying the many provisions of the Act to evaluate the possible benefits which may be expected. In general, key reforms include provisions for greater flexibility for railroads in setting freight rates and in introducing new services; time restrictions on Interstate Commerce Commission regulatory proceedings, including limits on rate and merger proposals; prohibition of discriminatory state and local taxes on railroad property; a nationwide system of subsidies for deficit branch line operations which railroads are required to continue, and an ICC study to develop revenue standards for railroads within two years.

The Act also authorizes public funds to facilitate implementation of the U. S. Railway Administration's Plan to get the Consolidated Rail Corporation (ConRail) into operation in the Northeast. Other provisions relate to federal assistance to qualifying railroads in financing plant and equipment improvement projects. These provisions are complex and currently are being carefully analyzed to determine how they can be beneficially utilized.

The Act recognizes the national interest in a stronger and healthier rail system, a need that is being underscored by the nation's growing dependence upon coal for energy. Frisco's coal shipments during 1975—while not of the proportions enjoyed by railroads in the heavy coal producing regions—nevertheless grew 26.7% and at year-end constituted 6.4% of its total volume. Further increases can be expected in 1976 as the coal-fired electrical generating plants of Union Electric at Rush Island, Missouri, and of City Utilities at Springfield, Missouri, become fully operational. As the conversion to coal progresses, the improved market for coal from Alabama, Arkansas, Kansas, and Oklahoma can be expected to generate additional tonnage. In planning for the transportation requirements of the future, the rail industry is encouraged by the growing awareness that transportation needs have to be met if the country is to avoid a repetition of the costly federal rescue operations now underway to aid the hardest-pressed part of the rail industry in the Northeast and Midwest. Rail lines are essential arteries of commerce; for the foreseeable future they are certain to remain so.

In its continuing commitment to provide better transportation service, the Frisco seeks and values the support and cooperation of its stockholders, patrons and employees.

Sincerely,

Chairman and President

Frisco Facts**CONSOLIDATED**

	<u>1975</u>	<u>1974</u>
Operating revenues	\$280,352,935	\$290,573,076
Operating expenses	\$219,602,430	\$220,352,932
Ratio of expenses to revenues	78.3	75.8
Average number of employees	8,440	9,136
Payroll	\$122,327,784	\$121,836,337
Taxes (including payroll taxes)	\$ 27,866,698	\$ 30,058,531
Taxes per share	\$ 10.74	\$ 11.58
Pre-tax income available for fixed charges	\$ 20,370,386	\$ 29,697,999
Fixed charges	\$ 12,238,265	\$ 11,781,052
Times fixed charges earned — pre-tax	1.7	2.5
Contingent interest	\$ 1,414,700	\$ 1,420,250
Income before extraordinary item	\$ 5,117,422	\$ 13,172,698
Extraordinary item	\$ 3,452,374	\$ —
Net income	\$ 8,569,796	\$ 13,172,698
Earnings per share on:		
Ordinary income	\$ 1.97	\$ 5.08
Extraordinary income	\$ 1.33	\$ —
Net income	\$ 3.30	\$ 5.08
Dividends per share	\$ 2.50	\$ 2.50

SYSTEM RAIL LINE FREIGHT STATISTICS

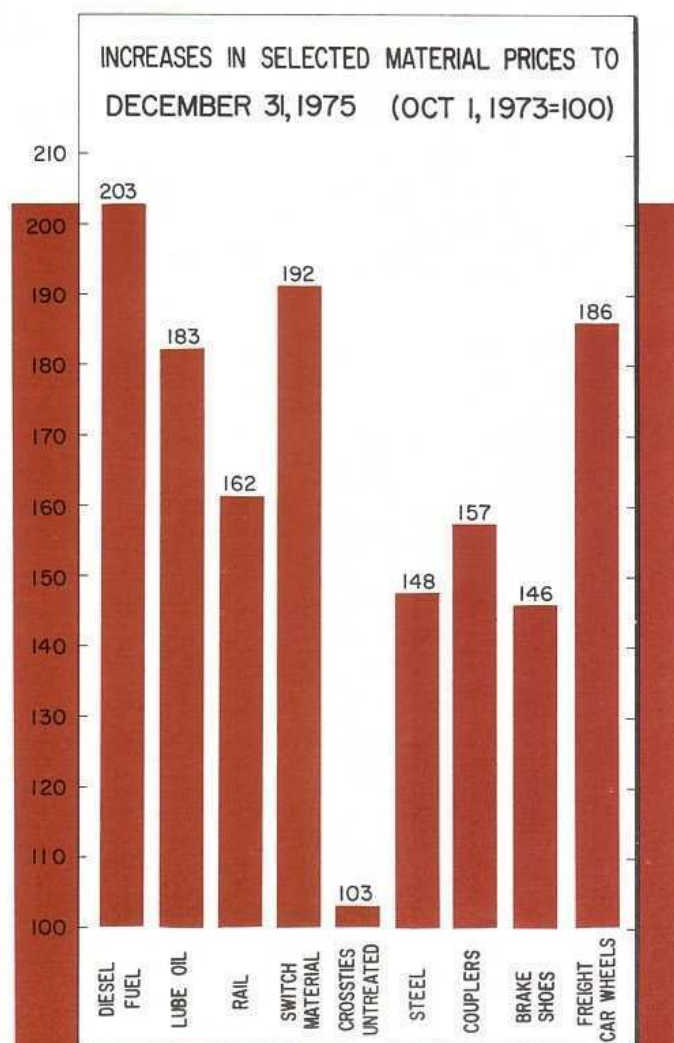
Miles of road operated	4,741	4,776
Freight train revenue	\$268,081,824	\$272,821,315
Net ton-miles — revenue (thousands)	13,492,838	15,012,069
Gross ton-miles (thousands)	31,877,433	34,553,668
Train miles	9,060,636	10,254,416
Revenue per ton-mile	1.987¢	1.817¢
Revenue per train mile	\$ 29.59	\$ 26.61
Revenue tons per car	43.8	42.4
Revenue tons per train	1,489.2	1,464.0
Gross tons per train	3,518.2	3,369.6

NET INCOME DOWN IN A DEPRESSED ECONOMY

Net income in 1975 was \$8.6 million versus \$13.2 million in 1974 when the Frisco enjoyed one of its most profitable years. Adversely affected by a steep drop in traffic brought on by the most severe economic downturn since the 1930's and by the inability to apply timely rate increases to offset inflationary pressures, Frisco's depressed 1975 earnings were aided by extraordinary income of \$3.5 million from the sale of retired rail facilities. Earnings per share in 1975 were \$3.30 versus \$5.08 in 1974.

1976 DIVIDEND

A dividend of 62½¢ per share of Common was declared payable March 15, 1976 to holders of record March 1. The directors will give further consideration to the subject of dividends at quarterly intervals during the year. Dividends paid during 1975 and 1974 are shown on the inside front cover of this report.



TOTAL REVENUES DOWN BUT COAL, WHEAT AND CORN UP SHARPLY

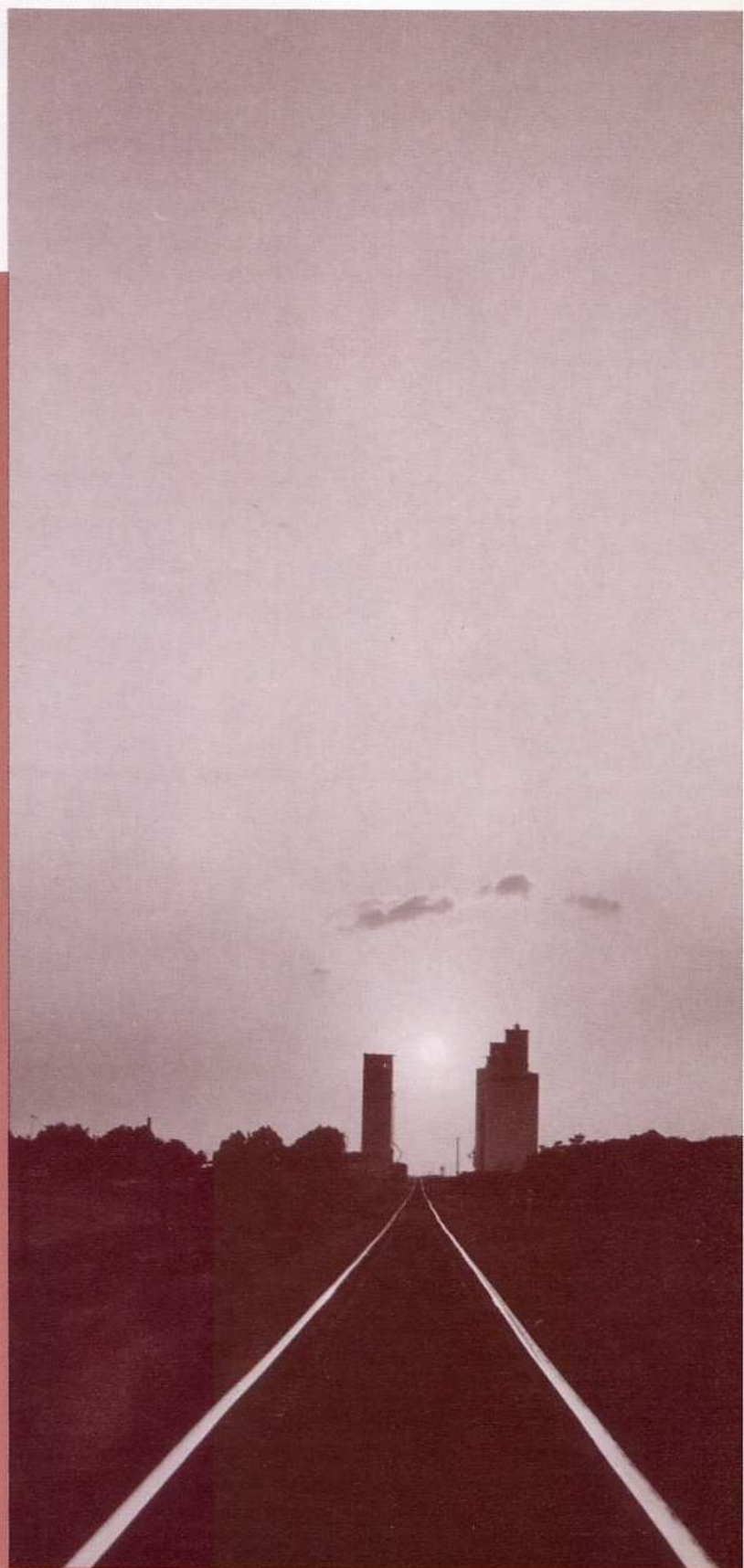
In the first year-to-year decline since 1961, Frisco's 1975 operating revenues of \$280.4 million were 3.5% behind those of the preceding year despite higher freight charges, as rate increases proved too little, too late to offset a substantial reduction in traffic volume and spiraling costs of operation. Higher freight charges generated an estimated \$26.5 million in revenue during 1975.

Rail carriers had requested general freight rate increases up to 7% effective February 5, 1975; the increases were approved but could not be applied until April 27 and then only to a much lesser extent than the carriers had intended as the Interstate Commerce Commission imposed hold-downs and exceptions for such commodities as automotive vehicles and parts, lumber and other building materials, food products and import-export traffic. The Commission subsequently reversed itself and permitted the carriers to apply the higher charges as originally requested but they could not be made effective until July 9. Further freight rate increases up to 5% went into effect on June 20 with various exceptions and hold-downs proposed by the carriers for competitive reasons; these exceptions and hold-downs reduced the effective increase to 2.7% for the Frisco. A further rise of 2.5% became effective October 11 to offset payroll increases which already had gone into effect on October 1. Not until the fourth quarter of 1975 did Frisco's quarterly operating revenues surpass the year-earlier period.

A marked slump in industrial production began in November and December 1974 with a miners' strike and an abrupt curtailment of new automobile and truck assemblies. The result was a sharp decline in rail traffic which continued into 1975. Traffic volume on the Frisco reached its lowest point in May when carloadings were as much as 22% behind the level of the same month in 1974. Aside from a steep slide in the shipment of automotive vehicles and parts, there was a pronounced fall-off in the movement of all of Frisco's principal revenue-producing commodities except coal which by year-end was 26.7% ahead of the year before and constituted 6.4% of Frisco's total carloadings.

Not until June, however, did total traffic volume start to slowly expand. Aided by a record winter wheat movement which carried over from June, third quarter carloadings were down only 9.1% from the year-earlier level, after having been down 19.7% in the first quarter and 18.3% in the second quarter. As the movement of most of our principal revenue-producing commodities slowly increased from the lows of the first and second quarters, the gap between 1975 and 1974 traffic volume narrowed, aided by a record corn crop, but carloadings remained below year-ago levels until December when they rose 2.6% from the year-earlier month. For all of 1975, carloadings were down 13% from the 1974 level and revenue-ton miles were down 10.1%.

Except for coal, the 1975 carload movement of all of Frisco's principal revenue-producing commodities — which account for 80% of all Frisco revenues — was down from the 1974 levels in the following percentages: agricultural commodities (including record wheat and corn movements) 1.7%, food and kindred products 3.7%, automobiles and trucks 9.1%, pulp-paper-and related products 12.0%, chemicals 13.3%, freight forwarder traffic 14.6%, fabricated metal products 20.2%, construction materials other than lumber 20.7%, forest products 21.5%, primary metal products other than iron and steel 22.1%, crude petroleum and petroleum products 24.3%, primary iron and steel 30.3%, machinery 33.2%, ores and concentrates 28.0%, ordnance and accessories 37.0%. Piggyback traffic was down 11.2% for the year but up 5.0% during the fourth quarter.



Grain elevators along right-of-way store and protect record 1975 wheat crop.



207 panels of wooden bridges were replaced with permanent steel and concrete structures during 1975.

MARKET DEVELOPMENT

The Frisco continues in the forefront of the effort to apply and refine the marketing concept in the transportation field. The identification of opportunities to satisfy the customers' needs at a profit produced rewarding results even in the depressed economy of 1975 and is most promising over the longer term.

Market specialists are engaged in (1) identifying potential business in the areas of new markets and present markets served by competing modes or other rail carriers; (2) bringing together corporate efforts to penetrate the market, and (3) improving profitability of existing traffic through innovative or conventional methods.

Concentrated efforts in the intermodal field (rail service combined with another transport mode) continued to bear fruit. Frisco's mini-bridge service (rail movement substituted for water transport) produced a 68% advance in units transported during the year. The Frisco entered the market in 1973 and has experienced rapid growth. Working with other organizations, your Company has made arrangements to strengthen and improve its container service at the Port of Mobile, Alabama. Mail carried in intermodal service for the U. S. Postal Service rose 245% from 1974 in terms of units.

Plans are well underway for further innovation in the intermodal area during 1976. These plans are designed to utilize the advantage of each mode in exploiting opportunities not otherwise accessible to the Frisco.

Achievements were scored in several other areas. These include the concentration of efforts toward the most profitable markets in major commodities, alteration of rail equipment to better serve specific markets, studies relating to rail/barge movements originating at on-line stations going to water-served receivers, as well as traffic received in interchange from other rail carriers consigned to barge-served customers.

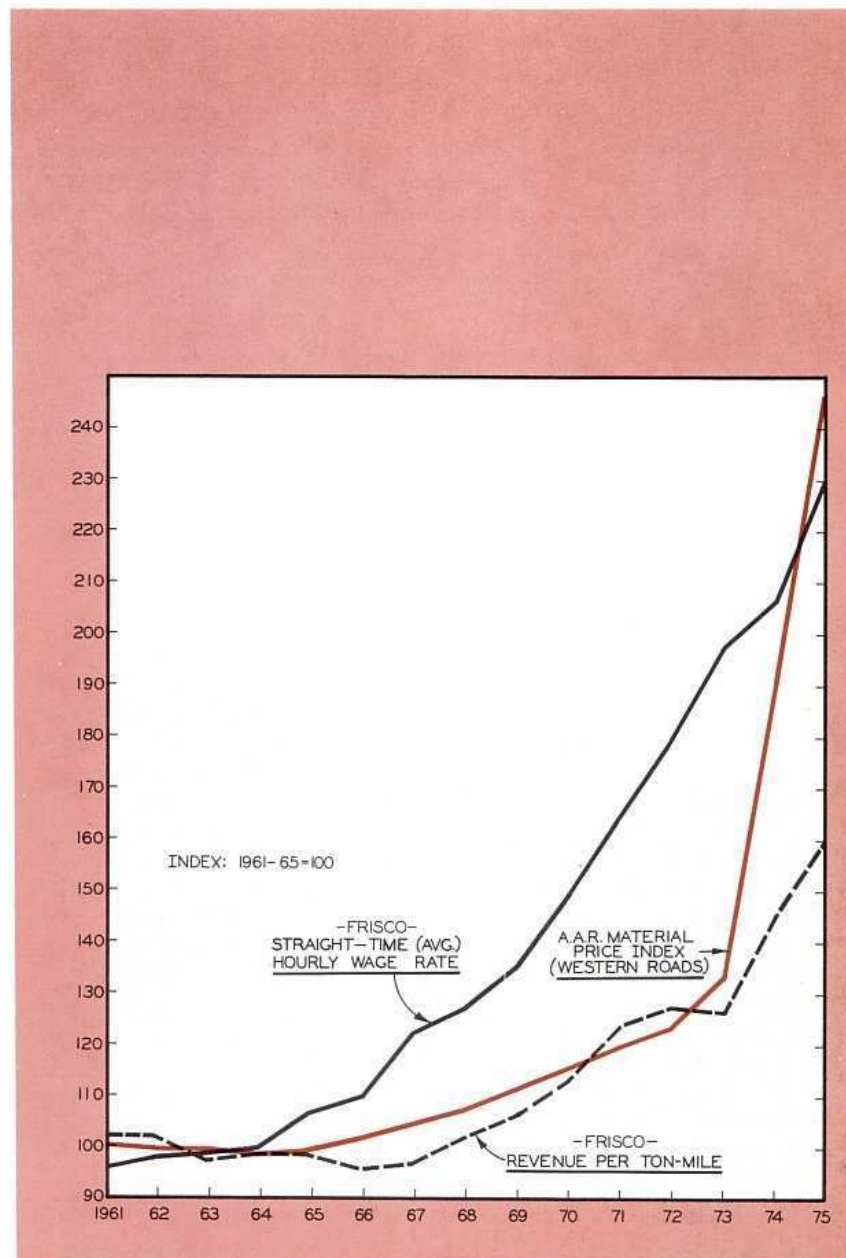
NEW REVENUE FROM NEW PLANTS

Throughout the United States, investment in new plant and equipment reflected the depressed state of the economy. High long-term interest rates, the below-capacity output of factories and the cautious attitude toward the commitment of capital all played a part in inhibiting new plant construction and planning. Much of the capital that was expended went to meet federal and state mandated pollution controls, safety and health-related renovations, as well as plant modernization to offset labor cost increases, and resulted in little or no additional production or added employment.

Nevertheless, in the face of such adverse conditions, the number of new industries located on the lines of the Frisco continued to be encouraging. During 1975, a total of 84 new industries completed construction of their facilities and actually began producing revenue tonnage. It is anticipated that these new industries will generate an annual volume of 42,000 railroad carloads or highway trailerloads susceptible to piggyback movement with new freight revenue approximating \$6.4 million per year. Involving an investment of \$304 million in land, buildings and equipment, they now give employment to more than 2000 persons. In addition to the new facilities, 1975 also saw the expansion of 24 plants at a cost of more than \$113 million; additional traffic from these plant expansions is estimated at 4700 railroad carloads or piggyback trailerloads per year.

The investment in plant expansions followed a predicted pattern and is expected to increase further during 1976 as relatively new and modern plants convert to coal and as business firms try to avoid the high cost of totally new facilities requiring Environmental Protection Agency clearance. The conversion to coal from less plentiful types of fuel continues to promise added traffic for the rail system. Noteworthy during the year was the opening of Union Electric's new coal-fired generating plant at Rush Island, Missouri. When fully operational it is expected to consume upwards of 2.6 million tons per year and will be supplied by unit train movements of coal. Unit trains shuttle back and forth between origin and destination on a rapid turn-around basis carrying a single commodity in one direction and returning empty.

Still another coal-fired steam generating plant, built at a cost of \$55 million by City Utilities, will become operational early in 1976 at Springfield, Missouri.



As industries and power-generating plants continue their conversion to coal, the Frisco is working with a number of mine operators who plan to meet the growing demand for this type of fuel. While Frisco's territory has only limited reserves of low sulphur and metallurgical grade coal, every effort is being made to attract coal-fired generating plants to available sites along its lines.

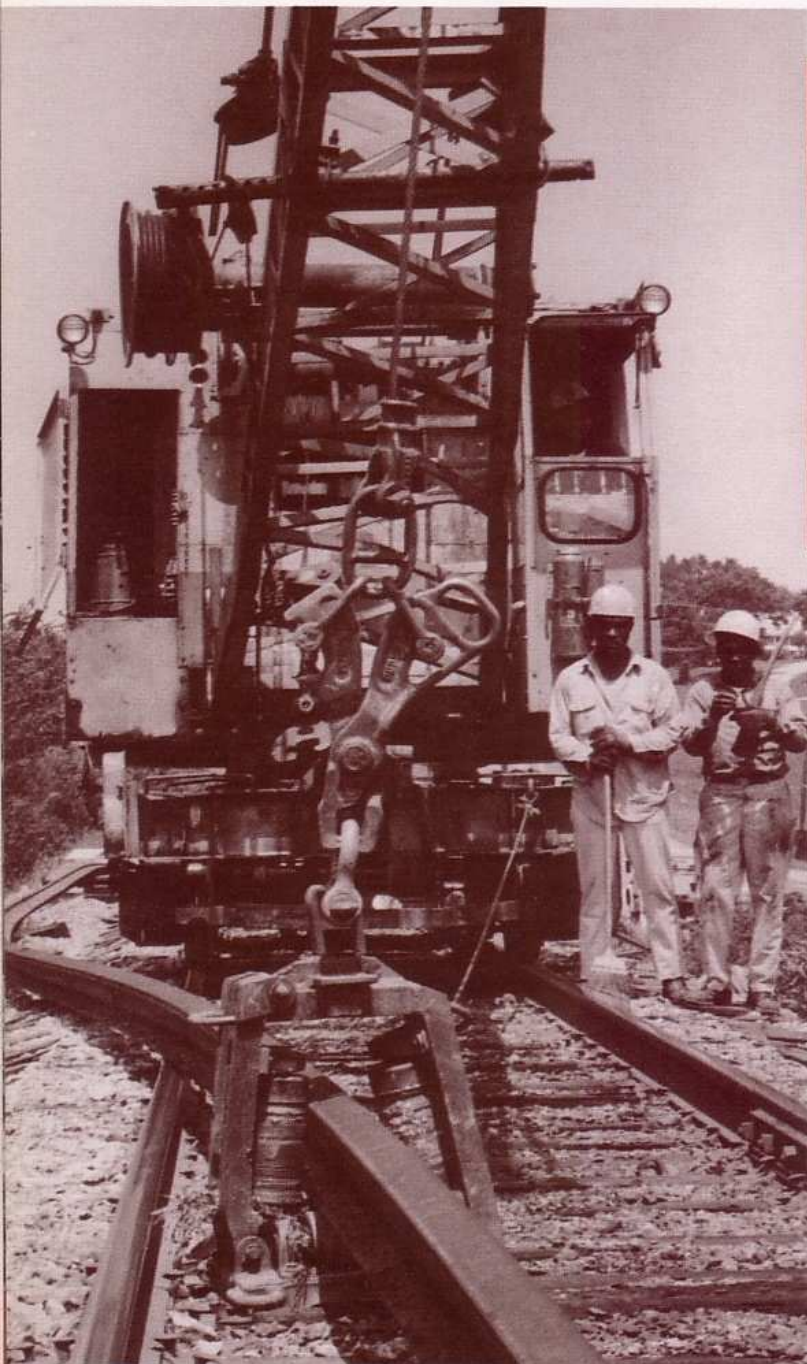
Although a depressed year for industry, 1975 was a good year for the farm economy. The open quota farm policy of the federal government encouraged production of most crops while domestic and foreign demand for American foodstuffs encouraged fertilizer production. Five fertilizer plants were opened during the year, notably the \$46 million anhydrous ammonia plant of Agrico Chemical Company at Verdigris, Oklahoma and the \$25 million expansion by the same

firm at Blytheville, Arkansas. Agrico plans a twin facility at Verdigris while Farmland Industries plans to double the capacity of the plant it opened in 1974 at Enid, Oklahoma.

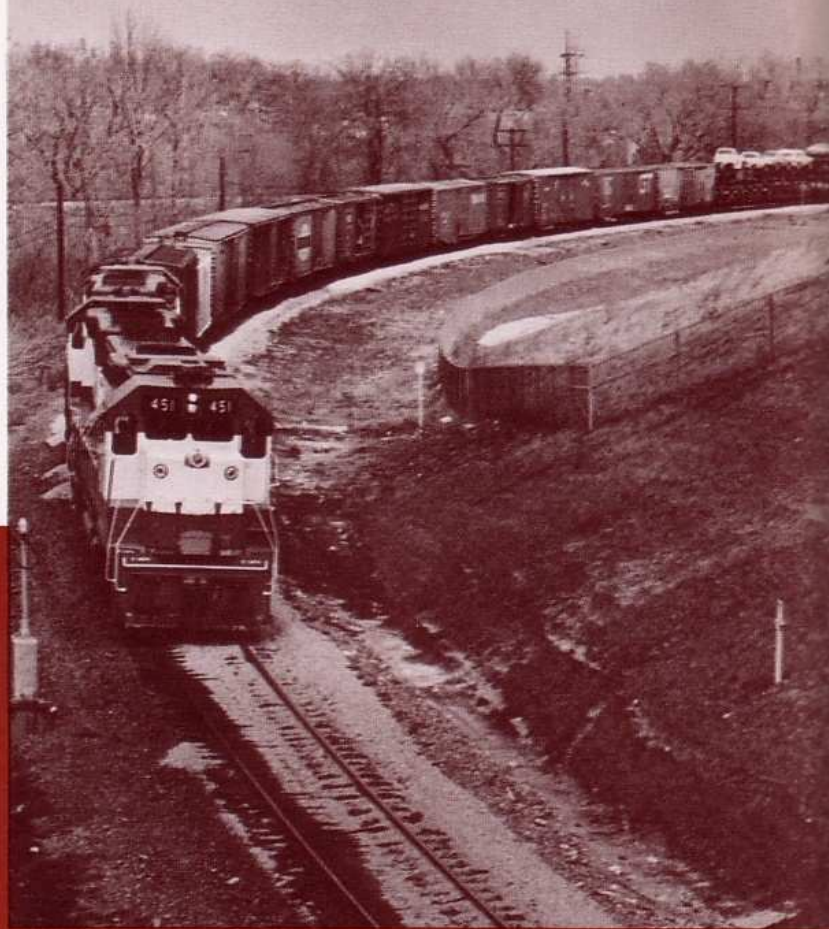
In keeping with the improved economic outlook, the level of inquiries received by the Frisco from firms interested in finding sites for new plants had risen noticeably by year end.

MORE RATE RELIEF REQUESTED IN 1976

All of the nation's railroads except one major Western carrier sought permission to increase freight rates up to 7% effective February 24, 1976. Because of the non-participation of that carrier, it is problematical when, and to what extent, these increases can be applied by your Company.



Continuously-welded rail is laid in quarter-mile lengths to reduce wear at joints.



OPERATIONS

In the face of strong inflationary pressures, operating expenses were \$219.6 million versus \$220.4 million in 1974.

During the year, operations were measurably curtailed as the Frisco geared down to a lower level of business activity. As carloadings fell 13% from the level of the year earlier, revenue ton-miles — a measurement of both weight and distance — declined 10.1%. Indicative of the need for fewer trains, freight train-miles were pared 11.6% while the drop in Frisco's total employment is evident in the 9.4% reduction in man-hours worked. In the face of higher unit wage and associated costs, the Frisco achieved some notable productivity gains. These included a 47% increase in car repair productivity as a result of mechanized on-the-spot train yard repairs and a 32% reduction in the labor cost of inserting cross ties.

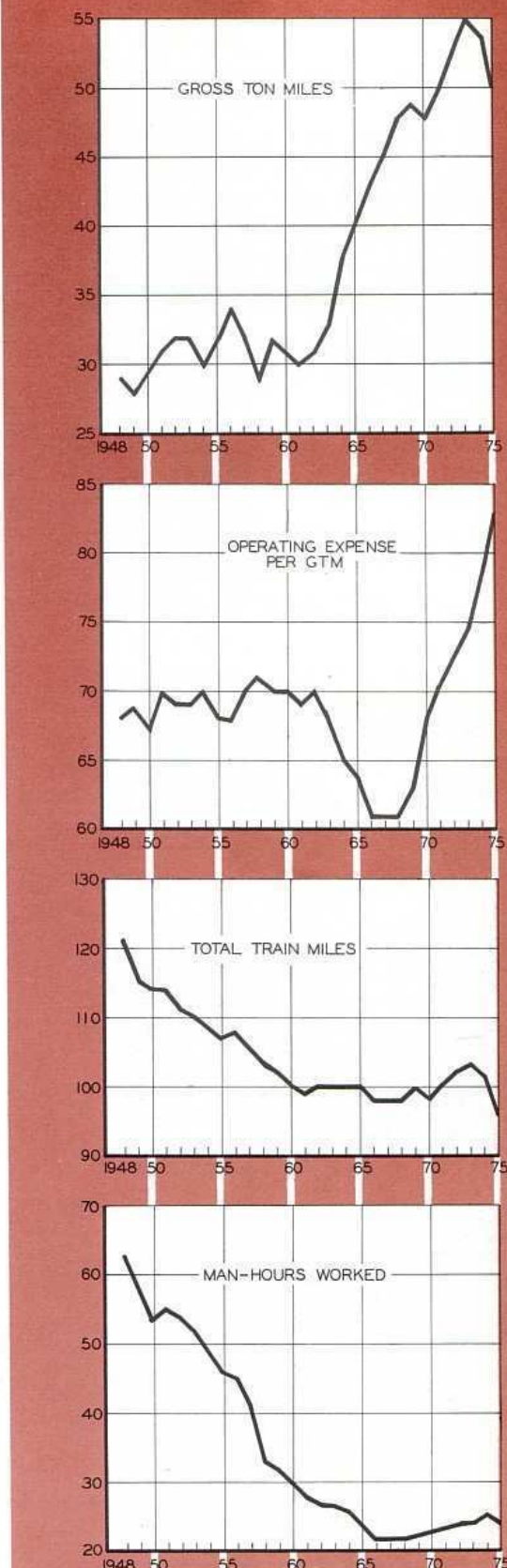
Despite stringent cost-cutting measures, vital roadway maintenance and improvement work was accelerated during the period of low traffic volume earlier in the year. A more detailed discussion of the work undertaken and completed may be found on page 10.

Many railroad operating costs remain fixed during a business downturn. Still others, while not fixed, are not susceptible to a reduction equal to the decline in traffic volume. The payroll expense of operating a 75-car train, for example, is not substantially less than the payroll cost of moving a similar train of 100 cars. The dispatching of longer and fewer trains to reduce train-miles is often circumscribed by competitive requirements for meeting scheduled connections on through traffic.

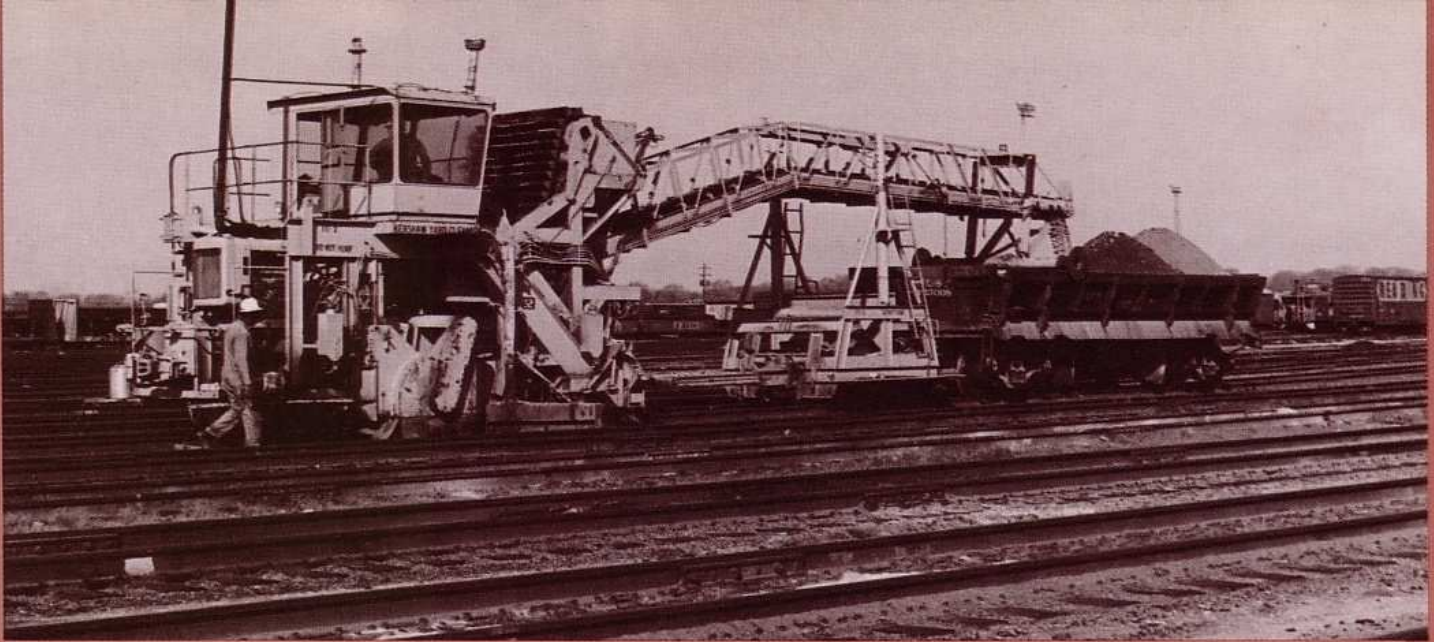
A major upward thrust upon operating expenses came from the greatly increased payroll costs which had to be applied during the year under the three-year labor contracts negotiated nationally by the rail industry as a whole. These pacts provided not only for higher wage rates but also for increased fringe benefits, including higher payroll taxes to meet the rising cost of retirement and unemployment insurance benefits. As a result, the hourly payroll cost per employe went up 10.3%. Still another major influence upon the costs of operation was the unremitting rise in the price of everything required to provide transportation service. Since October 1973, the railroad material price index, excluding fuel, has risen more than 51%; the price of fuel in 1975 was more than double what it was just two years earlier. Frisco's fuel bill during 1975, when fewer trains were operated and less fuel was used, was up more than \$2.5 million from the year-earlier level.

The tabulation which follows shows the amount spent on each of the major subdivisions of operating expenses during 1975 and the year before, together with the ratio of each to total operating revenues, and reflects the effect of regulatory delays in approving higher freight rates to offset inflationary cost increases.

Transportation	
Maintenance of Way	
Maintenance of Equipment	
Other	
Total Operating Expenses	



1975			1974		
Amount	Ratio		Amount	Ratio	
(add 000)			(add 000)		
\$115,008	41.0		\$116,131	40.0	
42,538	15.2		41,947	14.4	
40,080	14.3		41,547	14.3	
21,976	7.8		20,728	7.1	
<u>\$219,602</u>	<u>78.3</u>		<u>\$220,353</u>	<u>75.8</u>	



Mechanized maintenance-of-way operations reduce costs and speed work of cleaning and maintaining yards.

LABOR COSTS

In the latter part of 1974 and during 1975, new labor contracts were negotiated nationally with all groups of organized employees to cover the years 1975, 1976 and 1977. Each of the agreements provides for general wage increases of 15% during 1975, 3% during 1976 and 4% during 1977; cost-of-living adjustments to a maximum of 28¢ per hour during 1976 and to a maximum of 40¢ per hour during 1977. The agreements also provide for one additional paid holiday beginning in 1976; continuation of present health and welfare benefits for the three-year period, and establishment of a national dental plan to be effective March 1, 1976.

PAYROLL TAXES AND EMPLOYMENT DOWN

Payroll taxes in 1975 totaled \$18.8 million, a decrease of 2.1% from the level of 1974. The increase in the maximum employee earnings base to \$1175 monthly beginning January 1, 1975, was more than offset by the decrease in total employment during the year. On January 1, 1976, the earnings base was again increased to \$1275 monthly and the Supplemental Tax from 8.5¢ to 12¢ per hour.

Unemployment taxes were raised from 4% to 5.5% on January 1, 1976 on an unchanged base of \$400 per month.

OTHER INCOME DOWN

Other income is derived from other than direct railroad operations. In 1975, Frisco's other income declined 34% to \$2.6 million chiefly as a result of a drop in the sale of land to industries for plant sites and a reduction in the interest received from short term investments.

FURTHER IMPROVEMENTS IN ROADWAY AND STRUCTURES

During the year, a total of 49 miles of new 132-pound rail was laid. Except for five miles of jointed rail, all new rail was of the continuously-welded type laid in quarter-mile lengths. Additionally, a total of 49 miles of rail released from the Frisco's primary lines, was relaid on secondary lines, some segments of which have enjoyed an encouraging growth of traffic over the years.

Regular maintenance work performed during the year included the surfacing of 1150 miles of track and the testing of 4500 miles of railroad with electronic detector cars capable of locating hidden flaws before they can cause service failures. Cross tie replacements totaled 600,000 in 1975, almost double the number inserted in 1974 when cross ties were in short supply.

The year also saw a continuation of our accelerated bridge renewal program: 150 panels of wooden trestles were filled or replaced with culverts and 207 panels of wooden bridges were replaced with permanent steel and concrete structures.

Other work undertaken during 1975 included the construction of two new track scales at Sherman and Fort Worth, Texas, each with a capacity of 200 tons.

In a project funded by the U. S. Bureau of Reclamation, the Frisco completed the relocation of 5.5 miles of track on its Enid Subdivision to accommodate a new water reservoir built by the Bureau at Mountain Park, Oklahoma. The relocation was effected in 7.2 miles and the work was performed under separate contracts for grading, bridge and track construction.

CAPITAL IMPROVEMENTS

In the past five years, the Frisco has been spending in the neighborhood of \$36.4 million annually on capital improvements, including major leasing. In 1975, capital expenditures with major leasing totaled \$37.7 million, reflecting not only the need for modern equipment and facilities but also the continued inflationary effect of constantly escalating unit costs.

Included in Frisco's 1975 capital spending program was the acquisition of 22 locomotives and 767 freight cars. All of the locomotives and 367 of the freight cars were purchased under Conditional Sale Agreements; the remaining freight cars were financed through leveraged leasing. The types of cars and locomotives purchased may be found on page 23, together with similar data for equipment installed in prior years.

Frisco's 1975 capital expenditures included \$9.4 million for roadway and structures and \$16.7 million for other additions and improvements to its property.

EQUIPMENT OBLIGATIONS

Equipment obligations outstanding at year end, including those due in one year, totaled \$102.9 million, an increase of \$3.4 million, representing additional obligations of \$14.9 million, less serial maturities of \$11.5 million during 1975.

LEASED FREIGHT CARS AND LOCOMOTIVES

To augment its ownership of cars and locomotives, the Frisco had 3049 freight cars and 36 locomotives under lease at year end. It also is a partner to a leasing agreement under which it shares the use of 72 covered hopper cars with a major chemical company. Additionally, the Frisco has a stock interest in Trailer Train Company from which it leases flat cars on some of which Frisco-owned automobile racks are mounted. The future cost of leasing freight cars and locomotives is included in the annual rentals shown in Note 5, page 19.

The Frisco also has joined with other railroads in guaranteeing the financing of a pool of 10,000 free-running box cars to be owned and operated by RAILBOX, a subsidiary of Trailer Train Company; Frisco's guarantee covers the financing of 500 cars. Pool cars may be loaded by any participating line to any destination, in contrast to railroad-owned cars which must be either returned empty or loaded to, or in the direction of, the owning line. Empty movement thus is reduced.

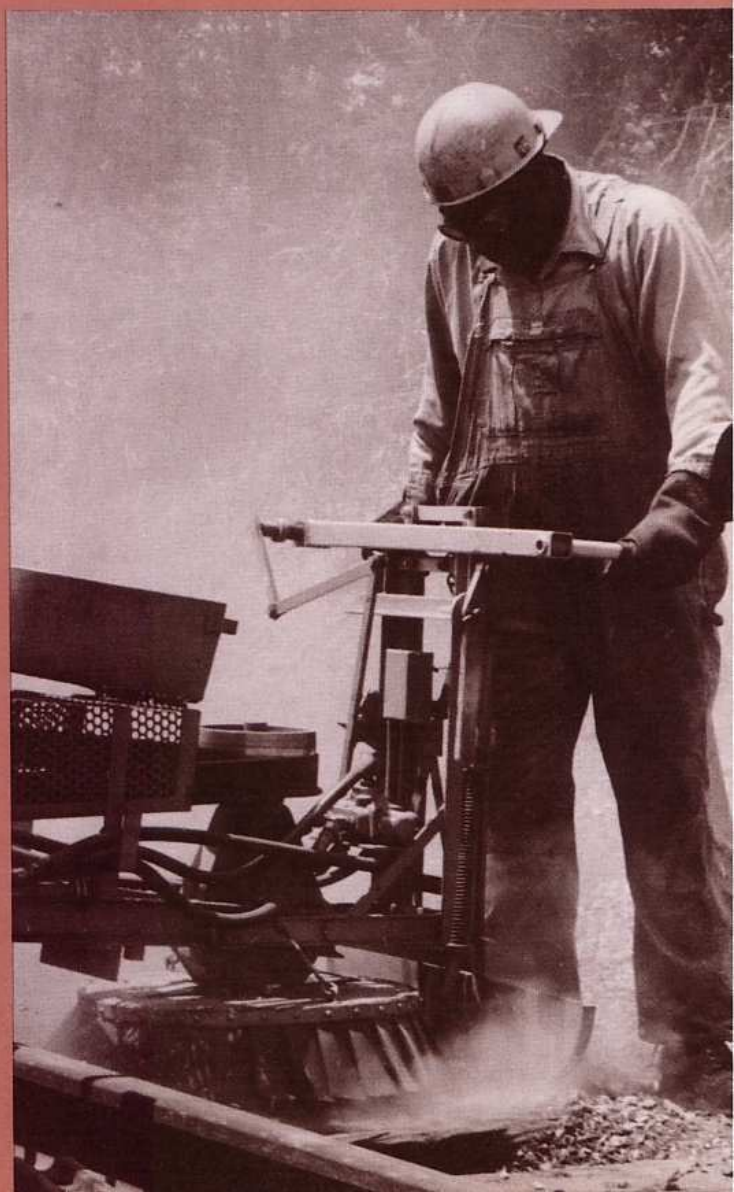
RETIREMENTS

The Frisco continues its efforts to reduce the expense of maintaining light density rail lines which have become even more costly since the Federal Railroad Administration track safety standards first became effective in 1972.

During 1975, regulatory authority was received from the Interstate Commerce Commission to retire, as discussed in Note 6, page 19, a portion of Frisco's line, including Cochrane Bridge across the Tombigbee River in Pickens County, Alabama. ICC authority also was received to retire approximately 8.5 miles of line between a point near Monette, Arkansas and a point near Lake City, Arkansas. Early in 1976, authority was received to abandon 6.7 miles of line between Parsons and Dennis, Kansas.

Entering 1976, the Frisco and its rail subsidiary — the Quanah, Acme & Pacific Railway Company — have applications pending before the ICC to retire an additional 170 miles of line.

Cross tie replacements totaled 600,000 in 1975, almost double the number inserted a year earlier. Labor cost per tie inserted was reduced 32% through the use of modern methods and machinery.



MERGERS

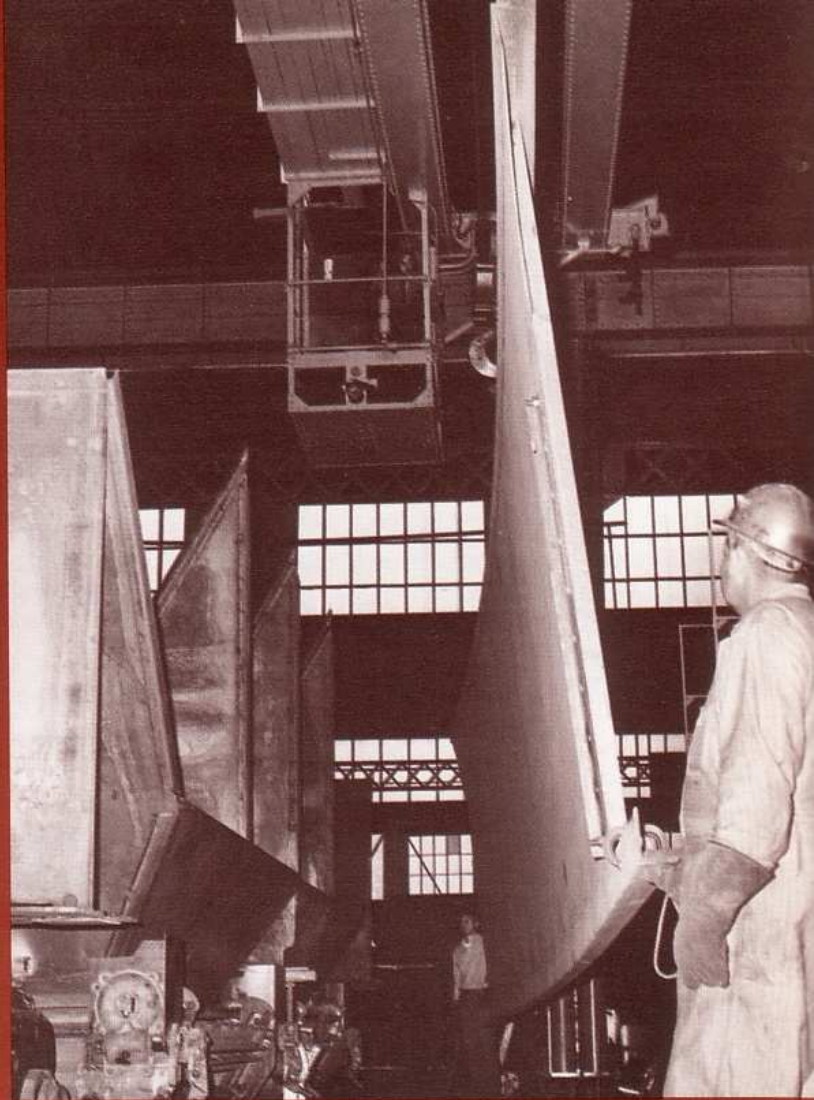
You were informed in last year's report that the Interstate Commerce Commission issued its order on December 3, 1974 in the Rock Island merger proceeding. In this proceeding various railroads were seeking to acquire all or part of the properties of the Rock Island. The Commission's order authorized the merger of the properties of Rock Island into the Union Pacific subject to numerous conditions including the sale of the southern lines of the Rock Island to the Southern Pacific and further requiring Southern Pacific to offer to sell to the Santa Fe the Rock Island line between Amarillo, Texas, and Memphis, Tennessee. Subsequent to this order your Company and all other railroads who were parties to the proceeding, with the exception of the Southern Pacific and the Denver & Rio Grande Western Railroad, filed an application with the Commission requesting that the merger proceedings be dismissed.

On January 12, 1976, the Interstate Commerce Commission entered its order dismissing all merger applications filed by all carriers in these proceedings with the exception of the merger applications of the Southern Pacific and the D&RGW. The Commission's order provides that these two carriers and other "interested parties" may negotiate with the Rock Island within 180 days from January 12, 1976, and file appropriate applications with the Commission seeking approval of any negotiations concluded by the parties.

From the beginning of the Rock Island case, Frisco has opposed all of the various applications and proposals advanced by the parties and continues to oppose any of the various combinations authorized by the Commission in its order of December 3, 1974. The Frisco currently is watching this matter very closely and will continue to take every appropriate action to protect the interests of its stockholders.

LITIGATION

In our 1974 Annual Report you were informed of the existence of two antitrust suits filed by REA Express against the Company and numerous other railroads in which REA is seeking treble damages for actions of the defendants preceding the sale of the stock of REA Express to its present owners. One of these suits has now been dismissed by the United States District Court for the District of Columbia. It is not known at this time whether this decision will be appealed. The other suit is still pending in the United States District Court for the Southern District of New York. REA



Assembling open top hopper cars in Company shops to accommodate coal traffic which surged 26.7% in 1975.

Express was adjudged a bankrupt in 1975. The litigation is not terminated by this development. Your Company is taking appropriate action to defend itself against these claims.

SAFETY

During the year, there was a gratifying continuation of the trend toward fewer casualties from grade crossing accidents. The installation of automatic grade crossing protection devices continued at an accelerated pace, aided by additional federal and state participating funds made available under the Federal Highway Act of 1973.

More stringent, accident-incident reporting procedures, mandated by the Federal Railroad Administration, became effective and soon will be followed by additional FRA regulations covering hazardous commodities, safety standards and environmental conditions. The formulation of these regulations is being watched closely by the Frisco and the rail industry.

During 1975, Frisco achieved a 28% reduction in the number of man-days lost because of personal injuries.

MANAGEMENT'S DISCUSSION OF YEARS 1974 TO 1972

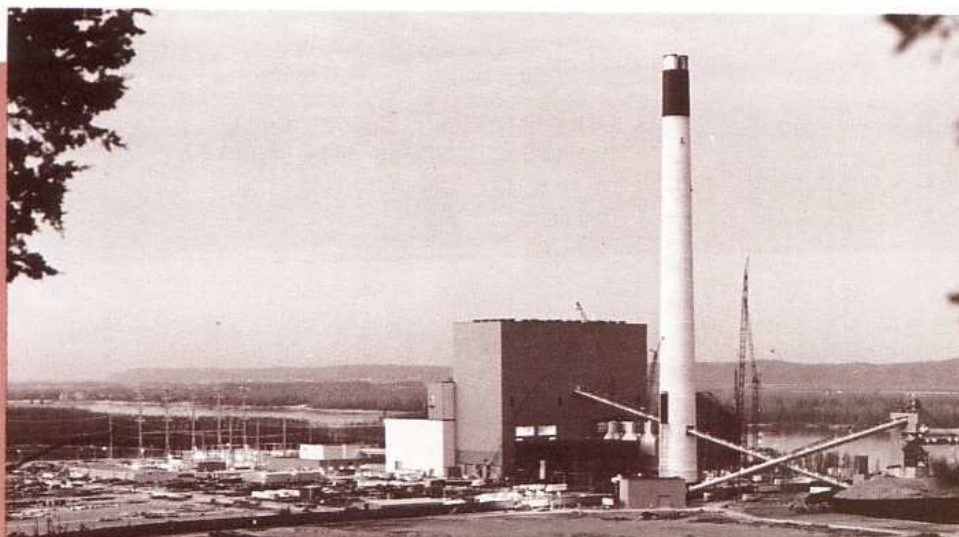
1974 versus 1973

Net income in 1974, under Generally Accepted Accounting Principles, was \$13.2 million versus \$8.2 million in flood-ravaged 1973 restated to conform to GAAP. Under GAAP, there was a reduction of net income by increasing deferred Federal Income Tax accruals \$1.9 million in 1974 and \$4.1 million in 1973. Earnings in 1974 were benefited by a refund of approximately \$700,000 in Federal Income Tax as a result of a carry-back of a 1973 net operating loss, while earnings in 1973 were benefited by a refund of \$1.2 million in Federal Income Tax as a result of flood disaster losses in that year. Operating revenues in 1974 were up 10.1% from the level of the previous year under the influence of higher freight charges authorized by the ICC to help offset inflationary cost increases which included higher Railroad Retirement tax payments and soaring fuel prices. Freight rate increases in 1974 accounted for about \$35.3 million of operating revenues. Operating expenses in 1974 rose 8.4% from the level of the year before under the influence of higher wage and fringe benefits and inflationary increases in the cost of materials and supplies, particularly fuel, the price of which surged more than 70% in one year's time; greater expenditures for maintenance during 1974 also were a factor. Operating charges during 1974 rose \$3.2 million from the level of the year before because of a \$5.5 million increase in payroll taxes, partially offset by a \$2.3 million reduction in the cost of hiring equipment from others. During 1974, there was a decrease of \$1.3 million in income from other than railway operations; a major influence was the downward revaluation of second-hand relay rail inventory at the in-

sistence of the ICC to partially offset the upward revaluation undertaken in 1973.

1973 versus 1972

Restated to conform to Generally Accepted Accounting Principles, net income in 1973 was \$8.2 million, down 26.6% from the year-earlier level, as a result of flood-related costs estimated in the range of \$3.5 million and the restatement to GAAP which increased deferred Federal Income Tax accruals \$4.1 million in 1973 and \$3.7 million in 1972. Earnings in 1973 were benefited by a refund of \$1.2 million in Federal Income Tax as a result of flood disaster losses in that year. Earnings in 1973 also were benefited by an increase in income from other than railway operations, including a \$981,000 credit from the upward revaluation of the Company's relay rail inventory to reflect the inflationary trends in scrap and second-hand rail quotations. Operating revenues in 1973 were up 10.4% from the level of the year before under the influence of a record volume of traffic and higher freight rates which only partially offset inflationary increases in costs; freight rate increases accounted for approximately \$6.4 million of operating revenues in 1973. Operating expenses in 1973 were up 12.1% from the year-earlier level under the influence of sharply higher payroll and material costs, particularly of fuel, and the flood-related costs mentioned above. Operating charges in 1973 were up 29.4% from the year-earlier level because of an increase of \$5.7 million in the cost of hiring equipment from others, as well as a \$3.7 million increase in payroll and other taxes other than Federal Income Tax.



Union Electric's new coal-fired generating plant at Rush Island, Missouri, will burn 2.6 million tons per year when fully operational. Coal is supplied by unit-train movement.

St. Louis-San Francisco Railway Company
Consolidated Five-Year Summary of Operations

CONDENSED INCOME ACCOUNT

(000) omitted

	1975	1974	1973*	1972*	1971*
Operating revenues	\$280,353	\$290,573	\$263,886	\$238,959	\$220,935
Operating expenses	219,602	220,353	203,245	181,295	163,361
Net operating revenue	60,751	70,220	60,641	57,664	57,574
Operating charges	43,022	44,552	41,338	31,936	31,762
Net operating income	17,729	25,668	19,303	25,728	25,812
Other income, net	2,642	4,030	5,292	2,217	2,035
Balance for fixed and contingent charges	20,371	29,698	24,595	27,945	27,847
Fixed and contingent charges ...	13,653	13,201	12,664	12,266	11,594
Income before federal income taxes	6,718	16,497	11,931	15,679	16,253
Estimated federal income taxes:					
Current	(200)	1,384	(350)	830	1,810
Deferred	1,800	1,940	4,120	3,730	3,907
Income before extraordinary item	5,118	13,173	8,161	11,119	10,536
Extraordinary item	3,452	—	—	—	—
Net income	\$ 8,570	\$ 13,173	\$ 8,161	\$ 11,119	\$ 10,536
Earnings per share:					
Ordinary income	\$ 1.97	\$ 5.08	\$ 3.14	\$ 4.28	\$ 4.06
Extraordinary income	1.33	—	—	—	—
Net income	\$ 3.30	\$ 5.08	\$ 3.14	\$ 4.28	\$ 4.06

CONDENSED BALANCE SHEET AS OF DECEMBER 31ST

Current assets	\$ 55,149	\$ 56,405	\$ 58,195	\$ 53,447	\$ 51,427
Current liabilities	46,167	45,677	43,675	37,103	35,941
Net current assets	8,982	10,728	14,520	16,344	15,486
Properties — net	470,354	463,202	450,910	449,447	442,703
Investments	6,760	6,289	6,121	5,799	6,570
Other assets	8,887	9,146	8,321	7,752	8,203
Total assets less current liabilities	494,983	489,365	479,872	479,342	472,962
Long term debt (including debt due within one year)	214,335	213,511	212,351	218,727	220,897
Other liabilities	3,713	3,005	3,296	2,182	2,036
Deferred federal income taxes..	59,542	57,537	55,597	51,477	47,768
Total long term debt, other liabilities	277,590	274,053	271,244	272,386	270,701
Net assets	\$217,393	\$215,312	\$208,628	\$206,956	\$202,261
Stockholders' equity:					
Common stock	\$113,565	\$113,565	\$113,565	\$113,565	\$113,565
Retained income and capital surplus	103,828	101,747	95,063	93,391	88,696
Total stockholders' equity	\$217,393	\$215,312	\$208,628	\$206,956	\$202,261

*RESTATED TO REFLECT DEFERRED INCOME TAXES

Consolidated Income Statement

	1975 (000)	1974 omitted
OPERATING REVENUES:		
Freight	\$272,004	\$277,020
Other	8,349	13,553
Total operating revenues	<u>280,353</u>	<u>290,573</u>
OPERATING EXPENSES:		
Maintenance of way and structures	42,538	41,947
Maintenance of equipment	40,080	41,547
Transportation	115,008	116,131
Other	21,976	20,728
Total operating expenses (includes depreciation of \$14,075,000 and \$13,018,000 respectively)	<u>219,602</u>	<u>220,353</u>
Net operating revenue	<u>60,751</u>	<u>70,220</u>
OPERATING CHARGES:		
Payroll taxes	18,820	19,232
Property and other taxes	7,447	7,502
Equipment and joint facility rents	16,755	17,818
Total operating charges	<u>43,022</u>	<u>44,552</u>
Net operating income	<u>17,729</u>	<u>25,668</u>
OTHER INCOME:		
Profit on company bonds purchased	572	545
Other, net (see Page 10)	2,070	3,485
Total other income	<u>2,642</u>	<u>4,030</u>
Balance for fixed and contingent charges	<u>20,371</u>	<u>29,698</u>
FIXED AND CONTINGENT CHARGES:		
Interest on long term debt — fixed	11,789	11,499
Other fixed charges	449	282
Interest on long term debt — contingent	1,415	1,420
Total fixed and contingent charges	<u>13,653</u>	<u>13,201</u>
Income before federal income taxes	<u>6,718</u>	<u>16,497</u>
ESTIMATED FEDERAL INCOME TAXES:		
Current	(200)	1,384
Deferred	1,800	1,940
Total estimated federal income taxes (Notes 1 and 3, Page 18)	<u>1,600</u>	<u>3,324</u>
Income before extraordinary item	5,118	13,173
Extraordinary item (Note 6, Page 19): Retirement and sale of rail facilities under threat of condemnation..	3,452	—
NET INCOME	<u>\$ 8,570</u>	<u>\$ 13,173</u>
EARNINGS PER SHARE:		
Ordinary income	\$ 1.97	\$ 5.08
Extraordinary income	1.33	—
NET INCOME	<u>\$ 3.30</u>	<u>\$ 5.08</u>

Consolidated Balance Sheet

	December 31,	
	1975	1974
	(000)	omitted
ASSETS		
CURRENT ASSETS:		
Cash	\$ 2,296	\$ 3,232
Temporary cash investments	3,536	6,773
Cash deposits for interest, dividends, etc.	891	991
Accounts receivable	27,347	26,117
Material and supplies, at average cost	20,239	18,497
Other current assets	840	795
Total current assets	55,149	56,405
SPECIAL DEPOSITS	2,503	3,443
INVESTMENTS:		
Securities of and advances to affiliates (Page 21)	6,509	6,031
Other investments	251	258
Total investments	6,760	6,289
PROPERTIES (Note 1, Page 18 and Page 24):		
Roadway and structures	359,123	352,371
Equipment	308,547	300,966
Non-operating property	8,166	8,586
Accrued depreciation — road	(67,817)	(65,429)
Accrued depreciation — equipment	(137,364)	(132,827)
Accrued depreciation — non-operating property	(301)	(465)
Total properties — net	470,354	463,202
OTHER ASSETS:		
Unamortized expense on long term debt	1,848	1,888
Miscellaneous	4,536	3,815
Total other assets	6,384	5,703
TOTAL ASSETS	<u>\$541,150</u>	<u>\$535,042</u>

Consolidated Balance Sheet

	December 31,	
	1975	1974
	(000) omitted	
LIABILITIES		
CURRENT LIABILITIES:		
Audited accounts and wages payable	\$ 6,876	\$ 6,793
Accrued and miscellaneous accounts payable	24,892	22,475
Interest and dividends payable	4,422	4,354
Estimated federal taxes on income (Note 3, Page 18)	100	2,125
Other accrued taxes	4,010	4,316
Other current liabilities	5,867	5,614
Total current liabilities (excluding current portion of long term debt)	46,167	45,677
LONG TERM DEBT (Page 22):		
First Mortgage Bonds, 4% Series A — 1997	58,952	59,990
First Mortgage Bonds, 4% Series B — 1980	14,312	14,337
Income Debentures, 5% Series A — 2006	28,336	28,521
Purchase Money Mortgage Notes, 6¾ % — 1992	5,550	5,700
Equipment obligations	102,872	99,501
Other long term debt	4,313	5,462
Total long term debt (\$13,020,000 payable in 1976 and \$12,475,000 in 1975)	214,335	213,511
OTHER LIABILITIES:		
Deferred federal income taxes (Notes 1 and 3, Page 18)	59,542	57,537
Estimated casualty and other reserves	1,275	968
Miscellaneous, including other deferred credits	2,438	2,037
Total other liabilities	63,255	60,542
STOCKHOLDERS' EQUITY		
CAPITAL STOCK (Note 4, Page 18):		
Common, no par value —		
Authorized 6,000,000 shares, issued 2,595,619 shares, less 50 shares in treasury	113,565	113,565
CAPITAL SURPLUS	18,935	18,935
RETAINED INCOME (Page 20)	84,893	82,812
Total stockholders' equity	217,393	215,312
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$541,150	\$535,042

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

PRINCIPLES OF CONSOLIDATION: Included in the consolidated financial statements are the accounts of the parent company and wholly-owned rail and non-rail subsidiary companies. 50.04% of the net income of partially owned New Mexico and Arizona Land Company has been included in Other Income and the investment has been stated on an equity method basis.

PROPERTIES: Gross properties are stated at estimated original cost as determined by the Interstate Commerce Commission for reorganizational purposes as of January 1, 1947, plus additions and betterments at cost and less retirements since that date. The Company uses the straight-line method of depreciation accounting (useful lives of 7 to 75 years) as prescribed by the Interstate Commerce Commission, with respect to equipment and depreciable road properties; however, for rails, ties, and other track materials instead of depreciation accounting, it follows an acceptable alternate accounting practice of "replacement" accounting. Under this method, replacements in kind are charged to expenses, and betterments (improvements) are capitalized. The amounts capitalized are not depreciated and are charged against income only when the related properties are retired. At December 31, 1975 nondepreciable property, including land and land rights, aggregated approximately \$229,700,000.

INCOME TAXES: The provision for income taxes includes amounts for deferred income taxes resulting from the excess of tax amortization and depreciation over recorded book depreciation. Investment tax credit is accounted for under the flow-through method.

2. PENSION PLAN:

The Company has a noncontributory pension plan covering officers and supervisory employees. The cost of the plan charged to income was \$1,340,000 in 1975 and \$1,218,000 in 1974 which amounts include provision for past service costs. The Company's policy is to fund pension costs accrued. Unfunded past service costs of the Company's pension plan was approximately \$1,700,000 at December 31, 1975.

3. FEDERAL INCOME TAXES:

Federal taxes on income for the years 1972 through 1975 are subject to final determination by the Treasury Department. In the opinion of management, the reserve provided for federal taxes on income is adequate. Estimated benefits from allowable investment credit included in earnings for the year 1975 were \$1.6 million compared to \$4.1 million in 1974. At the end of 1975, there was an estimated \$12.8 million in unused investment credit, substantially all of which has been offset against deferred income taxes.

4. CAPITAL STOCK:

The Company is authorized to issue 1,500,000 shares of Preferred Stock of \$100.00 par value. None of such stock is outstanding. At December 31, 1975, there were 100,000 shares of authorized Common Stock reserved for issuance under a Nonqualified Stock Option Plan authorized in 1975 for certain officers and key employees. Options for 95,380 shares were granted; none was exercised in 1975 but options for 3491 shares had been exercised as of February 27, 1976.

5. CONTINGENT LIABILITIES AND COMMITMENTS:

The Company is guarantor of principal and interest, individually or jointly with other railroads, of obligations of various affiliated companies of which the estimated portion applicable to the Company is approximately \$20,000,000 and \$6,100,000 as of December 31, 1975 and 1974, respectively. The Company is a participant in service interruption policies with The Imperial Insurance Company (Cayman Islands) Limited. The maximum annual premium under the policies in the event of work stoppages on other participating railroads is \$6,844,000.

The Company leases equipment under various agreements, all subject to a partial offset of freight car earnings while equipment is off-line. As of December 31, 1975, rental commitments under long term leases were as follows:

Year	Lease Rentals		
	Transportation Equipment	Other	Total
1976	\$ 5,504,000	\$ 1,061,000	\$ 6,565,000
1977	5,748,000	925,000	6,673,000
1978	5,748,000	670,000	6,418,000
1979	5,549,000	300,000	5,849,000
1980	5,061,000	300,000	5,361,000
1981 through 1985	23,993,000	893,000	24,886,000
1986 through 1990	18,658,000	304,000	18,962,000
1991 and 1992	2,289,000	—	2,289,000
Total	\$72,550,000	\$ 4,453,000	\$77,003,000

6. EXTRAORDINARY ITEM:

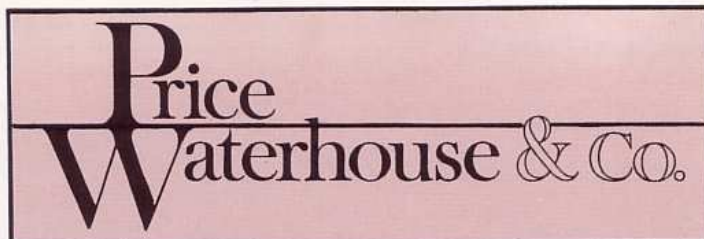
During the year the Company recorded extraordinary income of \$3,452,000 as a result of the retirement and sale of rail facilities near Cochrane, Alabama, under threat of condemnation by the United States Corps of Engineers. The funds received are being reinvested in non-depreciable road properties, and consequently there is no tax effect.

→ Consolidated Retained Income Statement

	1975 (000)	1974 omitted
Balance at beginning of year	\$ 82,812	\$ 76,128
Add:		
Net income for the year	8,570	13,173
Deduct:		
Dividend on Common Stock — Per Share \$2.50 in 1975 and 1974...	6,489	6,489
Balance at end of year	<u>\$ 84,893</u>	<u>\$ 82,812</u>

→ Consolidated Statement of Changes in Financial Position

	1975 (000)	1974 omitted
SOURCES OF FUNDS:		
Income before extraordinary item	\$ 5,118	\$ 13,173
Depreciation and other non-cash charges	14,590	13,575
Deferred federal income tax	1,800	1,940
Extraordinary income	3,452	—
Proceeds long term debt	14,957	14,728
Proceeds sale of property and salvage	4,172	2,837
Miscellaneous	899	(1,335)
Total	<u>44,988</u>	<u>44,918</u>
APPLICATIONS OF FUNDS:		
Additions and betterments — road and equipment	26,112	28,654
Long term debt retired	14,133	13,567
Dividends	6,489	6,489
Total	<u>46,734</u>	<u>48,710</u>
(DECREASE) IN WORKING CAPITAL	<u>\$ (1,746)</u>	<u>\$ (3,792)</u>
CHANGES IN WORKING CAPITAL:		
Cash and temporary cash investments	\$ (4,173)	\$ (5,996)
Accounts receivable	1,230	(1,351)
Material and supplies	1,742	5,528
Accounts payable	(2,500)	(634)
Estimated federal taxes on income	2,025	(1,383)
Other	(70)	44
(DECREASE) IN WORKING CAPITAL	<u>\$ (1,746)</u>	<u>\$ (3,792)</u>



ONE MEMORIAL DRIVE, ST. LOUIS, MISSOURI 63102-314-436-7800

February 27, 1976

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF
ST. LOUIS-SAN FRANCISCO RAILWAY COMPANY:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, retained income and changes in financial position present fairly the consolidated financial position of the St. Louis-San Francisco Railway Company and its subsidiaries at December 31, 1975 and 1974, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

Securities of and Advances to Affiliates

	Number of Shares	Per Cent Owned	Par Value	Stocks	Notes and Advances	Total Investment
New Mexico and Arizona Land Co.	525,270.48†	50.04	\$525,270	\$2,525,439†	\$	\$2,525,439
Illinois Terminal Railroad Co.	181.82	9.09	1,818	1,818	.....	1,818
Kansas City Terminal Ry. Co.	1,833.33*	8.33	183,333	183,333	1,716,356	1,899,689
Pullman Co., The	8,456.00	1.16	169	109,928	.....	109,928
Terminal R. R. Association of St. Louis	2,058.00*	6.25	205,800	1	667,548	667,549
Trailer Train Co.	500.00	2.44	500	50,000	486,000	536,000
Wichita Union Terminal Ry. Co.	333.33*	33.33	33,333	12,502	754,289	766,791
Wichita Terminal Association	.....	.....	.....	.....	2,000	2,000
Totals				\$2,883,021	\$3,626,193	\$6,509,214

†200,000 shares pledged under loan agreement.

†Equity of New Mexico and Arizona Land Company at December 31, 1975 (Note 1, Page 18).

*Stock pledged under First Mortgage.

→ Long Term Debt

	Date of Maturity	Outstanding Dec. 31, 1975		Fixed and Contingent Interest	
		Due After 1976	Due in 1976	Rate	Expense for 1975
FUNDED DEBT UNMATURED:					
First Mortgage Series A	1-1-97	\$ 58,952,000†	*	4.00	\$ 2,373,753
First Mortgage Series B	9-1-80	14,312,000†	*	4.00	573,424
Income Debentures Series A ...	1-1-06	28,336,500†	*	5.00	1,414,700
Purchase Money Mortgage Notes	8-1-92	5,550,000	*	6.75	380,531
		107,150,500			4,742,408
EQUIPMENT OBLIGATIONS‡:					
Trust Certificates:	Serially to				
Series N	3-15-80	1,116,000	\$ 279,000	4.25	61,758
Series O	5-15-80	1,260,000	315,000	4.38	74,073
Conditional Sale Agreements:					
Numbers:					
14	6-1-76	—	35,533	4.75	5,405
15/16	1-1-77	—	150,300	4.75	12,568
17	11-1-77	59,676	101,758	5.00	11,040
18/22	8-1-78	614,830	350,783	4.50	48,714
23/27	1-15-79	1,491,894	596,758	4.45	101,822
28/29	3-15-79	198,696	79,478	4.45	14,000
31/39	1-15-81	3,602,723	800,605	5.25	243,434
40	4-1-76	—	49,733	5.60	5,570
41/43	3-1-82	1,484,468	269,903	6.25	116,677
44/45	3-1-82	1,294,351	235,336	5.75	93,595
46/50	7-1-82	3,316,099	552,683	6.25	259,070
51/56	1-1-83	5,615,000	935,833	6.75	505,350
57/58	10-1-80	1,333,320	333,330	7.25	151,165
59/64	12-15-83	4,662,000	666,000	7.25	432,553
65	8-15-84	2,000,000	250,000	8.25	198,516
66/67	1-15-85	3,390,750	376,750	9.38	354,675
68/70	2-1-85	3,402,000	378,000	9.50	362,093
71	7-1-85	2,591,132	287,904	9.75	294,021
72	11-15-82	3,000,000	500,000	7.50	301,622
73/74 & 76/77	7-1-86	5,932,550	593,255	7.75	528,739
75	5-15-83	1,858,358	265,480	7.50	181,227
78/80	10-1-86	7,210,688	721,069	8.25	695,831
81	3-1-84	4,057,882	507,235	7.50	378,852
82/83	3-1-88	6,626,269	552,189	7.87	550,348
84/87	5-1-89	10,877,148	836,704	8.63	1,031,935
ACF, et al	4-1-90	12,312,033	879,431	10.00	1,130,058
88/90	4-1-91	1,663,899	—	10.25	16,455
Matured During Year		—	—	—	4,509
		90,971,766	11,900,050		8,165,675
Other Long Term Debt		3,192,830	1,119,794		295,788
Totals		\$201,315,096	\$13,019,844		\$13,203,871

†Excludes bonds held in treasury as follows:

First Mortgage Series A	\$371,000
First Mortgage Series B	442,000
Income Debentures Series A ..	244,000

*Subject to sinking fund provisions under mortgage indentures in 1976:

First Mortgage Series A	\$691,332
First Mortgage Series B	195,000
Income Debentures Series A ..	165,645
Purchase Money Mortgage Notes	150,000

‡Equipment obligations maturing in future years are:

1976 ...	\$11,900,050	1981 ...	\$9,319,002	1986 ...	\$3,693,574
1977 ...	11,733,329	1982 ...	8,666,079	1987 ...	2,379,250
1978 ...	11,586,917	1983 ...	6,424,943	1988 ...	2,379,250
1979 ...	10,984,752	1984 ...	5,493,463	1989 ...	1,827,061
1980 ...	10,646,634	1985 ...	4,736,228	1990 ...	990,358
				1991 ...	110,926

Equipment Owned

DESCRIPTION	Owned Dec. 31, 1974	Changes During 1975			Owned Dec. 31, 1975
		Purchased	Reclas- sified	Retired	
DIESEL LOCOMOTIVES:					
Freight 3600 H.P. (A Units)	49	...	...	...	49
Freight 3000 H.P. (A Units)	16	5	...	...	21
Freight 2500 H.P. (A Units)	65	...	...	...	65
Freight 2000 H.P. (A Units)	87	12	...	...	99
All Purpose 1500 H.P.	112	...	...	12	100
Switch 1500 H.P.	46	5	...	...	51
Switch 1200 H.P.	15	...	...	...	15
Switch 1000 H.P.	25	...	...	...	25
Switch 44 Ton	1	...	...	...	1
Total	416	22	...	12	426
FREIGHT-TRAIN CARS:					
Box-Plain	3,302	...	...	72	3,230
Box-Equipped-Non-Insulated	2,736	15	11	37	2,725
Box-Equipped-Insulated	1,301	...	...	4	1,297
Gondola	2,429	25	...	9	2,445
Hopper-Open Top	2,804	...	...	556	2,248
Hopper-Covered	2,293	250	...	119	2,424
Flat-Including Special Equipped	281	...	...	24	257
Wood Rack & Bulkhead Flat	855	...	...	...	855
Multi-Level Auto Transport	184	...	...	6	178
Mechanical Refrigerators	100	...	...	...	100
Caboose	235	20	...	27	228
Total	16,520	310	11	854	15,987
WORK EQUIPMENT:					
Tool and Material	630	...	11	40	601
Ballast	106	57	...	1	162
Boarding	69	...	3	5	67
Tank	124	...	...	6	118
Other	38	3	...	1	40
Total	967	60	14	53	988
MISCELLANEOUS EQUIPMENT:					
Motor Trucks	519	42	...	95	466
Automobiles	308	13	...	251	70
Airplane	1	...	...	...	1
Other	29	...	...	2	27
Total	857	55	...	348	564
FLOATING EQUIPMENT:					
Car Ferry	2	...	...	...	2
MOTOR CARRIER EQUIPMENT:					
Trucks	24	...	...	1	23
Tractors	110	...	...	20	90
Semitrailers	140	...	...	35	105
Service Cars	13	1	...	1	13
Total	287	1	...	57	231

Property Changes during the Year 1975

	Balance Dec. 31, 1974	Additions and Betterments	Retirements	Balance Dec. 31, 1975
Roadway and Structures	\$352,371,304	\$ 9,370,473	\$ 2,618,337	\$359,123,440
Equipment (Page 23):				
Diesel Locomotives	81,355,536	6,802,965	1,836,814	86,321,687
Freight-Train Cars	202,422,603	7,634,895	5,075,834	204,981,664
Work and Miscellaneous	15,025,953	2,237,258	1,721,688	15,541,523
Motor Carrier Equipment	2,161,991	6,998	467,378	1,701,611
Total Equipment	300,966,083	16,682,116	9,101,714	308,546,485
Total Transportation Property	653,337,387	26,052,589	11,720,051	667,669,925
Non-Operating Property	8,585,627	59,350	478,897	8,166,080
Total Properties	\$661,923,014	\$26,111,939	\$12,198,948	\$675,836,005

OFFICERS

R. C. GRAYSON

Chairman and President, St. Louis, Mo.

E. D. GRINNELL

Senior Vice President-Marketing, St. Louis, Mo.

W. F. THOMPSON

Senior Vice President-Operations, Springfield, Mo.

J. H. BROWN

Vice President-Corporate Affairs, St. Louis, Mo.

D. E. ENGLE

Vice President and General Counsel, St. Louis, Mo.

H. B. PARKER

Vice President-Finance and Treasurer, Springfield, Mo.

J. K. BESHEARS

Vice President-Labor Relations, Springfield, Mo.

G. E. BAILEY

Vice President and Secretary, St. Louis, Mo.

P. E. ODOM

Vice President-Administration, Springfield, Mo.

H. H. KNUTH

Vice President-Sales, St. Louis, Mo.

R. J. RODEFELD

Vice President-Pricing, St. Louis, Mo.

N. A. KIRCHOFF

Vice President-Industrial Development, St. Louis, Mo.

TRANSFER AGENTS FOR COMMON STOCK:

Citibank, N.A., 111 Wall Street, New York, N.Y. 10015
 Mercantile Trust Company National Association, 721 Locust Street, St. Louis, Mo. 63101

REGISTRARS FOR COMMON STOCK:

Bankers Trust Company, 16 Wall Street, New York, N.Y. 10015
 St. Louis Union Trust Company, 510 Locust Street, St. Louis, Mo. 63101

REGISTRARS FOR BONDS, DEBENTURES AND EQUIPMENT TRUST CERTIFICATES:

Citibank, N.A., 111 Wall Street, New York, N.Y. 10015
 Mercantile Trust Company National Association, 721 Locust Street, St. Louis, Mo. 63101

AUTHENTICATING AGENTS:

Citibank, N.A., 111 Wall Street, New York, N.Y. 10015 for First Mortgage Bonds, 4% Series A and B, due Jan. 1, 1997 and Sept. 1, 1980, respectively.
 Mercantile Trust Company National Association, 721 Locust Street, St. Louis, Mo. 63101 for 5% Income Debentures, Series A, due Jan. 1, 2006.

Annual Meeting of Stockholders second Tuesday
 in May of each year

BOARD OF DIRECTORS

Term Expires 1976



EDWARD W. COOK†
Chairman and Chief
Executive Officer
Cook Industries, Inc.*
Memphis, Tennessee



THOMAS E. DEACY, JR.*
Attorney at Law
Partner, Deacy & Deacy
Kansas City, Missouri



WILLIAM A. McDONNELL*†
Chairman of the Finance
and Compensation Committee
St. Louis-San Francisco
Railway Company
St. Louis, Missouri



LAWRASON RIGGS III†
Trustee
St. Joe Minerals Corporation
New York, N. Y.



ELLIOT H. STEIN*††
President
Scherck, Stein & Franc, Inc.
St. Louis, Missouri
(Investment brokerage firm)

Term Expires 1977



Z. E. BARNES††
President and Chief
Executive Officer
Southwestern Bell Telephone
Company
St. Louis, Missouri



B. B. CULVER, JR.*
President
19th St. Realty &
Investment Co.
St. Louis, Missouri
(Real estate and
investment firm)



R. HAL DEAN ††
Chairman and Chief
Executive Officer
Ralston Purina Company
St. Louis, Missouri
(Food and feed mfg. company)



R. C. GRAYSON*
Chairman and President
St. Louis-San Francisco
Railway Company
St. Louis, Missouri



E. D. GRINNELL*
Senior Vice President-
Marketing
St. Louis-San Francisco
Railway Company
St. Louis, Missouri

Term Expires 1978



DUDLEY E. DAWSON, JR.†
President and Chief
Executive Officer
Southern Industries
Corporation
Mobile, Alabama



J. E. GILLILAND†
Retired Chairman of the Board
St. Louis-San Francisco
Railway Company
Tucson, Arizona



BRUCE K. GOODMAN*
President
Library Plaza Company
Evanston, Illinois
(Real estate and
investment firm)



F. G. MCCLINTOCK†
Chairman Emeritus
The First National Bank &
Trust Co. of Tulsa
Tulsa, Oklahoma



HAROLD F. OHLENDORF†
Planter
Ohlendorf Farms
Osceola, Arkansas

* Member of the Executive Committee

† Member of the Finance and Compensation Committee

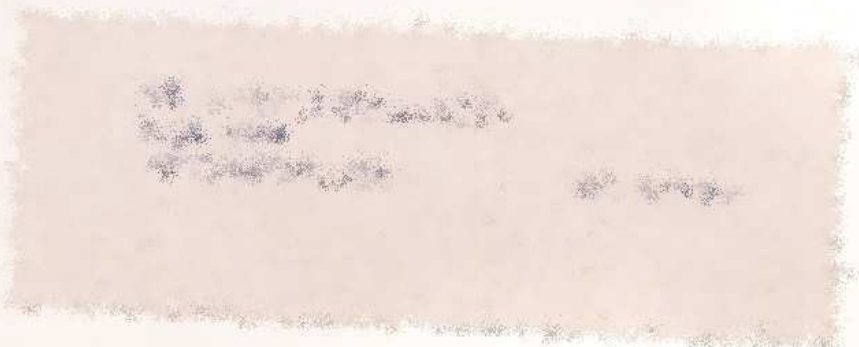
†† Member of the Audit Committee

• Holding company (production and sale of cane sugar, road & construction materials, lime, poultry feed supplement, wholesale hardware, industrial & construction machinery)

• Merchants & exporters of agricultural commodities, agricultural chemical distributors, specialty hardwood floor mfrs., pest control services, insurance agency-brokerage business.

St. Louis-San Francisco Railway Company
906 Olive Street
St. Louis, Missouri 63101

BULK RATE
U.S. POSTAGE
Permit 351
Springfield, Mo.



"Dedicated to Service and Progress"