NORTHWEST AIRLINES, INC.

Annual Report to Shareholders

1948

NORTHWEST AIRLINES, INC.

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Principal Transfer Agent

Harris Trust and Savings Bank, Chicago, Illinois
Co-Registrar

The First National Bank of Chicago, Chicago, Illinois
Co-Transfer Agent

**Annual meeting of shareholders third Monday in April*

PRESIDENT'S REPORT

THE operating results of your company for the year 1948, hereafter shown, reflect many factors which have adversely affected the earnings of most air transportation companies during the past several years.

The airlines have not been able to pass on to the public the sharply increased operating costs and, although total operating revenues of your company increased from $26,579,398 in 1947 to $35,145,955 in 1948, operating costs increased from $28,264,501 in 1947 to $36,475,477 in 1948, resulting in a net loss of $787,474. It should be noted that this loss is after depreciation charges amounting to $6,077,853 in 1948.

The international operations of the company showed an encouraging trend and contributed a profit in 1948 of $1,278,342 which partially offset the deficit incurred in the domestic operations of $2,065,815. On the international system, passenger revenue increased from $3,090,778 in 1947 to $5,653,789 in 1948 and cargo revenue increased from $175,804 in 1947 to $901,958 in 1948. On the domestic system, passenger revenue increased from $17,429,853 in 1947 to $18,420,989 in 1948 and cargo revenue increased from $843,693 in 1947 to $1,170,404 in 1948.

Passenger load factors on the international system increased from 43.62% in 1947 to 57.93% in 1948. Passenger load factors on the domestic system decreased from 69% in 1947 to 56.31% in 1948. This drop reflects to a large extent the increased capacity afforded by the addition of larger aircraft on the domestic system during 1948 and the consequent increase in available seat miles operated. Mail revenue on the international system in 1948 remained at about the same level as in the period operated in 1947 but increased on the domestic system to a total of $3,425,077 from $1,254,058. This was largely due to increased temporary rates of mail compensation recently granted by the Civil Aeronautics Board.

Improvement Seen

While the industry and this company have been faced with many difficult problems which have stubbornly resisted solution, many indications of improvement now appear.

In attempting to bring revenues and costs into line, the management of your company has made progress in the development of additional revenues and in effecting reductions in costs.

Exploring cargo rate structures and traffic returns, the company has developed a substantial and steadily increasing air cargo business and has inaugurated all-cargo flights. Thus air freight is rapidly becoming a major source of revenue.

New Service

In order to obtain air freight in large volume, past experience has shown that it was necessary to reduce tariffs to a point where cargo-only operations were generally not profitable with available equipment. This was due to the high cost of operating the aircraft converted from passenger to cargo operations and also to the difficulty of obtaining satisfactory load factors in both directions. Despite these handicaps, it has been found profitable to operate all-cargo flights between the Twin Cities and Chicago and from New York to the Twin Cities. In other areas, experiments are being conducted with a new type of service which promises to solve, to some extent, the problem of the directional unbalance of cargo movements. For some time the company has been flying between Seattle and Anchorage 4-engine equipment which, by use of folding type seats, makes it possible to carry either passengers or cargo exclusively or a combination of both. This provides a flexible service which has proven so successful that other planes are being equipped for similar operations on the domestic system.

The development of this combined passenger-cargo market potential has resulted from study of market potentials at various levels of rates and charges. The danger that any medium of transportation may price itself out of business because of high rates was stressed by the Interstate Commerce Commission in its recent report to Congress on the railroads, whose car loadings were 11.2% below those of last year. "Rate increases," said the ICC, "may be carried to a point where they are self-defeating."

This principle applies with equal force to the airlines. It is true that your company did, as did the other airlines, in the early part of the year, put into effect some fare increases; but recently it has become convincingly clear that lower rates are not only economically feasible, but must be offered if the airlines are to develop mass-market transportation.

Types of Service

In addition, studies of the passenger fare structure have led to the conclusion that your company must offer different types of service at different rates, not only to attract various classes of traffic from competitive forms of transportation, but also to stimulate new traffic.

It presently contemplates offering three classes of passenger service:

(1) De luxe non-stop or limited-stop service with the Boeing Stratocruisers;

(2) A standard service such as that now offered by the DC-4 and Martin 2-0-2 equipment; and

(3) A so-called tourist or coach service* without the passenger service refinements characteristic of the standard service.

Approval of the Civil Aeronautics Board will be sought to establish fares for the various classes of service at levels which will produce higher load factors and result in greater revenues.

Mail Pay Increases

The company has sought increases in rates of compensation for carriage of mail and the Civil Aeronautics Board has recently granted increased temporary rates pending its determination of final rates, expected to be made during the latter part of 1949. Such increases are entirely consistent with the expressed purposes of the Civil Aeronautics Act, and the Civil Aeronautics Board as presently constituted, as well as other governmental authorities, have recognized the need for prompt and material assistance in the form of higher airmail rates.

New Routes

During 1948 your company completed its basic route pattern with two extensions; one from Detroit to Washington, D. C., by way of Cleveland and Pittsburgh, and the other to Honolulu through the mainland gateways of Seattle-Tacoma and Portland. Both of these routes, however, are directly competitive with those of other air carriers. Capital Airlines, which was already flying into Washington, was granted an extension from Milwaukee to the Twin Cities, thus paralleling your company's operations from the Twin Cities to Washington. Pan American Airways was granted a parallel route to Honolulu from Seattle-Tacoma and Portland and now operates two flights weekly, in addition to the three weekly flights operated by your company over that route.

Operations on the Honolulu route were started December 2, 1948 and traffic indications are that this route should show a profit during its first year of operation.

Routes Fit Pattern

The extensions to Washington and to Honolulu marked the culmination of plans made by the company some years ago. Each has its place in the company's overall pattern. One provides a direct route into the nation's capital, where much traffic to the northwestern portion of the United States, as well as to Alaska and the Orient, originates; the other gives access to a year-around vacation land which is especially popular during winter months when there is a letdown in tourist business in other parts of the company's system.

*Your company inaugurated Transcontinental Coach Service March 24, 1949.

PRESIDENT'S REPORT

The company now has a network of 20,454 certificated miles: 12,458 on the Orient system; 5,314 on the domestic and 2,682 to Honolulu.

Fly Martin 2-0-2s

During the year 1948 the company put into operation a fleet of modern twin-engine Martin 2-0-2 airplanes and experience with this equipment confirms the high rating given it by company engineers from the beginning. Its special features, such as integral steps and under-wing fueling, have substantially reduced ramp service routine and ground delays. Its size and speed (36 seats and 245-mile per hour cruising speed) make possible a higher utility than can be realized from the use of the slower, smaller DC-3 aircraft, which it is replacing on most of the company's runs.

Delivery of the first of the fleet of ten Boeing Stratocruisers is expected within a few weeks. It is expected that the remaining planes on order will be delivered in rapid succession after the first has been accepted, and that all of them will be in scheduled service in 1949.

These planes will be operated on services to the Orient, Alaska, and Hawaii and on our domestic transcontinental schedules.

The double-deck 75 passenger Boeing Stratocruiser is the finest and most modern transport airplane built and will make possible faster schedules than ever before flown. With this plane it will be possible to operate either a very high density standard service or a super-de luxe passenger service. Some seats will be berthable if a demand for sleeper service is indicated. It is also designed to carry large cargo loads in combination with passenger service, and when in full operation, this fleet will produce ton miles or seat miles at a lower cost than is now possible with other aircraft.

Navigation Aids

The past year has seen important developments in aids to navigation, as well as in aircraft. Instrument Landing System installations have resulted in a lowering of minimum requirements for landings. Minimum ceilings have been lowered from 400 to as low as 250 feet and visibility requirements from a mile to three-quarters of a mile. This has materially increased operating efficiency and has marked another advance toward all-weather flying. The new-type high intensity runway lights which have been of great assistance in facilitating landings, have been installed at more airports along the system. Looking ahead to scientific developments in prospect, your company is planning aircraft installations for the omni-directional range system which the Government is developing to replace the present system of radio navigation.

Selling Service

As your company has rounded out its pattern of service, it has also expanded its efforts to sell its service. Agreements have been made with many travel agencies throughout the world, as well as with other U. S. Flag Carriers and foreign carriers. An air-sea agreement has been effected with Matson Navigation Company operating to Honolulu, in addition to that with the American President Lines operating throughout the Pacific. Agreements have been made to provide truck-plane cargo service covering on-line and off-line cities.

Progress has been made in the development of all-expense tours to Hawaii, Alaska and to the Orient. Orient traffic has been stimulated by the start of tourist travel to Japan. A plan of opening that country, originally approved for a limited number of persons for seven-day all-expense tours, has been expanded so that the number of persons has been increased and tour time-limits extended to 21 days.

With its modern equipment, its improved facilities and operating procedures, the company is more than ever in a position to offer a most dependable and attractive service to the public. This, coupled with its aggressive sales development program, should produce a broad public response.

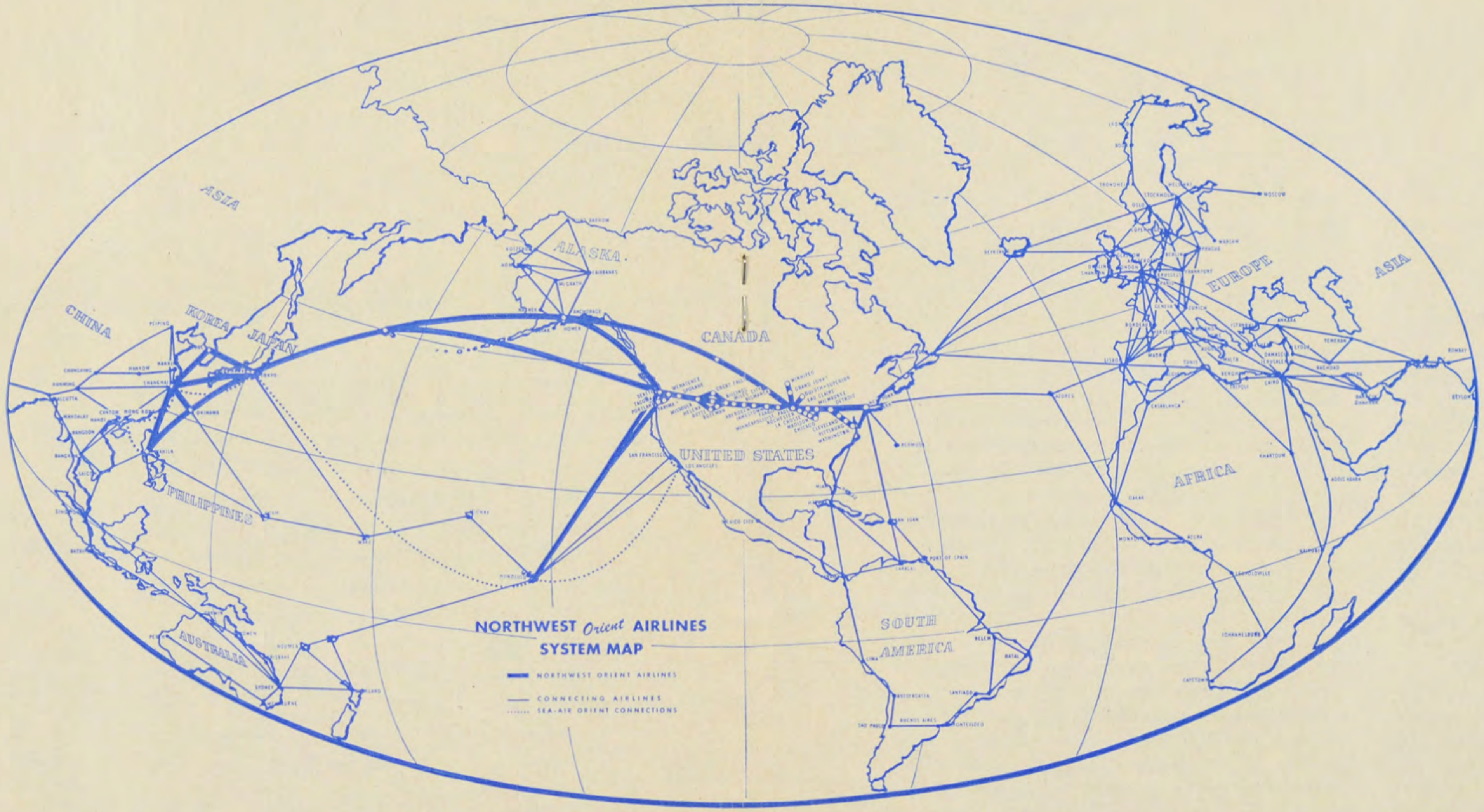
A number of measures have been introduced in the Congress which will improve the airlines' situation. Most immediate and beneficial would be the repeal of the present tax on transportation of passengers and property, a wartime measure which is now penalizing and retarding the proper development of peacetime traffic. In the case of your company, this tax produced during 1948 an amount equal to 81 per cent of all the money received for mail pay on the domestic system.

CAB Program

The Statement of Policy released by the Civil Aeronautics Board on February 26, 1949, announces a comprehensive program for strengthening and insuring a sound air transportation system for the nation. Your company proposes to submit to the Board plans designed to implement and effectuate the Board's program in a manner which will greatly strengthen your company's position in the national and international air transportation system.

In making this report to our stockholders, I wish to acknowledge and express my appreciation for the hard work and co-operation of the company's employes, officers and directors.

President and General Manager



NORTHWEST AIRLINES OFFERS WORLD SERVICE

Northwest Airlines, which observes its silver anniversary in 1951, has expanded from a local mail carrier with a route of less than 400 miles into an international network of 20,454 certificated miles. Its transcontinental routes have been extended to Alaska, the Far East and Honolulu. During the past year it rounded out its domestic system with an extension to Washington, D. C., by way of Cleveland and Pittsburgh. In addition to the vast travel area offered by its own flights, Northwest Airlines has entered into inter-line agreements with other international carriers, so that passengers along its routes can fly to almost any part of the world. The dark lines show Northwest Airlines' route pattern, and the light lines those of other carriers with which it connects. In addition the airline has an agreement for sea-air service.

On its domestic system, Northwest Airlines has begun coast-to-coast tourist flights, at reduced fares, between New York on the Atlantic seaboard and Seattle on the Pacific coast. It also has inaugurated all-cargo flights both ways between the Twin Cities and Chicago and from New York to the Twin Cities. Specially modified Douglas DC-4 Airplanes are being used in the transcontinental tourist service.

RECORD OF PROGRESS

Calendar Year	Mail Revenue	Passenger Revenue	Express and Freight Revenue	Revenue Passenger Miles	Mail Pound Miles	Total Plane Miles Flown
1948	$8,444,106	$24,074,778	$2,072,362	386,509,809	8,052,148,614	22,288,002
1947	4,018,340	20,520,631	1,019,497	382,544,382	5,473,873,894	20,824,912
1946	1,254,257	18,062,492	553,875	385,858,473	4,099,317,238	19,304,234
1945	1,649,575	10,060,619	409,613	218,469,773	5,396,757,098	12,870,714
1944	1,500,874	6,073,967	246,030	120,834,296	4,900,802,947	7,523,146
1943	1,353,822	3,139,713	297,941	63,787,683	4,005,180,807	4,584,766
1942	1,850,601	2,410,512	240,800	52,061,159	2,528,042,954	4,931,815
1941	1,955,826	2,526,721	118,885	59,659,145	1,871,311,191	6,353,659
1940	1,769,735	2,151,311	79,531	51,175,254	1,370,076,043	6,079,669
1939	1,763,288	1,324,728	61,186	34,749,246	1,166,518,244	5,399,024
1938	1,286,549	829,554	41,625	21,153,258	1,116,975,430	5,310,015
1937	1,076,293	761,839	33,768	16,685,852	841,274,933	4,462,439
1936	1,050,639	759,981	27,318	16,528,401	671,011,789	3,699,818
1935	629,724	481,528	12,388	10,342,834	315,817,803	2,841,198
1934	251,133	199,074	4,319	4,301,145	44,034,248	1,643,127
1933	762,208	188,966	1,873	4,108,313	82,613,032	1,823,850
1932	384,719	200,984	343	4,127,800	77,867,566	1,639,015
1931	917,635	205,164	575	3,934,093	89,706,330	1,434,555
1930	648,799	119,349	146	2,129,600	Not Avail.	1,032,340
1929	495,708	121,075	Not Avail.	1,956,400	"	736,664
1928	195,315	24,890	"	402,400	"	314,496
1927	76,029	8,663	"	126,000	"	211,667
3 Months, 1926	11,790	—o—	"	—o—	"	47,397

FINANCIAL REPORT

THE net loss of $787,474 sustained by your company represents $0.96 for each of the 820,755 shares of common stock of the par value of $10 per share outstanding at the end of the year.

Total operating revenues of $35,145,955 were 32.23% above 1947, for an all time high.

Passenger revenue of $24,074,778 exceeded the previous year by 17.32%, even though revenue passenger miles flown were up only 1.04%. This results from a full year's operation of the Orient route, and two fare increases on our domestic system. During the year 56.56% of all the seats flown on the system were filled. It is interesting to note that 58.25% of the available seats on the Orient route were filled, compared with 56.31% occupancy on the domestic system.

Mail revenue of $8,444,106 exceeded last year by $4,425,766 resulting from a full year of operation of our Orient route and increased temporary rates of mail compensation granted by the CAB over our domestic system. The average domestic mail load was 261.52 pounds compared with 251.17 pounds in 1947.

Express, Freight and Excess Baggage revenues totaled $2,332,453 and exceeded last year by 93.73%. Freight revenue totaled $1,442,274 compared with $385,583 in the previous year, while express revenue dropped slightly.

Charter and other operating revenue of $282,770 was $503,972 under the previous year, in which numerous charter flights were operated internationally prior to the inauguration of our scheduled service.

Available ton miles in scheduled service were 90,531,952 compared with 73,970,282 for 1947, while ton miles sold were 48,240,510 compared with 42,744,821 for 1947. Thus, in the year just passed your company sold 53.29% of its capacity offered for sale, while in 1947 it sold 57.79%.

Total operating revenue per ton mile sold increased from 62.18 cents in 1947 to 72.85 cents in 1948.

The average operating cost of making available a ton mile of transportation in scheduled operation increased from 38.21 cents in 1947 to 40.29 cents in 1948.

As of the end of 1948 your company owed $9,000,000 to the group of fourteen banks who are parties to the bank credit agreement of April 21, 1947. It is not anticipated that any additional borrowing will be made under this agreement since such borrowings would be available only for the acquisition of flight equipment prior to April 30, 1949. Our new Boeings will not be delivered until after this date. Therefore, arrangements are now being made to obtain the amount of cash necessary to pay the balance of the purchase price of the aircraft and related equipment.

Your company has regularly paid since its issue in May, 1947, all of the quarterly dividends due on the 390,000 shares of $25 par value 4.6% Cumulative Preference Stock outstanding. Dividends paid on May 1, August 1 and November 1, 1948 were charged to capital surplus as permitted by provisions of Minnesota statutes. All prior dividends were paid out of earned surplus.

As of December 31, 1948 current assets exceeded current liabilities by $6,431,520, compared with $2,207,305 as of the end of 1947. Net investment in Property, Plant and Equipment increased $2,650,938, primarily due to the acquisition of aircraft.

Our investment, at cost, in Property, Plant and Equipment totaled $31,836,591 as compared with $24,417,158 as of December 31, 1947.

COMPARATIVE STATEMENT OF

PROFIT AND LOSS

Years ended December 31, 1948, and December 31, 1947

	1948	1947
Operating revenues:		
Transportation:		
Passenger	$24,074,778	$20,520,631
Mail—Note D	8,444,106	4,018,340
Express, freight, and excess baggage	2,332,453	1,203,948
Charter and other	282,770	786,742
Repair and service income, rents, etc.—net	11,848	49,737
TOTAL OPERATING REVENUES	$35,145,955	$26,579,398
Operating expenses:		
Flying operations	$ 8,583,862	$ 6,512,077
Ground operations	5,467,114	4,359,264
Maintenance and repairs	7,329,050	5,277,201
Passenger service	2,052,536	1,770,163
Traffic and sales	3,187,786	2,706,866
Advertising and publicity	882,114	593,506
Administrative and general, pay roll taxes, property taxes, etc	2,878,999	2,530,743
Provision for depreciation and amortization	6,077,853	4,496,239
Provision for doubtful accounts, adjustments, recoveries, etc	16,163	18,442
	$36,475,477	$28,264,501
OPERATING LOSS	($ 1,329,522)	($ 1,685,103)
Other income and credits:		
Profit from disposal of depreciable assets	421,224	85,257
Profit from sale of surplus inventories	76,036	....
Discounts and interest earned	53,960	38,249
Reduction in reserve resulting from payments received on U. S. Government war contracts less applicable recoverable income taxes of $102,000	167,006	....
Unemployment tax credits for prior years	....	62,307
Sundry	68,227	21,041
	($ 543,069)	($ 1,478,249)
Other deductions:		
Interest and loan commitment expense	$ 195,158	$ 81,928
Route extension and development	34,753	123,638
Retroactive pay adjustments applicable to prior periods	....	109,955
Sundry	14,494	21,459
	$ 244,405	$ 336,980
LOSS BEFORE INCOME TAX CREDIT	($ 787,474)	($ 1,815,229)
Income tax credit:		
Taxes recoverable on operating loss carry-back	....	673,889
NET LOSS	($ 787,474)	($ 1,141,340)

( ) Indicates red figures.

See accompanying notes to financial statements.

BALANCE SHEET

December 31, 1948

ASSETS

Current Assets			
Cash			$ 4,719,879
U. S. Certificates of Indebtedness—at cost plus accrued interest (substantially equivalent to market)			1,807,131
Accounts receivable:			
For transportation (including U. S. Government accounts of $3,258,882)	$4,559,088		
Other current accounts	361,558	$ 4,920,646	
Less reserve		10,000	4,910,646
Inventories—at lower of cost (first-in, first-out) or replacement market:			
Repair materials and operating supplies		$ 639,804	
Gasoline and oil		130,572	770,376
Total Current Assets			$12,208,032
Other Assets			
Unreimbursed costs on war contracts with the U. S. Government:			
Unreimbursed costs	$ 571,831		
Less reserve	571,831		
	$		
Recoverable income tax upon utilization of reserve—estimated	103,000	$ 103,000	
Sundry related industry investments (at cost—no quoted market) deposits, and note		118,955	221,955

Property, Plant, and Equipment—On the basis of cost (including assets of $9,200,098 completely amortized to residual amount of $309,671)

	Cost	Reserve	Balance	
Land	$ 32,815		$ 32,815	
Aircraft and reserve equipment	21,550,213	$ 9,023,564	12,526,649	
Conversion costs on leased aircraft	2,088,654	1,692,675	395,979	
Buildings on land not owned	2,008,718	365,640	1,643,078	
Other buildings and equipment	4,368,566	1,592,883	2,775,683	
Improvements to leased property	966,238	652,846	313,392	
Cost of aircraft, buildings, and equipment in progress; preliminary costs of new aircraft fleets	792,919		792,919	
Non-operating property	28,468	25,080	3,388	
	$31,836,591	$13,352,688	$18,483,903	
Cash deposits in connection with acquisition of new aircraft			3,390,116	21,874,019

Deferred Charges		
Prepaid insurance, rent, taxes, and other services	$ 602,065	
Deferred training in connection with new aircraft fleets	30,739	
Miscellaneous deferred expense	13,272	646,076
		$34,950,082

LIABILITIES

Current Liabilities		
Note payable		$ 22,222
Accounts payable and accrued expense:		
Trade accounts	$ 2,099,092	
Salaries, wages, and vacation compensation	1,276,733	
Air travel contract deposits—gross	432,225	
Pay roll taxes and taxes withheld from employees	266,060	
Retirement plan contributions including amounts withheld from employees	51,761	
Savings bond and other deductions from employees' wages	36,298	
Accrued local taxes	143,057	
Accrued rent	112,960	
Income taxes of prior years	5,122	4,423,308
Unearned transportation revenue—estimated		430,982
Current maturity of long term debt		900,000
Total Current Liabilities		$ 5,776,512
Long Term Debt—Note A		
Bank credit agreement dated April 21, 1947; maximum credit $18,000,000; refunding date to April 30, 1949, when the balance outstanding becomes payable in 20 equal quarterly payments beginning July 1, 1949:		
Balance December 31, 1948	$ 9,000,000	
Less current maturities (based on present outstanding credit) included as current liability	900,000	8,100,000
Capital Stock and Surplus—Note A		
Capital stock:		
4.6% cumulative preference stock, par value $25 per share; entitled upon liquidation or redemption to $26.75 per share at December 31, 1948, to $25.25 per share after May 1, 1953; convertible into common stock to December 31, 1956, at the rate of one share of common stock for each $16⅔ of the par value of the 4.6% cumulative preference stock:		
Authorized 600,000 shares; issued and outstanding 390,000 shares	$ 9,750,000	
Common stock, par value $10 per share:		
Authorized 3,000,000 shares; unissued 2,179,195 shares of which 585,000 shares are reserved for conversion of 4.6% cumulative preference stock, 10,000 shares are reserved for options at $14 per share (the option expired February 8, 1949) and 20,000 shares are reserved for issuance in connection with future options which may be granted to officers and employees (5,200 shares were alloted January 10, 1949); in treasury 50 shares; outstanding 820,755 shares	8,207,550	
Capital surplus	3,007,242	
	$20,964,792	
Earned surplus	108,778	21,073,570
Contingent Liabilities—Note B		
Commitments—Note C		
		$34,950,082

See accompanying notes to financial statements.

NOTES TO
FINANCIAL STATEMENTS

December 31, 1948

Note A—The bank credit agreement contains certain restrictions relating to mortgage or other borrowings, dividends on or repurchase of common stock, maintenance of net current assets, commitment limits, ratio of notes under agreement to book value of flight equipment, expenditure for facilities other than flight equipment outside of the United States, investments or loans, and merger or disposition of substantially all of its assets. The terms of the cumulative preference stock also contain certain restrictions relating to dividends on and repurchase of common stock.

Under terms of the bank credit agreement, none of the Company's capital or earned surplus is available for common dividends. Under Minnesota statute, dividends on preference stock may be declared from capital surplus.

B—The Company is involved in a number of lawsuits which are outlined as follows: (a) those in which any claims paid by the Company will be fully reimbursed by the United States Government under various war contracts, including wage and hour suits at the St. Paul Modification Center and aircraft accidents at Mt. McKinley, Alaska, and Billings, Montana; (b) those in which any claims paid by the Company will be fully reimbursed under insurance contracts, including aircraft accidents at Mt. Sanford, Alaska, and Fountain City, Wisconsin, and an accident to a passenger riding in a taxicab; (c) as to other matters not covered by insurance or other indemnification, the Company believes that such amounts are not material. In view of the circumstances outlined, no provision has been made for any portion of the amounts involved.

As part of its insurance coverage, the Company assumes a maximum loss of $100,000 on each accident or occurrence involving passenger and public liability, property damage, and aircraft damage and carries excess coverage on these risks for an aggregate amount of $6,000,000 for each accident or occurrence.

C—The Company's expansion program for the calendar year 1949, exclusive of normal replacement requirements, calls for expenditures for the purchase of flight and other equipment in the amount of approximately $17,120,000 which requires additional financing now in the process of negotiation.

D—The Company has included in its financial statements all temporary adjustments of domestic and foreign air mail compensation which have been fixed by the Civil Aeronautics Board. The Company has pending before the Civil Aeronautics Board claims for additional mail pay affecting 1948 and prior periods.

STATEMENT OF SURPLUS

Year ended December 31, 1948

Capital Surplus		
Balance at January 1, 1948		$ 3,343,617
Deduct cash dividends on 4.6% cumulative preference stock declared and charged to capital surplus as permitted by provisions of Minnesota statutes—86.25 cents per share for the three quarters ending November 1, 1948 (dividends payable February 1, 1949, were declared from capital surplus on January 10, 1949)		336,375
	Balance December 31, 1948	$ 3,007,242
Earned Surplus		
Balance at January 1, 1948		$ 896,252
Deduct net loss for the year		787,474
	Balance December 31, 1948	$ 108,778

See accompanying notes to financial statements.

ACCOUNTANTS' REPORT

Board of Directors
Northwest Airlines, Inc.
Saint Paul, Minnesota

We have examined the balance sheet of NORTHWEST AIRLINES, INC., as of December 31, 1948, and the related statements of profit and loss and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of profit and loss and surplus present fairly the financial position of NORTHWEST AIRLINES, INC., at December 31, 1948, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST
Certified Public Accountants

Saint Paul, Minnesota
March 10, 1949

NWA

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