NORTHWEST AIRLINES, INC.

ANNUAL REPORT 1957

NORTHWEST AIRLINES, INC. *Annual Report* 1957

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**As of March 25, 1958*

TO SHAREOWNERS OF NORTHWEST AIRLINES, INC.

The year 1957, our 31st year of operation, was a profitable year for Northwest—a year completing ten years of successful international operations, record revenues and expanded services. The trend of rising costs, as experienced across the nation, continued in 1957. However, in spite of this trend, the year under review produced a record profit from combined operating profit and capital gains.

During 1957 Northwest was the first airline to fly Douglas DC-7C's across the Pacific, and also was the first domestic carrier to fly this equipment trans-continentally. It was the year in which the public was first introduced to "Imperial Service."

On January 24, 1958, the Civil Aeronautics Board announced that it would approve an interim increase in domestic passenger fares of 4% plus $1.00 per ticket. This increase—about 6.3% for Northwest—became effective on February 10, 1958. While affording some measure of urgently required fare relief, the interim increase granted by the Board is not adequate in view of rapidly rising costs. Northwest is continuing to urge, in the General Passenger Fare Investigation now in progress, that the Civil Aeronautics Board approve, in lieu of the interim adjustment, a domestic fare increase of 13% as the minimum upward fare adjustment required in the interest of sound air transportation in the U. S.

EARNINGS

Net profit for the year 1957 after taxes was $4,818,971, or $3.56 per share after preferred dividends of $42,345. Net profit after taxes in 1956 was $3,225,595, or $2.18 per share after preferred dividends of $304,608.

Profit from operations was $4,983,488 compared with $4,595,583 for 1956. Notwithstanding increased interest expense, net income from operations after taxes but before profits from disposals of property, was $1,889,876 for 1957, compared with $1,887,978 for 1956.

Net profits of $2,929,095, after capital gains taxes, were realized from the sale of airplanes, spare parts and engines. In 1956 such profits were $1,337,617.

REVENUES

Operating revenues showed continued growth and development for Northwest. Total operating revenues were $83,432,404, a gain of 9.1% over 1956, which had total revenues of $76,479,526. Passenger revenue of $66,674,383 was up 10.6%, U. S. mail revenue of $7,586,599 increased 5.5%, while foreign mail revenue of $763,436 rose 14.6%. Express, freight and excess baggage revenue of $7,541,410 increased 5.4%. Revenue of $866,576 from charter and other transportation service declined 27.9% due to termination of a government airlift contract in the Orient.

Factors affecting the growth were the inauguration of Douglas DC-7C service, both internationally and domestically, and increase of the Douglas DC-6B fleet providing 17.6% more available seat miles and enabling your Company to carry 1,574,035 revenue passengers, an increase of 10.3%. Revenue passenger miles totaled 1,205,764,597, an increase of 10.2% over 1956. The system passenger load factor was 56.7%.

DC-7C engine cylinders move through overhaul base at St. Paul on new conveyor system.

EXPENSES

Total operating expenses during 1957 were $78,448,-916, compared with $71,883,943 in 1956, an increase of 9.1%. Notwithstanding the rising costs of labor and materials, and the expansion of service, by rigid expense control your Company was successful in reducing the cost to 27.43 cents per available ton mile. This is a reduction of 2.6% from 28.15 cents in the year 1956.

BANK CREDIT AGREEMENT

The Credit Agreement, dated November 15, 1956, between the Company and fifteen banks, all of which are located in cities we serve, continued in effect during the year 1957. Bankers Trust Company, New York, is the lead bank. Under this agreement the Company is permitted to borrow to a maximum amount of $38,500,-000 during the period through September 29, 1958, and to a maximum amount of $35,000,000 through December 30, 1958. The loans outstanding thereunder on December 31, 1957, were $27,000,000, an increase of $13,200,000 for the year. While the borrowings under the agreement are not directly related to specific aircraft purchase payments by the Company, all of the 1957 borrowing was used as part of the total payments due on the seven DC-6B and eight DC-7C aircraft delivered in 1957.

Borrowing under the agreement is limited by covenants which relate loans to net flight equipment values (including deposits with manufacturers) and to net worth. The loans outstanding on December 31, 1958, may not exceed $30,000,000, and the actual balance outstanding on that date is payable at the rate of an aggregate amount of 20% per year for five years. None of the property of the Company is specifically pledged in support of loans but, upon request of the banks, the Company is obligated to provide a chattel mortgage on such flight equipment as may be designated by the banks.

Interest on outstanding loans is at the rate of 4¼% per annum, and on the unused balance of the commitment, the fee is at the rate of one-half of 1% per annum.

NET WORTH

The net worth of the Company at the end of 1957 was $33,065,292, of which $24.05 per share was applicable to each of the 1,343,120 shares of common stock outstanding as of December 31, 1957. This compares with a net worth of $30,171,714 at the end of 1956, of which $21.79 per share was applicable to each of the 1,341,620 shares of common stock outstanding as of December 31, 1956. Earned surplus was $12,057,070 at the end of 1957, compared with $9,569,339 at the end of 1956.

DIVIDENDS AND STOCK CONVERSION

Dividends on the 4.60% Cumulative Preference Stock were paid regularly on the quarterly due dates of February 1, May 1, August 1 and November 1. The February 1, 1958 quarterly dividend on the Preference Stock was also paid on that date. Quarterly dividends of 20c per share of Common Stock also were paid on the same quarterly dates. The February 1, 1958 quarterly Common Stock dividend of 20c was paid on that date.

All conversion rights of Preference Stock into Common Stock terminated as of December 31, 1956. Conversion of Preference Stock in prior years, combined with Preference shares retired in past years and those retired in the year under review, has reduced the original 390,000 shares of stock issued in May 1947 to 30,527 as of December 31, 1957. Preference shares will continue to be retired under the sinking fund provisions.

ROUTES

International and Overseas—During the past year two of Northwest's temporary international routes were made permanent. On August 2, 1957 the President approved an order of the Civil Aeronautics Board which made permanent Northwest's Seattle/Tacoma-Anchorage-Tokyo route. In addition, the "inside route" from New York to Anchorage via Chicago, Minneapolis/St. Paul and Edmonton, was also made permanent in 1957, as a result of legislation passed by the Congress.

In another important decision the Civil Aeronautics Board and the President, in February 1958, reaffirmed their earlier decision which denied another U. S. air carrier the right to duplicate Northwest's Portland-Seattle-Tokyo route.

Domestic—The Civil Aeronautics Board heard oral argument in January 1958 on Northwest's applications in the Great Lakes-Southeast Service Case, which includes our request to serve the Florida cities of Tampa/St. Petersburg and Miami via Chicago, Indianapolis, Louisville, Cincinnati and Atlanta on one routing and via Detroit, Cleveland and Pittsburgh on another. This proceeding also includes our application to add a new segment from Chicago to Washington, D. C., via Dayton, Columbus and Pittsburgh, as well as a request to

Mechanic completes inspection of $20,000 propeller used on Boeing Stratocruiser.

conduct operations between Chicago-Cleveland, Chicago-Pittsburgh and Chicago-Washington. Also included in the Great Lakes-Southeast Service Case is a request for the removal of the restriction on Northwest's service which prevents "turnaround" service between Detroit and Washington, D. C., either nonstop or via Cleveland and Pittsburgh. A decision is expected at an early date.

During the year, the Chicago-Milwaukee-Twin Cities Case was heard by an Examiner of the Civil Aeronautics Board. This case involved the issues of competitive service between Chicago and the Twin Cities, as well as the issue of service between the Twin Cities/Milwaukee and large traffic centers in the Southeast. Consolidated for hearing in this proceeding were applications by Northwest to provide the first direct service between Northwest's cities and Indianapolis, Cincinnati, Louisville, Nashville, Atlanta, Jacksonville, Tampa/St. Petersburg and Miami. The Company's applications in both proceedings received active support from the cities along our route.

New Applications and Applications on File—During the past year, the Company filed new applications requesting:

1. Permanent authority for our States-Hawaii route.
2. Permanent authority to serve Seoul, Korea.
3. A route segment from Spokane to Calgary.
4. Addition of Grand Rapids and Flint as intermediate points between Chicago and Detroit.

In addition, certain applications filed prior to 1957 also are awaiting CAB action. These include:

1. Minneapolis/St. Paul to Los Angeles and San Francisco via Denver and Salt Lake City.
2. Billings to San Francisco via Salt Lake City.
3. Detroit to New York via Cleveland, Pittsburgh and Philadelphia.
4. Chicago to Boston via Detroit and Toronto.
5. New York to Boston via Hartford/Springfield.

Your Company is continuing an active program to improve its route structure by seeking the addition of new markets which will assure further growth of revenues.

EQUIPMENT AND SERVICE

Eight Douglas DC-7C and seven Douglas DC-6B aircraft were delivered to Northwest and placed in service during the year, both in the United States and the Orient. Four additional DC-7C's and two DC-6B's have been delivered and placed in service thus far in 1958.

Your Company's program of fleet modernization will continue through May of 1958, by which time an additional two DC-7C's and one DC-6B will have been delivered, to give your Company a pressurized fleet of 43 aircraft. These will continue to provide "Top Flight" Imperial Service between all major cities on our system.

The aircraft delivered in 1957, combined with those delivered and to be delivered in 1958, together with related spare parts and engines, will cost approximately $58,000,000. These aircraft have replaced some of our non-pressurized fleet and the fleet of Lockheed Constellation 1049G's. Ten DC-4 and five DC-3 aircraft are serving points at which present airport facilities will not accommodate the larger, more modern aircraft and are providing freight service.

During the year your Company completed the installation of Bendix Dual X-Band radar on the entire pressurized fleet, thus providing passengers with new standards of comfort and safety during difficult weather conditions. This equipment enables the pilot to "see" weather up to 150 miles ahead and avoid areas of probable turbulence.

The Company is evaluating the technical and economic aspects of jet and turbo-jet aircraft. Good delivery positions for medium and long-range jets are available to the Company in 1960. Turbo-jet aircraft delivery positions are available in 1959. Approximately two years ago an order was placed with Pratt & Whitney for twenty-one J-75 jet engines. These engines will be required for the long-range jet aircraft to be used in the trans-Pacific routes and for non-stop and one-stop transcontinental flights. It is expected that jet equipment will be ordered in the second quarter of 1958.

Beginning in February 1957, all international passenger flights, as well as flights within the Orient, were flown with pressurized aircraft. This new and modern equipment is unparalleled in the Pacific, not only being the fastest equipment, but providing the most luxurious passenger comfort and service.

Daily passenger service was inaugurated between Seattle and Tokyo on April 28, 1957; and, on this

Overhauled Stratocruiser engine moves along. Crankcase (right) is ready for 28 new cylinders.

same date, pressurized service was started on the Minneapolis-Edmonton-Anchorage "inside route." On September 29, 1957, your Company became the first airline to start luxurious DC-7C nonstop transcontinental service; also, on this same date, the Company started New York-Edmonton-Anchorage through service with DC-6B equipment. Service between Seattle/Tacoma and Hawaii was operated during 1957 with DC-6B aircraft four times per week. On January 1, 1958, this service was increased to five flights per week.

Your Company continues to use Boeing Stratocruisers in first-class luxury service on many important domestic route segments, including the New York-Twin Cities nonstop, Washington, D. C.-Twin Cities, Chicago-Twin Cities and coast-to-coast.

The Eastern Air Lines interchange continues to provide daily through service between the Twin Cities and Miami via Chicago. Your Company is presently furnishing Boeing Stratocruisers on this segment. During the summer months Eastern Air Lines' equipment is used.

During 1956 the Company reached an agreement by which the Minneapolis/St. Paul Metropolitan Airports Commission will finance and construct a complete overhaul, operations and general headquarters facility at Wold-Chamberlain Field. The new facility is being designed and planned according to the needs of your Company and, upon completion, will be occupied under a thirty-year lease. Because of unfortunate delays, no actual construction has begun. Lawsuits contesting airport expansion have been settled in the courts, and future suits have been rendered improbable by legislation enacted by the Minnesota Legislature. In December of 1957 and January of 1958, the Minneapolis/St. Paul Metropolitan Airports Commission sold general obligation bonds to certain investors at a composite average net interest cost of 2.7437%. A substantial portion of these funds is now available for your Company's facility, and advertising for bids to start construction is in process.

The facility, when completed in 1960, will be one of the finest of its type in the world. The realization of the full advantage of this facility is expected to create substantial economies and improved service.

A long-term lease also was arranged in 1957 for hangar facilities at New York International Airport, and negotiations continue with the New York Port Authority for terminal facilities at this same location.

PERSONNEL

The employees of the Company continue to display a sincere interest in the welfare of the Company.

At the end of 1957, your Company employed 5,933 men and women, of whom 5,523 were located in the continental United States, its territories and Canada.

First ship of Northwest's DC-7C fleet completes 2,300 hours and gets thorough inspection.

Radar on all NWA pressurized planes assures smooth flying in cloudy weather.

In the Orient Region, 89% of our 410 employees were foreign nationals.

During 1957 collective bargaining negotiations with various labor organizations were concluded in a harmonious and co-operative atmosphere. Rates of pay and fringe benefits were extended to employees substantially in line with compensation changes made by other air carriers of comparable size.

The employee separation rate for the year was below the average for the air transportation industry and far below the separation rate for industry in general. Through pre-employment, classroom and on-the-job training, all departments of the Company were provided with employees who are among the most skilled and proficient in the airline industry.

Excellent participation continued in the Company's Suggestion and Award Plan, as indicated by the 600 suggestions received from employees. During 1957 nearly $9,000 was paid for suggestions, which resulted in tangible Company cost reductions and savings of more than $75,000 per year.

The progress made by your Company in the past 31 years is in a large part the result of the loyalty, skill and experience of its ground and flight personnel.

MANAGEMENT CHANGES

Hadley Case and Clyde B. Morgan, of New York City, were elected directors of the Company at the May 20, 1957, annual shareholders meeting.

Mr. Case is president of Case, Pomeroy and Company, Inc., and Mr. Morgan is president of Rayonier, Inc.

Ted R. Gamble, president of Mt. Hood Radio and Television Broadcasting Corp., Portland, Oregon, was elected a director July 8, 1957.

Robert M. Hardy, president of Sunshine Mining Company, Yakima, Washington, and A. E. Floan, NWA vice president and secretary, resigned from the Board of Directors.

By Authority of the Board of Directors

Croil Hunter
Chairman of the Board

Donald W. Nyrop
President

March 25, 1958

Saint Paul, Minnesota

STATEMENTS OF FINANCIAL POSITION

NORTHWEST AIRLINES, INC.

ASSETS

	December 31, 1957	December 31, 1956
CURRENT ASSETS		
Cash	$ 8,002,747	$ 7,432,277
Notes and accounts receivable, less allowance of $85,000	8,296,953	7,636,567
Maintenance and operating supplies—at average cost	2,608,957	1,896,061
Prepaid expenses	394,910	452,416
TOTAL CURRENT ASSETS	$19,303,567	$17,417,321
INVESTMENTS AND OTHER ASSETS		
Related industry investments and advances—at cost	$ 278,960	$ 226,973
FLIGHT EQUIPMENT at cost	$77,176,315	$56,746,888
Less allowances for depreciation and obsolescence—Note G	31,089,273	32,669,005
	$46,087,042	$24,077,883
Advances on purchase contracts—Note E	4,552,067	10,565,169
	$50,639,109	$34,643,052
OTHER EQUIPMENT AND PROPERTY at cost	$14,587,498	$13,639,538
Less allowances for depreciation	9,136,373	8,356,906
	$ 5,451,125	$ 5,282,632
DEFERRED CHARGES		
Unamortized training and other costs in connection with aircraft fleets	$ 327,606	$ 510,814
Miscellaneous	221,857	255,745
	$ 549,463	$ 766,559
	$76,222,224	$58,336,537

See notes to financial statements.

LIABILITIES AND STOCKHOLDERS' EQUITY

	December 31, 1957	December 31, 1956
CURRENT LIABILITIES		
Accounts payable, collections as agent, etc.	$ 8,144,099	$ 6,806,737
Salaries, wages and vacations	3,139,606	2,568,034
Air travel card deposits	1,121,575	1,031,900
Unredeemed ticket liability	763,517	901,405
Income taxes—estimated	1,728,135	1,556,747
TOTAL CURRENT LIABILITIES	$14,896,932	$12,864,823
LONG-TERM DEBT—Note A		
4¼% notes payable to banks	27,000,000	13,800,000
DEFERRED INCOME TAXES—arising from accelerated depreciation methods less mail pay in dispute	1,260,000	1,500,000
STOCKHOLDERS' EQUITY—Note C		
Cumulative Preference Stock, $25 par value; authorized 600,000 shares issuable in series: 4.6% Series; authorized 375,125 shares; outstanding shares 30,527—1957, 37,577—1956—Note B	$ 763,175	$ 939,425
Common Stock, $10 par value; authorized 3,000,000 shares; issued and outstanding shares 1,343,120—1957, 1,341,620—1956—Note D	13,431,200	13,416,200
Capital surplus	6,813,847	6,246,750
Earned surplus	12,057,070	9,569,339
	$33,065,292	$30,171,714
COMMITMENTS AND CONTINGENT LIABILITIES—Note E		
	$76,222,224	$58,336,537

See notes to financial statements.

STATEMENTS OF INCOME

NORTHWEST AIRLINES, INC.

	Year Ended December 31, 1957	1956
OPERATING REVENUES		
Passenger	$66,674,383	$60,264,291
United States mail	7,586,599	7,192,138
Foreign mail	763,436	666,287
Express, freight and excess baggage	7,541,410	7,154,612
Charter and other transportation	226,100	815,773
Other	640,476	386,425
	$83,432,404	$76,479,526
OPERATING EXPENSES		
Flying operations	$25,555,392	$22,665,450
Maintenance	16,037,141	14,095,105
Passenger service	5,060,805	4,501,951
Aircraft and traffic servicing	11,688,894	10,846,508
Reservations, sales and advertising	9,218,554	8,169,060
Administrative and general	5,451,922	4,833,918
Provision for depreciation, less amounts charged to other accounts $82,157—1957, $140,439—1956	5,436,208	6,771,951
	$78,448,916	$71,883,943
	$ 4,983,488	$ 4,595,583
OTHER DEDUCTIONS AND INCOME		
Interest on long-term debt	$ 1,084,127	$ 582,745
Other income, less miscellaneous deductions	90,515	60,140
	$ 993,612	$ 522,605
INCOME BEFORE TAXES AND PROPERTY DISPOSALS	$ 3,989,876	$ 4,072,978
TAXES ON INCOME (including deferred taxes $1,750,000—1957, $815,000—1956, arising from accelerated depreciation methods)	2,100,000	2,185,000
NET INCOME FROM OPERATIONS	$ 1,889,876	$ 1,887,978
PROFIT FROM DISPOSALS OF PROPERTY, less applicable income taxes $312,210 ($1,550,000 less adjustment of deferred taxes of $1,237,790)—1957, $490,000—1956	2,929,095	1,337,617
NET INCOME FOR THE YEAR	$ 4,818,971	$ 3,225,595

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

NORTHWEST AIRLINES, INC.

December 31, 1957

Note A—Bank Credit Agreement

For the purpose of equipment financing (Note E) a Bank Credit Agreement dated November 15, 1956 and subsequent amendments establishes credits of which the outstanding amount may not exceed \$38,500,000 through September 29, 1958, \$35,000,000 thereafter through December 30, 1958 and \$30,000,000 on December 31, 1958.

Repayments aggregating 20% of the borrowings outstanding as of December 31, 1958 are required during each year 1959 through 1963.

The Company has agreed that, among other things, it will not permit (a) its working capital (computed as defined in the Agreement) at any time to be less than specific amounts, ranging from \$3,000,000 through January 31, 1958 to \$6,000,000 after June 30, 1960; (b) the unpaid principal balance of the notes outstanding to exceed certain percentages of net worth and certain percentages of the depreciated value of flight equipment; and (c) its net worth to be less than \$34,000,000 after December 31, 1958.

Note B—4.6% Cumulative Preference Stock

This Stock Series is entitled upon voluntary liquidation or redemption to \$25¼ a share plus accumulated unpaid dividends; and is subject to retirement by the purchase, if practicable, of such Stock on the market: (1) at not exceeding \$25 a share from a non-cumulative market fund expiring March 31, 1958, and (2) thereafter from a cumulative sinking fund at not exceeding \$25¼ a share.

At March 31, 1958 any balance remaining in the non-cumulative market fund (\$101,853 at December 31, 1957) will revert to the general funds of the Company.

On or before March 31, 1958 and each year thereafter, the Company is required to set aside a cumulative sinking fund for which \$292,500 is required at March 31, 1958. Monies of this fund not expended by the Company by December 31st of each year through purchases on the market of shares of this Stock shall thereafter be exhausted by the Company's call for redemption.

During any period while the Company is in default in the payment of dividends on Cumulative Preference Stock, the Company may not purchase any of such Stock except pursuant to an offer to all holders thereof and may not redeem less than all of such Stock then outstanding. Dividends accruing to February 1, 1958 have been paid.

Note C—Restrictions on Earned Surplus

Under provisions of the Bank Credit Agreement, the Company is not permitted to declare or pay any cash dividends on its capital stock during any fiscal quarter of 1958 unless net worth at the beginning of such quarters is at least \$31,700,000, \$30,000,000, \$33,300,000 and \$34,800,000, respectively. The total of such declarations and payments may not exceed \$700,000 prior to June 30, 1958 and \$700,000 thereafter during such year. Restrictions in different amounts will apply to future years.

The Agreement prohibits repurchase of the Company's capital stock except that 4.6% Cumulative Preference Stock may be retired through existing sinking fund requirements (Note B) and out of proceeds of the sale of additional Common Stock.

The terms of the Cumulative Preference Stock also contain provisions relating to dividends on and repurchase of Common Stock which are less restrictive than those above.

Note D—Common Stock Options and Reservations

At the end of the year 39,000 shares of Common Stock were subject to outstanding options exercisable by Company officers and employees not later than July 1, 1961. 18,000 shares were exercisable at \$12.125 a share and 21,000 at \$15.675, such option prices being 95% or more of the fair market prices at the dates of grant. During the year, options for 1,500 shares were exercised and 1,000 were canceled. An additional 9,000 shares were reserved for options which may be granted in the future to officers and employees.

Note E—Commitments and Contingent Liabilities

At December 31, 1957 commitments for the purchase of three Douglas DC-6B and six DC-7C aircraft (to be delivered in 1958) and other equipment amounted to approximately \$26,700,000 on which \$4,552,067 had been deposited with manufacturers and approximately \$18,000,000 becomes payable in 1958.

Annual payments of approximately \$1,085,000 from date of occupancy will be required under the Company's agreements for lease (from 20 to 30 years) of overhaul bases, hangars and administrative facilities at Wold-Chamberlain Field, Minneapolis, and International Airport, New York.

The Company was contingently liable at the end of the year for repurchase of travel contracts sold of \$267,639 and for other notes discounted of \$230,250.

Note F—Mail Transportation Compensation

No final determinations of total mail compensation have been made by the Civil Aeronautics Board on international and domestic routes for 1951 and on international routes for 1954.

For 1951 the Company has accrued income on the basis of temporary rates set by the C.A.B., the ultimate effect of any redetermination not being known at this time.

On January 10, 1957 the C.A.B. issued an order asking the Company to show cause why temporary compensation for 1954 should not tentatively be reduced \$1,406,000 pending final hearings. The Company is contesting the C.A.B.'s action but has recorded the liability at December 31, 1957 (\$653,790 net after income taxes of \$752,210), showing the adjustment as a charge to earned surplus.

Note G—Uniform System of Accounts

A new uniform system of accounts and reports for air carriers was prescribed by the Civil Aeronautics Board for 1957. To the extent practicable, the financial statements for 1956 presented herein for comparison were revised to conform to the new classifications.

In addition, the new rules and regulations of the C.A.B. made certain changes in the accounting practices of the Company, including: (1) discontinuance of providing for depreciation and obsolescence of flight equipment expendable parts; and (2) without retroactive effect, increasing residual values of four motored pressurized cabin airframes and engines purchased after 1954 from 10% of the cost basis to 15% plus one-half the estimated cost of a complete overhaul.

As a result of the foregoing, the provision for depreciation and obsolescence for 1957 is approximately \$630,000 less than what would have been charged to operations on the basis of previous year's accounting practices.

FIVE YEAR SUMMARY OF INCOME

(Amounts Shown in Thousands)

NORTHWEST AIRLINES, INC.

Five years ended December 31, 1957

	1957	Per Cent Increase (Decrease) 1957 to 1956	1956	1955	1954	1953
Operating Revenues						
Passenger	$66,674	*10.6%*	$60,264	$57,253	$51,054	$48,652
United States mail	7,587	*5.5*	7,192	6,513	4,876	6,869
Foreign mail	763	*14.6*	666	577	504	496
Express, freight and excess baggage	7,541	*5.4*	7,155	6,124	5,296	5,373
Charter and other transportation	226	*(72.3)*	816	111	50	180
Pacific Airlift for United States Government	—	—	—	—	—	4,185
Other—net	641	*66.1*	386	510	358	288
	$83,432	*9.1*	$76,479	$71,088	$62,138	$66,043
Operating Expenses						
Flying operations	$25,555	*12.8*	$22,665	$21,694	$18,556	$19,868
Maintenance	16,037	*13.8*	14,095	12,707	11,794	14,120
Passenger service	5,061	*12.4*	4,502	4,139	3,596	3,944
Aircraft and traffic servicing	11,689	*7.8*	10,847	9,718	8,205	8,491
Reservations, sales and advertising	9,218	*12.8*	8,169	7,761	6,868	6,677
Administrative and general	5,452	*12.8*	4,834	4,447	4,227	4,159
Provision for depreciation	5,436	*(19.7)*	6,772	6,205	5,575	5,727
	$78,448	*9.1*	$71,884	$66,671	$58,821	$62,986
	$ 4,984	*8.5*	$ 4,595	$ 4,417	$ 3,317	$ 3,057
Other Deductions, Net	994	*90.4*	522	250	120	252
Income before Taxes and Property Disposals	$ 3,990	*(2.0)*	$ 4,073	$ 4,167	$ 3,197	$ 2,805
Taxes on Income	2,100	*(3.9)*	2,185	2,140	1,648	1,465
Net Income from Operations	$ 1,890	*.1*	$ 1,888	$ 2,027	$ 1,549	$ 1,340
Profit from Disposals of Property	$ 3,241		$ 1,828	$ 119	$ 287	$ 815
Less applicable income taxes	312		490	30	75	210
Net Profit from Disposals of Property	$ 2,929		$ 1,338	$ 89	$ 212	$ 605
Net Income for the Year	$ 4,819	*49.4*	$ 3,226	$ 2,116	$ 1,761	$ 1,945

Note: To the extent practicable, the amounts for prior years were revised to conform to new classifications prescribed by the Civil Aeronautics Board for 1957. Also the amounts for 1954 have been adjusted to reflect the reduction of mail compensation ($1,406,000 less applicable income tax of $752,210) charged to Earned Surplus in 1957.

STATEMENTS OF SURPLUS

NORTHWEST AIRLINES, INC.

	Year Ended December 31, 1957	1956
CAPITAL SURPLUS		
Balance at beginning of year	$ 6,246,750	$ 3,719,449
Additions arising from:		
Transfer from earned surplus to restore deduction in prior years for part of dividends paid on Preference Stock	560,625	—
Retirement of 7,050 shares—1957, 7,075 shares—1956 of Preference Stock through market fund purchases	3,285	4,071
Sale of 1,500 shares of Common Stock under option agreement, in excess of par value	3,187	—
Conversion of 252,323 shares of Preference Stock into shares of Common Stock (1½ shares of Common for each share of Preference)	—	2,523,230
Balance at end of year	$ 6,813,847	$ 6,246,750
EARNED SURPLUS		
Balance at beginning of year	$ 9,569,339	$ 7,453,305
Transfer to capital surplus—see above	(560,625)	—
Reduction in mail compensation for 1954—Note F	(653,790)	—
	$ 8,354,924	$ 7,453,305
Add net income for the year	4,818,971	3,225,595
	$13,173,895	$10,678,900
Deduct:		
Cash dividends on:		
Preference Stock for the year ended November 1—$1.15 a share	$ 42,345	$ 304,608
Common Stock—$.80 a share	1,074,480	804,953
	$ 1,116,825	$ 1,109,561
Balance at end of year	$12,057,070	$ 9,569,339

( ) Indicates deduction

See notes to financial statements.

ACCOUNTANTS' REPORT

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

We have examined the financial statements of Northwest Airlines, Inc. for the year ended December 31, 1957. Our examination was 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. We had made a similar examination for the preceding year.

In our opinion, the accompanying statement of financial position and statements of income and surplus present fairly the financial position of Northwest Airlines, Inc. at December 31, 1957 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles which (except for the revisions in depreciation policy required by the Civil Aeronautics Board as described in Note G to the financial statements) have been applied on a basis consistent with that of the preceding year.

The five year summary of income was examined by us and, in our opinion, presents fairly the information stated therein.

Saint Paul, Minnesota
February 18, 1958

ERNST & ERNST

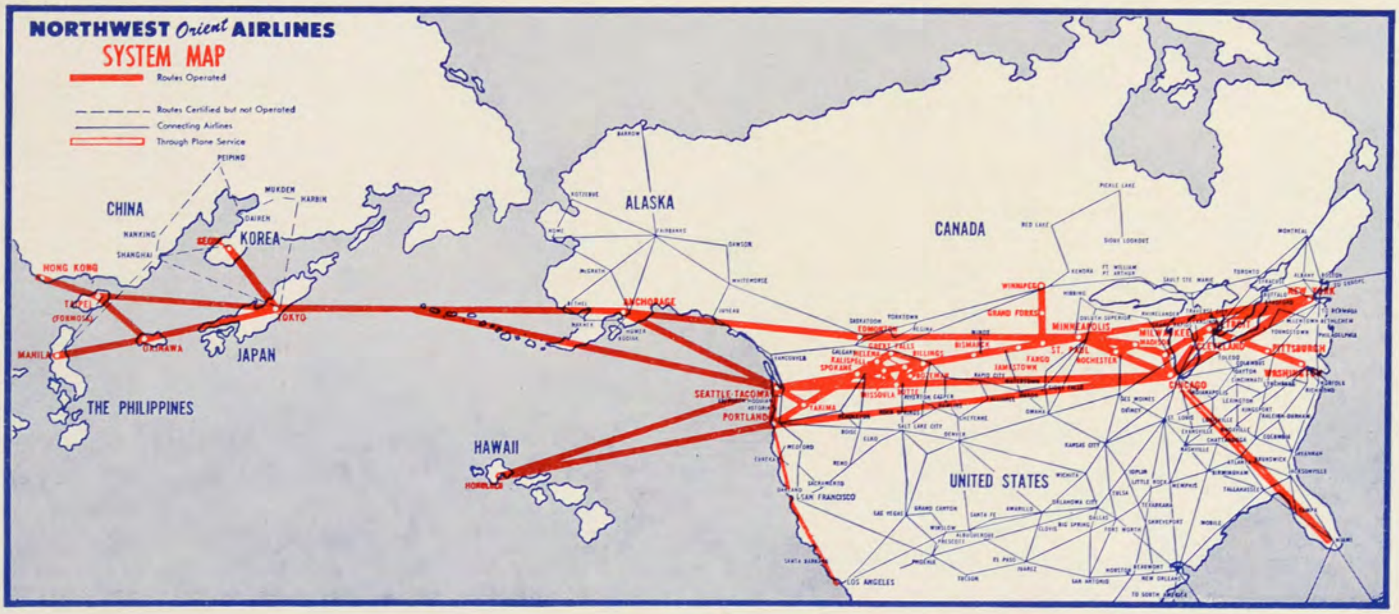
PASSENGER SERVICE *During 1957 Northwest placed special emphasis on improving service to passengers both in flight and on the ground, with encouraging results as measured by comments and letters from passengers. "Imperial Service," including complimentary champagne, reserved seating and hors d'oeuvre trays, was started in 1957.*

Fast ticketing and check-in of Northwest passengers is provided through special techniques and training programs for ticket agents. Newly designed sectional counter units have been patented by Northwest.

Reservations sales agents provide information on seats available throughout the system. Minneapolis/St. Paul reservation office shown here handles up to 4,500 incoming calls in 24 hours. New Univac electronic computer system will ease and speed work of agents in 1958.

Comfortable two abreast seating is provided on all Northwest's DC-6B coach flights, as it is on this DC-6B Hawaii Tourist flight.

NORTHWEST AIRLINES, INC. *Annual Report* 1957



PROGRESS FOR THE LATEST 10 YEARS

Calendar Year	Total Operating Revenue	Passenger Revenue	Express and Freight Revenue	Revenue Passenger Miles	Mail Ton Miles	Total Plane Miles Flown
1957	$83,432,404	$66,674,383	$6,537,452	1,205,764,597	17,803,356	35,629,289
1956	76,479,526	60,264,291	6,426,502	1,094,121,438	16,780,406	32,461,321
1955	71,088,043	57,252,957	5,539,095	1,017,400,443	15,407,054	30,909,610
1954	62,138,312	51,053,599	4,676,190	909,674,550	6,990,462	27,029,860
1953	66,042,488	48,652,465	4,890,153	851,174,754	5,002,605	27,816,827
1952	61,474,153	41,962,758	4,781,081	720,046,264	5,017,993	23,210,634
1951	54,593,420	35,192,765	4,371,533	602,220,853	4,571,276	19,531,632
1950	52,401,767	33,148,395	4,122,222	613,446,244	4,987,561	26,868,177
1949	39,945,987	27,873,942	3,163,278	495,114,870	4,722,800	25,908,552
1948	34,412,170	24,074,778	2,072,362	386,509,809	4,026,074	22,288,002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