

NORTHWEST
ORIENT



NORTHWEST ORIENT AIRLINES • 1966 ANNUAL REPORT

1966 HIGHLIGHTS

	1966†	1965
Total Operating Revenues	\$311,318,511	\$262,998,139
Operating Income	\$100,654,479	\$85,847,206
Net Earnings for the Year	\$53,135,922	\$45,694,024
Per Common Share	\$5.81	\$4.99*
Stockholders' Equity	\$212,726,698	\$165,080,849
Per Common Share	\$23.25	\$18.04*
Dividends Paid	\$5,489,771	\$3,657,442
Operating Expenses—		
Per Available Ton-Mile	15.6¢	16.4¢
Per Revenue Ton-Mile	30.1¢	33.0¢
Revenue Traffic—		
Passengers Carried	4,963,275	4,593,462
Passenger-Miles Flown	3,699,851,000	3,303,809,000
Ton-Miles, Mail, Freight and Express	175,872,000	133,048,000
Common Shares at Year End	9,149,626	9,149,626*
Employees at Year End	8,875	7,578

†Operations in 1966 were curtailed during a strike from July 8 to August 19.

*Reflecting two-for-one split in 1966.



40th ANNUAL REPORT TO STOCKHOLDERS

... FROM THE PRESIDENT:

During this, our 40th anniversary year, your Company experienced exceptional progress and improved operations in all areas. 1966 also provided the most outstanding financial results in the history of Northwest Orient Airlines.

Total operating revenues reached \$311,318,511—an increase of 18% in the past year and a 180% increase over the latest five-year period.

New highs were also achieved in net earnings, with a net profit totaling \$53,135,922 for the year just ended.

Reflecting continued efforts to remain highly competitive in the airline industry, Northwest's Fan-Jet fleet was increased to 61, with the delivery of eight additional Boeing 707-320C intercontinental range aircraft, and ten additional 727 tri-jet airplanes for domestic operations. Six 727's and fourteen 320's are on order and will be delivered in 1967 and 1968. This will bring our fleet to a total of 81 Fan-Jets during the next 21 months.

On future order are ten Boeing 747's with delivery dates set for one aircraft each month starting in March 1970.

It is our opinion that the Company's sound cash flow position will permit the completion of this flight equipment program without additional loans or equity financing.

Increasing reliance on air travel

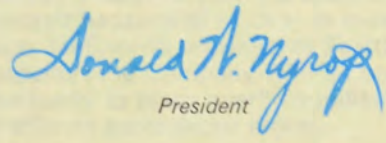
as the fastest, most convenient and comfortable means of transportation is only one aspect of Northwest's 1966 success. Management strength has been improved and tightened in all phases of operation, resulting not only in meeting the requirements of our expanding operation, but also minimizing the cost of expansion. Utilizing pre-planned building space in our General Office, several departments have been relocated in new areas, resulting in an improvement in overall company operations.

Northwest has a vital stake in the Transpacific proceeding, and will seek an expanded opportunity to provide new and improved service to a number of major cities and to strengthen the U.S. air transport route system in the Pacific. Authorization of Northwest Airlines as a Central Pacific carrier (on the primary trade route out of Los Angeles and San Francisco) would strengthen the competitive balance of U.S. carriers in the Pacific without diluting the available traffic. Concurrently, Northwest is continuing its proposal for a Twin-Cities/California route.

We deeply regret the loss of Mr. Albert J. Weatherhead from our Board of Directors. Mr. Weatherhead was a highly valued director for Northwest Airlines from 1953 until his death on December 13, 1966.

Our operating demands in 1966 called for extraordinary response from employees throughout the Company, and the year ahead will make further demands upon our entire organization. We look with confidence to another successful year in 1967. The high standards of service to the public will be continued, and we will maintain a constant regard for necessary improvements. Our legacy of progress will continue with the greatly appreciated support of our stockholders.

Sincerely,



Donald A. Nyrop
President

March 10, 1967

Northwest's main base (the most completely integrated airline facility in the industry) is located at the Minneapolis-St. Paul International Airport.



FLEET, ROUTES AND SCHEDULES

Northwest's 40th anniversary year was a year of progress and record achievements. All-time records were established in both operating revenues and net earnings.

Fleet

With the addition of 18 fan-jet aircraft to our fleet, major service improvements included increased Florida flights, new transcontinental services, and added flights to our Pacific areas. On April 24, we began our first jet aircraft service to Washington National Airport and our first jet service to Pittsburgh.

During December 1966, we initiated all-jet cargo service between Minneapolis and New York, with late night departure from Minneapolis/St. Paul. Return flights on the same night from New York to the Twin Cities provides early morning cargo delivery to consignees.

Route Developments

Amendments to the U.S.—United Kingdom Air Transport Agreement provided implementation of Northwest's certificate authority at Hong Kong. Daily through-plane service between New York and Hong Kong was added October 1, 1966—a landmark date following more than 15 years of effort by Northwest. The traffic response to the initial service in this market has been excellent.

The case for expanded authority in the Pacific, started in 1966, is continuing. We are requesting authority to 1) fly the Central Pacific route from California via Hawaii to the Orient; 2) serve the expanding California-Hawaii market as part of our total Transpacific services; 3) to provide new and improved Pacific service to major Midwest and Eastern cities; and 4) to extend our routes beyond Taipei and Hong Kong to Southeast Asia. There are 17 other airlines seeking authority in the Pacific which, if granted, would be competitive with Northwest.

Northwest is vitally interested in the Twin Cities/California case, which would accomplish a major

objective in the development of our domestic route structure.

Under the CAB examiner's initial decision in the New York/Florida renewal case, it was held that Northwest should be authorized to operate between New York, Philadelphia and Washington on flights serving Detroit or a point west of Detroit. This addition would provide improved flexibility in scheduling and routing aircraft.

During 1966 Northwest continued its request for Chicago/Toronto authority. This authority would provide one-carrier through-plane service from Toronto via Chicago to such areas as the Twin Cities, Milwaukee, Seattle, Portland and others.



Schedules

Philadelphia, Detroit and Minneapolis/St. Paul were provided their first through-plane service to the Orient, bringing the total to nine domestic cities receiving direct one-plane service to Orient destinations.

Northwest's Transpacific commercial schedules were increased in 1966 from 17 to 25 weekly round trips, bringing greatly increased traffic on our international routes.

Military

Transpacific charter flights by Northwest in 1966 provided the Military Airlift Command with nearly 11,000,000 plane-miles in jet

service to Korea, Okinawa, Japan, Vietnam, Thailand, the Philippines and other areas. Northwest also continued its Mid-pacific island service between Hickam Air Force Base and Eniwetok, and between Hickam and Midway.



At Northwest's recommendation, McChord Air Force Base near Seattle was established as a major channel for military charter operations in the Pacific. As a result both the Government and Northwest achieved savings in operating expenses, and the military has received greater lift from the available aircraft because of savings in mileage. McChord's proximity to Seattle provides the Company with an opportunity to place overflow military traffic on commercial flights.



FINANCIAL RESULTS AND TRAFFIC GROWTH

Revenue & Expenses

Despite the 42-day strike in July and August, total revenues of \$311,318,511 in 1966 reflected an increase of 18.4 per cent over 1965's \$262,998,139.

System passenger revenues increased 9.0 per cent to \$216,238,508. The average fare per passenger-mile declined approximately 3 per cent to 5.84¢ in 1966 due to liberalization of the family-plan discount, from increased travel by youth and military personnel on reduced stand-by fares, and from a greater share of traffic in coach service. The latter accounted for 82.9 per cent of total passenger-miles in 1966, compared with 81.4 per cent in 1965.



Freight, mail, express and excess baggage revenues totaled \$52,071,958 in 1966. This revenue, up 23.4 per cent from 1965, represented a ratio of almost one dollar for every four dollars of passenger revenue.

Increased revenues were received from Northwest's extensive commercial and military charter flights with a total of \$39,205,101—an increase of 79.4 per cent over 1965. The Military Airlift Command contract extends to June 30, 1967, and we will seek a renewal contract for fiscal 1968.

Operating costs increased by only 18.9 per cent from a total of \$177,150,933 in 1965 to \$210,664,032 during 1966. Expenses include depreciation and amortiza-



tion of \$24,010,596 in 1965 and \$33,194,660 in 1966. Unit operating expenses declined from 16.4¢ per available ton-mile in 1965 to 15.6¢ in 1966 through expanded fan-jet services of greater capacity, high hourly utilization of our flight equipment, and continued attention to the control of expenses in all categories. The unit cost of revenue traffic carried declined from 33.0¢ per revenue ton-mile to 30.1¢ per ton-mile in the year just ended.

Net Earnings

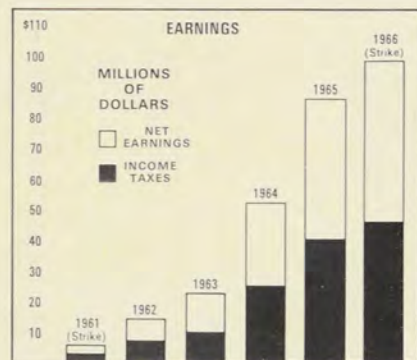
The total of \$53,135,922 in 1966 amounted to net earnings of \$5.81 per share of common stock compared with \$45,694,024 or \$4.99 per share in 1965. Operating income was a record \$100,654,479 in 1966. Pretax non-operating items included \$3,267,821 interest expense and \$1,358,702 gain on disposals of property. The latter figure compares with \$1,971,304 in 1965.

Investment tax credit available to Northwest as a result of equipment purchases has been used to reduce the current income taxes. We are continuing to amortize over an eight-year period the net income benefit of the investment tax credit. The investment credit included in net earnings amounted to \$2,292,000 in 1966 or about 67 per cent more than the amount credited to income in 1965. There remains an unamortized investment credit of \$17,656,100 to be reflected in income in future years. (Table, Page 13).

Cash flow from 1966 operations included generation of \$103,037,882 from net earnings, depreciation and amortization, deferred taxes and

investment credit. Other sources of funds included a net increase of \$24,000,000 in long-term debt (derived from our revolving bank credit agreement) and disposals of \$1,846,564 of operating property.

Major application of funds included fleet additions and advance deposits for aircraft on order, totaling \$113,837,724. In addition, cash dividends of \$5,489,771 were paid in 1966, at the annual rate of 60¢ per share. With the March 1967 dividend, increased to 17.5 cents quarterly, your Company will have completed 12 years of consecutive quarterly cash dividends.



Record Growth

Revenue plane-miles in scheduled service during 1966 increased by 9.9 per cent and available ton-miles increased by 16.7 per cent. Even greater percentage gains were realized in virtually all categories of traffic.

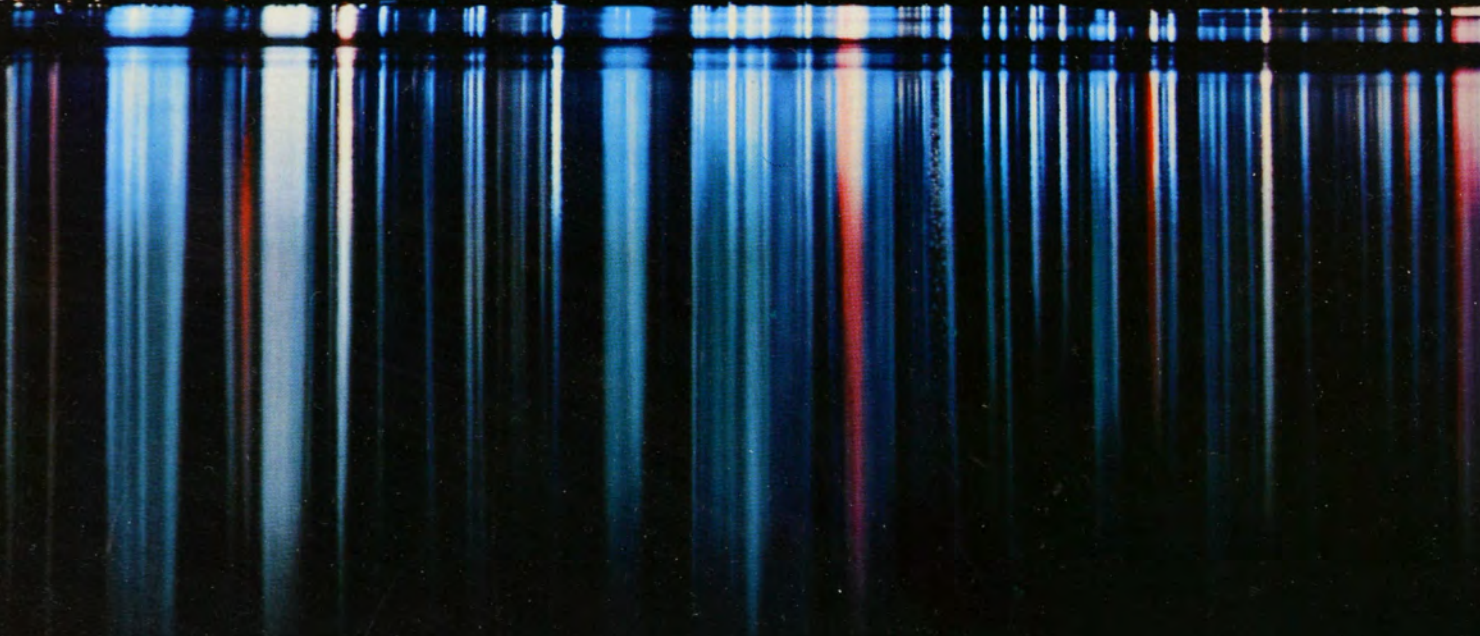
During 1966 Northwest Airlines approached the 3.7 billion-mile level—a total of 3,699,851,026 revenue passenger-miles flown in scheduled services—an increase of 12.0 per cent over 1965. Our domestic passenger-miles increased 9.4 per cent, and our system passenger load factor improved from 53.8 per cent in 1965 to 54.6 per cent in 1966.

Throughout our entire system traffic increased from 4.6 million in 1965 to almost 5.0 million passengers carried in 1966. Cargo and mail again recorded the largest 1966 increases in scheduled service traffic. System freight and express ton-miles increased by 32 per cent and system mail ton-miles increased by 33 per cent.

In 1966 Northwest increased daily jet service to the Orient to 25 flights a week.



FLY NORTHWEST
TO FLORIDA



NORTHWEST AIRLINES, INC.

FINANCIAL REPORT

1966

Financial Condition

Northwest Airlines ranks among the strongest in the airline industry in terms of financial condition. Stockholders' equity increased from \$165,080,849 at year-end 1965 to \$212,726,698 at the close of 1966. Book value per common share was \$23.25 on December 31, 1966, compared with \$18.04 per share last year.

Outstanding debt at the close of the year amounted to \$99,000,000. Our existing bank credit agreement provides maximum revolving credit of \$75,000,000 of which \$62,000,000 was borrowed at year-end. Under the revolving feature of this agreement, the credit line may be repaid and reborrowed subject to the provision that it be reduced by \$5,000,000 on April 1, 1968 and by \$5,000,000 on the first day of each quarter thereafter until October 1, 1971.

The note purchase agreements with insurance companies comprise \$37,000,000 in outstanding debt. This loan is payable \$3,000,000 annually and \$4,000,000 on October 1, 1978.

On order at the close of 1966 were 14 Boeing 707-320C intercontinental range fan-jet aircraft, six Boeing 727 and 727C fan-jets, and 10 Boeing 747 and 747C aircraft. Financing for these orders is available from existing credit arrangements and from internal cash generation.

The strong financial position attained by Northwest Airlines is evidenced by a most favorable debt ratio with year-end debt at 47 per cent of stockholders' equity.

Northwest's substantial growth on the Florida segment continues—with the help of our famous upside-down map.

10 YEAR SUMMARY

NORTHWEST AIRLINES, INC. AND SUBSIDIARY

(Dollars in thousands except per share figures)

	1966†	1965	1964	1963	1962	1961†	1960	1959	1958	1957
Operating Revenues										
Passenger	\$ 216,239	\$ 198,457	\$ 163,807	\$135,222	\$121,781	\$ 85,971	\$ 97,680	\$100,641	\$ 81,116	\$ 66,674
Cargo	29,515	24,779	18,402	13,745	11,828	8,443	11,368	11,881	8,667	7,541
Mail	22,557	17,421	15,313	14,233	14,228	11,701	10,711	11,219	10,228	8,350
Charter and Other Transportation	39,205	21,851	12,965	6,442	2,646	1,482	823	526	1,237	226
Nontransport	3,803	490	1,123	(854)	(30)	3,456	2,780	1,763	709	641
Total Operating Revenues	\$ 311,319	\$ 262,998	\$ 211,610	\$168,788	\$150,453	\$111,053	\$123,362	\$126,030	\$101,957	\$ 83,432
Operating Expenses										
Depreciation and Amortization	\$ 33,195	\$ 24,011	\$ 22,852	\$ 19,159	\$ 18,445	\$ 17,118	\$ 14,413	\$ 11,310	\$ 8,638	\$ 5,851
Other	177,469	153,140	135,627	123,713	112,802	84,213	104,455	103,811	81,281	72,597
Total Operating Expenses	\$ 210,664	\$ 177,151	\$ 158,479	\$142,872	\$131,247	\$101,331	\$118,868	\$115,121	\$ 89,919	\$ 78,448
Operating Income	\$ 100,655	\$ 85,847	\$ 53,131	\$ 25,916	\$ 19,206	\$ 9,722	\$ 4,494	\$ 10,909	\$ 12,038	\$ 4,984
Other Income and (Deductions)—Net	(1,243)	224	(1,125)	(4,166)	(4,578)	(2,828)	(1,882)	335	(559)	2,247
Earnings Before Taxes	\$ 99,412	\$ 86,071	\$ 52,006	\$ 21,750	\$ 14,628	\$ 6,894	\$ 2,612	\$ 11,244	\$ 11,479	\$ 7,231
Income Taxes	46,276	40,377	25,220	11,297	7,398	3,233	986	5,530	5,865	2,412
Net Earnings	\$ 53,136	\$ 45,694	\$ 26,786	\$ 10,453	\$ 7,230	\$ 3,661	\$ 1,626	\$ 5,714	\$ 5,614	\$ 4,819
Earnings per Share*	\$ 5.81	\$ 4.99*	\$ 2.93*	\$ 1.43*	\$.99*	\$.50*	\$.22*	\$.79*	\$ 1.02*	\$.87*
Stockholders' Equity	212,727	165,081	122,960	68,436	59,712	54,177	52,193	52,267	48,224	33,065
Book Value per Share*	23.25	18.04*	13.46*	9.38*	8.20*	7.44*	7.17*	7.18*	6.69*	5.95*
Cash Dividends	5,490	3,657	2,602	1,823	1,702	1,701	1,700	1,714	1,110	1,117
Assets and Long-Term Debt										
Flight Property at Cost	\$ 401,476	\$ 304,072	\$ 219,523	\$176,655	\$169,413	\$170,772	\$121,441	\$104,389	\$ 90,608	\$ 71,716
Flight Property at Net Book Value	311,803	233,858	160,925	127,074	122,980	133,485	86,957	76,647	56,461	43,023
Total Assets	422,040	333,311	237,226	196,765	186,887	189,103	148,698	130,097	105,061	76,222
Long-Term Debt	96,000	72,000	45,000	64,996	74,968	90,286	68,500	50,000	34,250	27,000
Unit Expenses										
Per Available Ton-Mile	15.6¢	16.4¢	18.5¢	21.7¢	23.9¢	27.6¢	27.8¢	26.5¢	26.1¢	27.4¢
Per Revenue Ton-Mile	30.1¢	33.0¢	39.7¢	46.8¢	50.2¢	54.2¢	54.2¢	51.0¢	49.0¢	50.4¢
Per Cent of Operating Revenues	67.7%	67.4%	74.9%	84.6%	87.2%	91.2%	96.4%	91.3%	88.2%	94.0%
Statistics—Scheduled Services										
Revenue Plane Miles (000)	67,780	61,653	52,157	45,356	41,821	31,143	46,671	47,568	39,113	34,742
Available Seat Miles (000)	6,773,257	6,140,717	5,129,944	4,305,147	3,697,796	2,611,840	3,073,400	3,149,000	2,574,848	2,125,505
Revenue Passenger Miles (000)	3,699,851	3,303,809	2,668,812	2,179,208	1,904,112	1,361,790	1,653,966	1,738,138	1,408,743	1,205,765
Passenger Load Factor	54.6%	53.8%	52.0%	50.6%	51.5%	52.1%	53.8%	55.2%	54.7%	56.7%
Revenue Passengers Carried	4,963,275	4,593,462	3,663,077	2,911,914	2,437,342	1,723,667	2,139,547	2,138,970	1,827,129	1,574,035
Freight and Express Ton-Miles (000)	108,914	82,715	55,100	39,417	35,179	23,035	32,480	31,377	22,285	19,714
Total Revenue Ton-Miles (000)	533,556	452,553	351,886	284,732	254,033	182,704	217,722	225,110	181,678	155,323
Statistics—Total Operations										
Revenue Plane Miles (000)	77,715	67,125	55,477	47,207	42,718	31,658	46,963	47,732	39,670	34,814
Available Ton-Miles (000)	1,348,983	1,079,832	856,612	657,761	548,159	367,301	428,782	435,977	348,235	285,958

†Affected by major strikes in 1961 and 1966.

*Per share figures reflect two-for-one stock split in 1964 and again in 1966 and conversion of preferred stock as applicable in years prior to 1963.

STATEMENT OF FINANCIAL POSITION

NORTHWEST AIRLINES, INC. AND SUBSIDIARY

ASSETS

	December 31	
	1966	1965
Current Assets		
Cash	\$ 18,909,883	\$ 19,926,136
Accounts receivable	33,775,339	25,816,690
Flight equipment parts, at average cost, less allowance for depreciation (1966—\$2,958,212; 1965—\$2,623,461)	7,922,256	6,687,027
Maintenance and operating supplies at average cost	2,639,637	2,238,505
Prepaid expenses	2,387,181	2,153,161
Total Current Assets	\$ 65,634,296	\$ 56,821,519
 Property and Equipment		
Flight equipment at cost	\$401,476,043	\$304,072,405
Less allowances for depreciation	89,673,047	70,214,485
	<u>\$311,802,996</u>	<u>\$233,857,920</u>
Advance payments on new flight equipment—Note C	23,726,852	25,546,313
	<u>\$335,529,848</u>	<u>\$259,404,233</u>
Other property and equipment at cost	\$ 29,477,098	\$ 25,366,504
Less allowances for depreciation	14,613,625	13,079,596
	<u>\$ 14,863,473</u>	<u>\$ 12,286,908</u>
	<u>\$350,393,321</u>	<u>\$271,691,141</u>
 Deferred Charges and Other Assets		
Unamortized training and other costs in connection with aircraft fleets	\$ 1,641,734	\$ 2,718,578
Rentals	1,403,442	1,304,493
Other	2,967,705	775,023
	<u>\$ 6,012,881</u>	<u>\$ 4,798,094</u>
	<u>\$422,040,498</u>	<u>\$333,310,754</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

December 31

Current Liabilities

	1966	1965
Accounts payable	\$ 24,821,375	\$ 19,411,834
Employee compensation	7,625,084	6,299,878
Air travel card deposits	1,173,000	1,201,475
Unredeemed ticket liability	3,627,578	2,801,299
Income taxes	10,666,850	17,799,448
Current maturities of long-term debt	3,000,000	3,000,000

Total Current Liabilities	\$ 50,913,887	\$ 50,513,934
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Long-Term Debt—Note A	\$ 96,000,000	\$ 72,000,000
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Deferred Credits—Note E

Income taxes—arising principally from accelerated depreciation methods	\$ 43,743,900	\$ 32,620,600
Investment credit	17,656,100	12,072,100
Other	999,913	1,023,271
	<u>\$ 62,399,913</u>	<u>\$ 45,715,971</u>

Stockholders' Equity—Note B

Common Stock (after giving effect to two-for-one stock split in 1966) \$2.50 par value; authorized 20,000,000 shares; issued and outstanding 9,149,626 shares	\$ 22,874,065	\$ 22,874,065
Capital surplus	39,381,745	39,382,047
Retained earnings	150,470,888	102,824,737
	<u>\$212,726,698</u>	<u>\$165,080,849</u>

Commitments—Note C

	<u>\$422,040,498</u>	<u>\$333,310,754</u>
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See notes to financial statements.

STATEMENT OF EARNINGS

NORTHWEST AIRLINES, INC. AND SUBSIDIARY

	Year Ended December 31	
	1966*	1965
Operating Revenues		
Passenger	\$216,238,508	\$198,457,081
Cargo	29,515,333	24,778,806
Mail	22,556,625	17,421,379
Charter and other transportation	39,205,101	21,851,204
Nontransport	3,802,944	489,669
	<u>\$311,318,511</u>	<u>\$262,998,139</u>
Operating Expenses		
Flying operations	\$ 64,649,872	\$ 53,143,541
Maintenance	29,731,968	27,558,040
Passenger service	22,571,986	18,468,831
Aircraft and traffic servicing	29,352,334	25,411,681
Reservations, sales and advertising	23,832,322	21,952,569
Administrative and general	7,330,890	6,605,675
Depreciation and amortization	33,194,660	24,010,596
	<u>\$210,664,032</u>	<u>\$177,150,933</u>
	\$100,654,479	\$ 85,847,206
Other Income and (Deductions)		
Interest on long-term debt	(\$ 3,267,821)	(\$ 1,822,302)
Disposals of property	1,358,702	1,971,304
Other income	666,062	75,116
	<u>(\$ 1,243,057)</u>	<u>\$ 224,118</u>
Earnings Before Taxes	\$ 99,411,422	\$ 86,071,324
Taxes on Earnings , including deferred taxes and investment credit—Note E	46,275,500	40,377,300
Net Earnings for the Year	<u>\$ 53,135,922</u>	<u>\$ 45,694,024</u>
Earnings per share of Common Stock	\$5.81	\$4.99

*Operations in 1966 were curtailed during a strike from July 8 to August 19.
See notes to financial statements.

STATEMENT OF RETAINED EARNINGS

NORTHWEST AIRLINES, INC. AND SUBSIDIARY

	Year Ended December 31	
	1966	1965
Balance at beginning of year	\$102,824,737	\$ 60,788,155
Add net earnings	53,135,922	45,694,024
	<u>\$155,960,659</u>	<u>\$106,482,179</u>
Deduct cash dividends on Common Stock (after giving effect to two-for-one stock split in 1966) 1966—\$.60 a share; 1965—\$.40 a share	5,489,771	3,657,442
Balance at end of year	<u>\$150,470,888</u>	<u>\$102,824,737</u>

See notes to financial statements.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

NORTHWEST AIRLINES, INC. AND SUBSIDIARY

Year Ended December 31

	1966	1965
Source of Funds		
Net earnings	\$ 53,135,922	\$ 45,694,024
Depreciation and amortization	33,194,660	24,010,596
Deferred income taxes	11,123,300	8,839,800
Investment credit	<u>5,584,000</u>	<u>5,490,200</u>
Total from Operations	\$103,037,882	\$ 84,034,620
Increase in long-term debt	24,000,000	27,000,000
Disposals of operating property	<u>1,846,564</u>	<u>1,269,361</u>
Total of Sources	\$128,884,446	\$112,303,981
Application of Funds		
Flight equipment and other property additions	\$ 92,161,535	\$ 81,474,478
Advance deposits on aircraft	21,676,189	24,785,059
Cash dividends	5,489,771	3,657,442
Other	<u>1,144,127</u>	<u>1,920,027</u>
Total of Applications	\$120,471,622	\$111,837,006
Increase in Working Capital	<u>\$ 8,412,824</u>	<u>\$ 466,975</u>

See notes to financial statements.

NORTHWEST AIRLINES FLEET

Aircraft Type	December 31		On Order
	1965	1966	
JET:			
707-320B & 320C	13	21	14
720B	16	16	—
727 & 727C	14	24	6
747 & 747C	—	—	<u>10</u>
Total Jet	<u>43</u>	<u>61</u>	<u>30</u>
PROP-JET: Electra	16	13	—
PISTON: DC-7C	<u>5</u>	<u>3</u>	<u>—</u>
Total Fleet	64	77	30

APPLICATION OF INVESTMENT TAX CREDIT

Period	Available & Utilized*	Reflected in Net Earnings†
1962-1965	\$14,249,600	\$2,177,500
1966	<u>7,876,000</u>	<u>2,292,000</u>
Total	\$22,125,600	\$4,469,500
To Net Earnings	<u>4,469,500</u>	←
To Be Amortized	<u>\$17,656,100</u>	

*All investment credit amounts generated 1962-1966 have been utilized to reduce income taxes.

† Income benefit of investment credit amortized over eight-year period.

NOTES TO FINANCIAL STATEMENTS

Note A—Long-Term Debt

Under Note Purchase Agreements with twelve insurance companies the Company has borrowed \$37,000,000 at 6% payable \$3,000,000 annually and \$4,000,000 on October 1, 1978. Certain optional prepayments at par are permitted. The Agreements contain certain other provisions with respect to redemption as a whole, but not from borrowed funds, at premiums ranging from 5% to 1%.

Under the Second Amendatory Credit Agreement with fifteen banks the Company has outstanding \$62,000,000. This Agreement provides for revolving credit of \$75,000,000 reducing to \$55,000,000 by January 1, 1969, to \$35,000,000 by January 1, 1970, to \$15,000,000 by January 1, 1971, and terminating on October 1, 1971. Interest on funds borrowed is at 4¾%.

At December 31, 1966 the Company had complied with the covenants of the long-term debt agreements.

Note B—Stockholders' Equity

The Company is authorized to issue 1,000,000 shares of Cumulative Preferred Stock, \$25 par value, none of which are outstanding.

At December 31, 1966, 300,000 unissued shares of Common Stock are reserved for options which may be granted to officers and key employees in the future at prices not less than 100% of the market price of Common Stock at the date of such grant.

Capital surplus decreased \$302 during 1966 as a result of miscellaneous stock transactions.

After applying the most restrictive provisions of the long-term debt agreements, \$18,720,409 of retained earnings was available for cash dividends on Common Stock at December 31, 1966.

Note C—Commitments

The Company has contracted to purchase from The Boeing Company ten 747, fourteen 320, and six 727 turbo-jet aircraft for delivery in 1967 through 1970, which with spare equipment will require expenditures of \$336,894,000. Of this amount, \$23,726,000 had been deposited with manufacturers at December 31, 1966 and approximately \$68,679,000, \$99,031,000, \$39,756,000 and \$105,702,000 become payable in 1967, 1968, 1969 and 1970, respectively.

Annual rental payments of approximately \$3,760,000 are required under various lease agreements for periods up to thirty-two years covering airport facilities, ticket offices, etc.

Note D—Mail Transportation Compensation

A final determination of total mail compensation has not been made by the Civil Aeronautics Board on international and domestic routes for 1951. The ultimate effect of any redetermination is not known at this time.

Note E—Taxes on Earnings

The provision for taxes on earnings consists of the following:

	Year Ended December 31	
	1966	1965
Current provision	\$29,568,200	\$26,047,300
Deferred taxes	11,123,300	8,839,800
Deferred investment credit	7,876,000	6,861,300
	<u>\$48,567,500</u>	<u>\$41,748,400</u>
Less amortization of deferred investment credit over eight years	2,292,000	1,371,100
	<u>\$46,275,500</u>	<u>\$40,377,300</u>

ACCOUNTANTS' REPORT

To the Stockholders and Board of Directors
Northwest Airlines, Inc.
Saint Paul, Minnesota

We have examined the statement of financial position of Northwest Airlines, Inc. and subsidiary as of December 31, 1966 and the related statements of earnings, retained earnings and source and application of funds for the year then ended. 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 previously made a similar examination for 1965.

Saint Paul, Minnesota
February 14, 1967

In our opinion, the accompanying statements of financial position, earnings and retained earnings present fairly the consolidated financial position of Northwest Airlines, Inc. and subsidiary at December 31, 1966 and 1965 and the consolidated results of their operations for years ended those dates, in conformity with generally accepted accounting principles consistently applied. Further, in our opinion, the accompanying statement of source and application of funds presents fairly the information shown therein.

Ernst & Ernst
Certified Public Accountants

NORTHWEST AIRLINES, INC.

General Offices

Minneapolis-St. Paul International Airport
St. Paul, Minnesota 55111

DIRECTORS*

JAMES H. BINGER

Chairman of the Board, Honeywell Inc.
Minneapolis, Minnesota

HADLEY CASE

President, Case, Pomeroy & Company, Inc.
New York, New York

A. E. FLOAN

Vice President and Secretary, Northwest Airlines, Inc.
St. Paul, Minnesota

MORTON H. FRY

Senior Partner, Riter & Company
New York, New York

CROIL HUNTER

Chairman Emeritus, Northwest Airlines, Inc.
St. Paul, Minnesota

MALCOLM S. MACKAY

President, Foothills Company
Roscoe, Montana

CLYDE B. MORGAN

Chairman of the Board, Rayonier Incorporated
New York, New York

DONALD W. NYROP

President, Northwest Airlines, Inc.
St. Paul, Minnesota

ALONZO PETTEYS

President, Farmers Realty Co.
Brush, Colorado

C. FRANK REAVIS

Partner, Reavis and McGrath
New York, New York

ALBERT G. REDPATH

Partner, Auchincloss, Parker & Redpath
New York, New York

LYMAN E. WAKEFIELD, JR.

Vice President, First National Bank of Minneapolis
Minneapolis, Minnesota

OFFICERS*

DONALD W. NYROP

President

ROBERT A. EBERT

Vice President-Personnel

A. E. FLOAN

Vice President and Secretary

BENJAMIN G. GRIGGS, JR.

Vice President-Flight Operations

DONALD H. HARDESTY

Vice President-Finance and Treasurer

WM. E. HUSKINS, JR.

Vice President-Orient Region

FRANK C. JUDD

Vice President-Maintenance and Engineering

M. JOSEPH LAPENSKY

Vice President-Economic Planning

RONALD McVICKAR

Assistant Vice President

EMORY T. NUNNELEY, JR.

Vice President and General Counsel

ROBERT J. PHILLIPS

Comptroller

C. L. STEWART

Vice President-Transportation Services

ROBERT J. WRIGHT

Vice President-Sales

REGISTRAR: The Chase Manhattan Bank,
New York, N.Y.

TRANSFER AGENT: Bankers Trust Company,
New York, N.Y.

STOCK LISTED: Common Stock listed on New York
Stock Exchange and Midwest Stock Exchange

*As of March 1, 1967

CUSTOMER SERVICES AND OPERATIONS

Personnel

Continued dynamic growth of your Company and improvement in its ground and flight services created approximately 1,200 additional employment opportunities in 1966, and broadened opportunities for the more than 8,800 employees on payroll at the end of the year.



A new agreement was ratified on August 19 between Northwest Airlines and four other carriers and the Machinists Union, ending a 42-day strike. During this time, Northwest was able to successfully provide necessary and essential services to the military. At year's end, 11 collective bargaining agreements were in effect and will continue in force throughout 1967. Progress is currently being made in mediation conferences toward reaching new agreements with the two unions representing cabin attendants and personnel in the agent, clerical and office classifications.

Northwest employed and trained 308 new pilots, in addition to providing transition training for 363 pilots, and qualifying them to fly our increasing fan-jet fleet of aircraft.

The record of performance of Northwest's personnel, both new and veteran, was outstanding in

1966. Northwest's policy places great emphasis on recruitment, selection, placement, training and development of the best qualified employees and managers to meet requirements of the future.

Operations

Northwest inaugurated the first stage of an extensive computer flight planning system which will provide automatic analysis of Transpacific weather data and preparation of optimum flight plans for all Transpacific operations. Financial and administrative functions are also being programmed into the computer system.

Major communications improvements were installed in Detroit, Milwaukee and Washington, D.C., with plans for further improvements in the New York reservations office. Progress is being made in a major revision of our computer reservations program.

The first of three modern Transdyne Instrument Trainers was delivered in 1966. In addition to these trainers, a full flight simulator with both 707-320C and 727 cockpits was ordered and is being manufactured for 1967 delivery.



Marketing

Extensive sales promotional campaigns were conducted throughout the entire system, with spring travel agency seminars held in Boston, New York, Washington, Los Angeles, San Francisco, Dallas and Philadelphia. New services from Philadelphia, Detroit and Minneapolis-St. Paul were promoted in

July and September. The fall sales and advertising effort included an introductory campaign on the new Hong Kong services, intensive promotion on the Florida segment, and a comprehensive program on the Transpacific market including travel agency seminars which were conducted in Seattle, Detroit and Atlanta.

"Youth Fares" became effective in February, 1966, permitting persons between the ages of 12 and 21 to travel at approximately half fare.

Northwest reduced Orient fares twice in 1966. In May we led the industry in instituting reductions.



Imperial Service. Northwest's finest. The luxury way to travel—here in the U.S. and across the Pacific.



Vineyards Established 1852

PRODUCED BY
WINE, INC. HARTFORD, CT
DISTRIBUTORS FOR THE

Irish Mist

THE FAN-JET FLEET OF NORTHWEST ORIENT



Boeing 727 Fan-Jets. Built to get in and out of smaller airports, the Northwest 727 takes off in seconds and rides quiet as a breeze. We have 24 of these in our fleet. (Length: 116 feet, 2 inches—range: 3,050 miles—maximum speed: 606 mph.)



Boeing 720B Fan-Jets. Powerful. Versatile. Good for both long and short trips. Sixteen of these transcontinental Fan-Jets are flying Northwest passengers to major cities coast to coast. (Length: 130 feet, 6 inches—range: 4,430 miles—maximum speed: 606 mph.)



Boeing 320 Intercontinental Fan-Jets. Twenty-one of these long-range Fan-Jets are now flying Northwest passengers between the

U.S.A. and the Orient—non-stop between Seattle and Tokyo. (Length: 145 feet, 6 inches—range: 6,900 miles—maximum speed: 606 mph.)



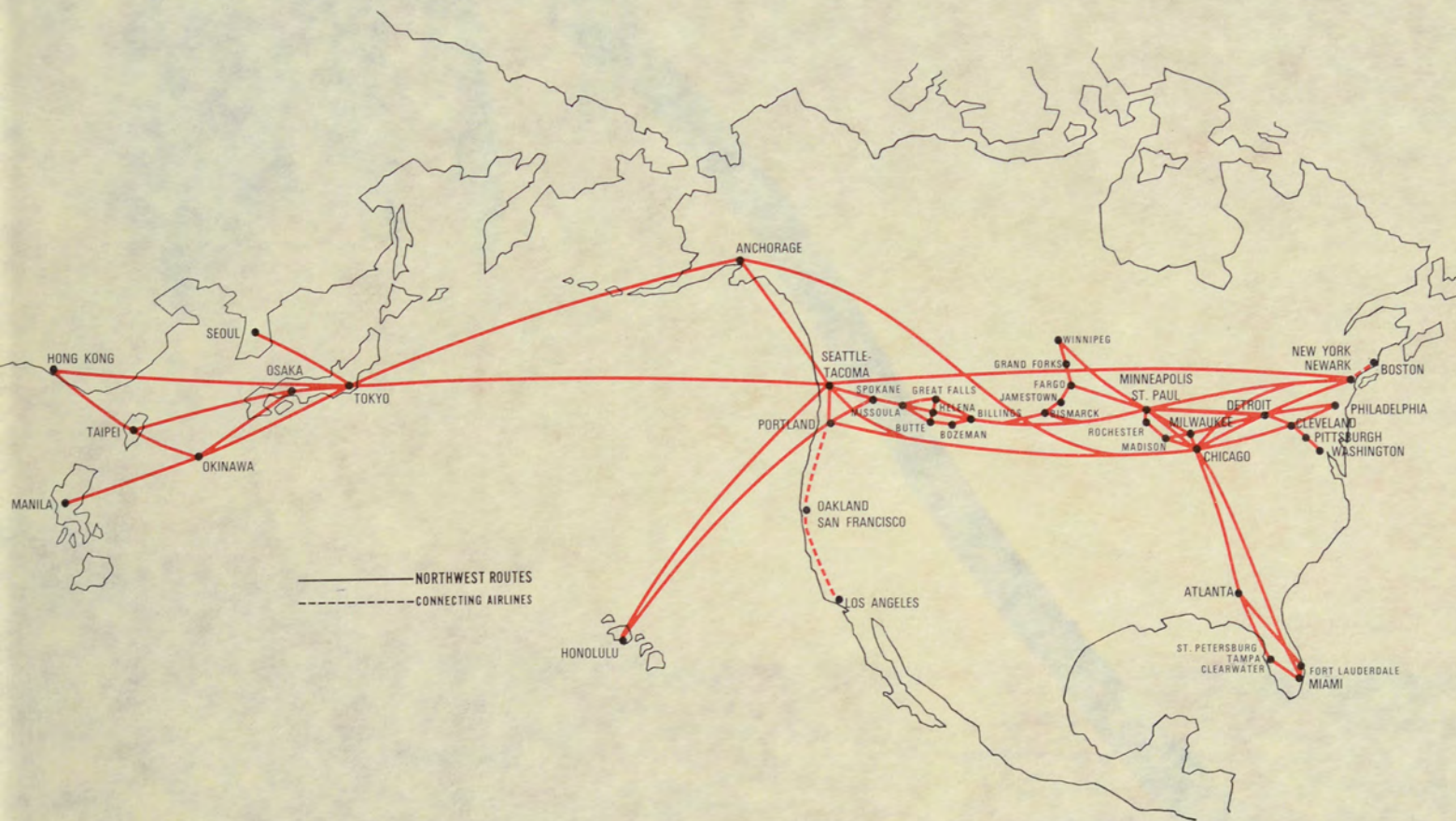
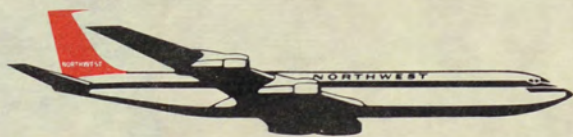
Coming in 1970! The Boeing 747 Fan-Jets. Northwest has placed an order for ten of these 370-490 passenger intercontinental Fan-Jets to be delivered in 1970. This newest addition to the Northwest fleet will represent significant improvement in passenger and cargo

economics, passenger comfort, cruise speed and operational reliability. (Length: 228 feet, 6 inches—range: 8,290 miles—maximum speed: 657 mph—gross weight: 680,000 lbs.—payload: 229,200 lbs.)



The United States SST. The 1800-mph supersonic jetliner of the future. Northwest has deposited funds to guarantee early delivery

position on four United States SSTs. These aircraft will make it possible to fly from the West Coast to Tokyo in 4 hours 28 minutes.



NORTHWEST ORIENT AIRLINES' ROUTES SERVE:

Anchorage
Atlanta
Billings
Bismarck
Bozeman
Butte
Chicago
Clearwater
Cleveland
Detroit
Fargo

Ft. Lauderdale
Grand Forks
Great Falls
Helena
Hollywood
Hong Kong
Honolulu
Jamestown
Madison
Mandan
Manila

Miami
Milwaukee
Minneapolis
Missoula
Moorhead
New York
Newark
Okinawa
Osaka
Philadelphia
Pittsburgh

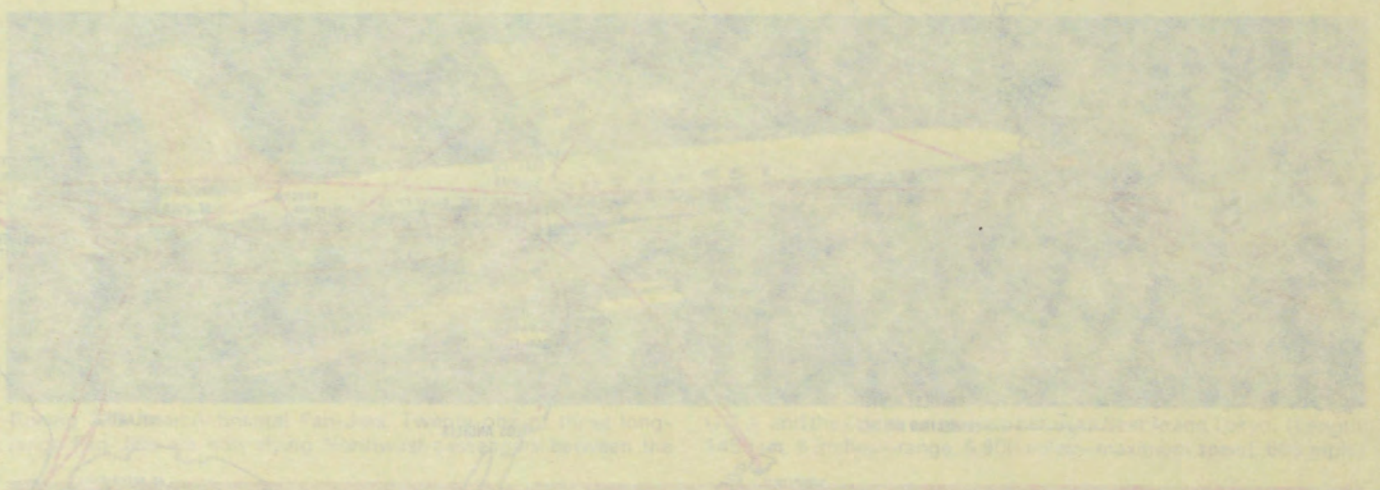
Portland
Rochester
St. Paul
St. Petersburg
Seattle
Seoul
Spokane
Tacoma
Taipei
Tampa
Tokyo
Washington, D.C.
Winnipeg

THE FAN-JET FLEET OF NORTHWEST AIR



Boeing 720 Fan-jet... Northwest Airlines...
Boeing 720 Fan-jet... Northwest Airlines...
Boeing 720 Fan-jet... Northwest Airlines...

Boeing 720 Fan-jet... Northwest Airlines...
Boeing 720 Fan-jet... Northwest Airlines...
Boeing 720 Fan-jet... Northwest Airlines...



NORTHWEST ONE-FARE FIVE HOURS SERVICE

The beautiful islands of Hawaii are served by 14 Northwest flights every week from the mainland.



NORTHWEST ORIENT • THE FAN-JET AIRLINE