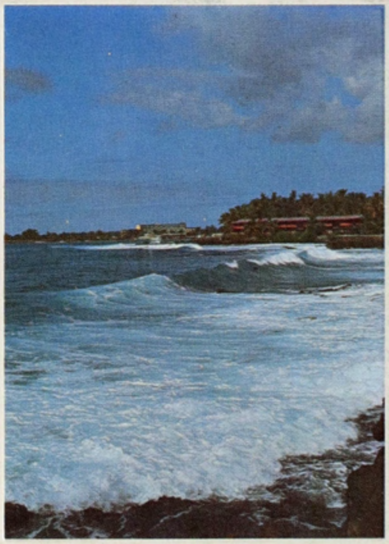
NORTHWEST ORIENT



NORTHWEST ORIENT AIRLINES • 1967 ANNUAL REPORT

1967 HIGHLIGHTS

	1967	1966†
Total Operating Revenues	$383,979,067	$311,318,511
Operating Income	112,757,625	100,654,479
Net Earnings for the Year	58,715,983	53,135,922
Per Common Share	6.42	5.81
Stockholders' Equity	263,986,444	212,726,698
Per Common Share	28.85	23.25
Dividends Paid	6,404,737	5,489,771
Operating Expenses—		
Per Available Ton-Mile	14.5¢	15.6¢
Per Revenue Ton-Mile	30.3¢	30.1¢
Revenue Traffic—		
Passengers Carried	6,489,295	4,963,275
Passenger-Miles Flown	4,901,520,000	3,699,851,000
Ton-Miles, Mail, Freight and Express	235,375,000	175,872,000
Common Shares at Year End	9,149,626	9,149,626
Employees at Year End	10,257	8,875

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

We regret to report the untimely death of Mr. Alonzo Petteys. Mr. Petteys served as a Member of the Northwest Airlines Board of Directors from April 3, 1945 until his death on March 21, 1968. We are saddened at the loss of Mr. Petteys, whose interest and active leadership will be sorrowfully missed.

41st ANNUAL REPORT TO STOCKHOLDERS

FROM THE PRESIDENT

Northwest Airlines established new records in all traffic categories during 1967, i.e. passenger, freight and mail traffic, and the financial results were the best in the history of your Company.

Operating revenues increased 23.3%, from $311,318,511 in 1966 to $383,979,067 in 1967. Net earnings, a record for the Company, totaled $58,715,983, representing $6.42 per share of common stock as compared to $5.81 in 1966.

To transport the increased passenger and cargo traffic, 11 Boeing aircraft were delivered to Northwest during 1967, resulting in a total fleet of 86 at the year end. The cost of the new aircraft and related spare parts was $74,000,000. Included in the delivery were six 727-100's and five 707-320's.

Additional new aircraft are scheduled for delivery in 1968 through 1970, including 16 727-200's, two 727-100's, 10 707-320's, and starting in March of 1970, 10 Boeing 747's, all of which will be delivered during the balance of the year. Total expenditures for these aircraft, with spare engines, will be approximately $376 million. Also positions have been reserved for six Boeing SST's with scheduled delivery in 1976-1977.

At the beginning of 1967, your Company had an investment of almost $442 million in aircraft, plant and facilities. By the end of 1970, the projected figure will be approximately $874 million, almost double the Company's investment as of January, 1967. Additions and improvements at our terminals, hangars and flight kitchens are making positive contributions to the effectiveness of your Company. In addition to the material investments, 1,382 new employees were added to the Company payroll this year. Three years ago Northwest's employees totaled 6,700 throughout the entire route system. During 1967 that figure passed the 10,200 mark.

Continuous efforts are being made by Northwest to provide new and improved services to additional communities through numerous route case proceedings. In addition to the Transpacific and Twin Cities/California Route Cases, your Company is seeking expanded opportunities in several other major proceedings. Increasing competition by domestic and foreign carriers, continued reduction in fares, and rising operational costs necessitate vigorous Company efforts in these route cases.

Northwest Airlines, a strong, effective competitor with an excellent growth and performance record, and with the financial strength to implement these new routes, is qualified to meet the public need for expanded service and strengthened competition.

During 1967 the Board of Directors elected four new executive officers: James A. Abbott, Vice President Orient Region; Clayton R. Brandt, Vice President Purchasing and Stores; Robert W. Campbell, Vice President Budgets; and Richard Kitchen, Vice President Public Relations. William E. Huskins, formerly Vice President Orient Region, is now Vice President Communications and Data Services.

Clyde B. Morgan, a member of your Board of Directors since May 20, 1957, resigned his position in November of this year.

We believe 1968 will be a successful year for Northwest Airlines. Improved facilities, additional aircraft and controlled operating expenses will provide strong competition in the domestic and orient markets. Our foundation for growth is sound and well-established.

We are looking forward to the challenges of 1968, and with the continued outstanding support of our employees and stockholders, we are prepared to meet those challenges.

Sincerely,

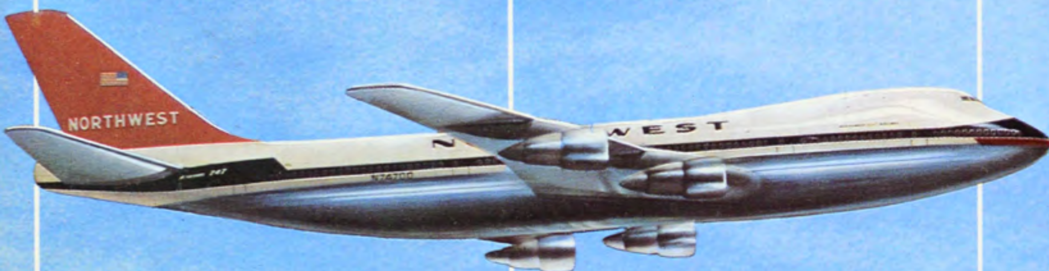
Donald W. Nyrop

President

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 30 of these in our fleet with two additional 727-100's on order for 1968, and 16 727-200's scheduled for delivery in 1968-69. (727-100 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-six of these long-range Fan-Jets are now flying Northwest passengers between the U.S.A. and the Orient—nonstop between Seattle and Tokyo. Another 10 of these aircraft will be delivered to Northwest in 1968. (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: 710,000 lbs.—payload: 229,200 lbs.)

THE UNITED STATES SST. The 1,800-mph supersonic jetliner of the future. Northwest has deposited funds to guarantee early delivery position on six United States SST's. These aircraft will make it possible to fly from the West Coast to Tokyo in 4 hours, 28 minutes.

0′ 100′ 200′ 300′

FLEET, ROUTES AND SCHEDULES

Your Company broadened its operations in all phases during 1967, indicative of Northwest's constructive expansion programs in both domestic and international markets. Continued efforts are being made to compete effectively with foreign and domestic airlines, and at the same time maintain our high standard of service and industry leadership.

FLEET

Service improvements during the year were made possible through the addition of 11 Boeing fan-jet aircraft, which brought our total fleet to 86 aircraft. A total of 38 jet aircraft are now on order for delivery within the next three years. Our present jet fleet includes 26 707-320B's and C's, 16 720B's and 30 727-100's.

During the year one Electra aircraft was sold and the last DC-7C piston airplane was taken out of revenue commercial service.

ROUTE DEVELOPMENTS

Two important cities were added to our routes during 1967. Inaugural flights were made to Osaka, Japan in April and Hilo, Hawaii in December. Northwest's Hawaii flight originates in New York, with one-plane service to Philadelphia, Cleveland, Chicago, Seattle/Tacoma and Hilo, the first one-plane service to Hilo from any city other than a West Coast terminal.

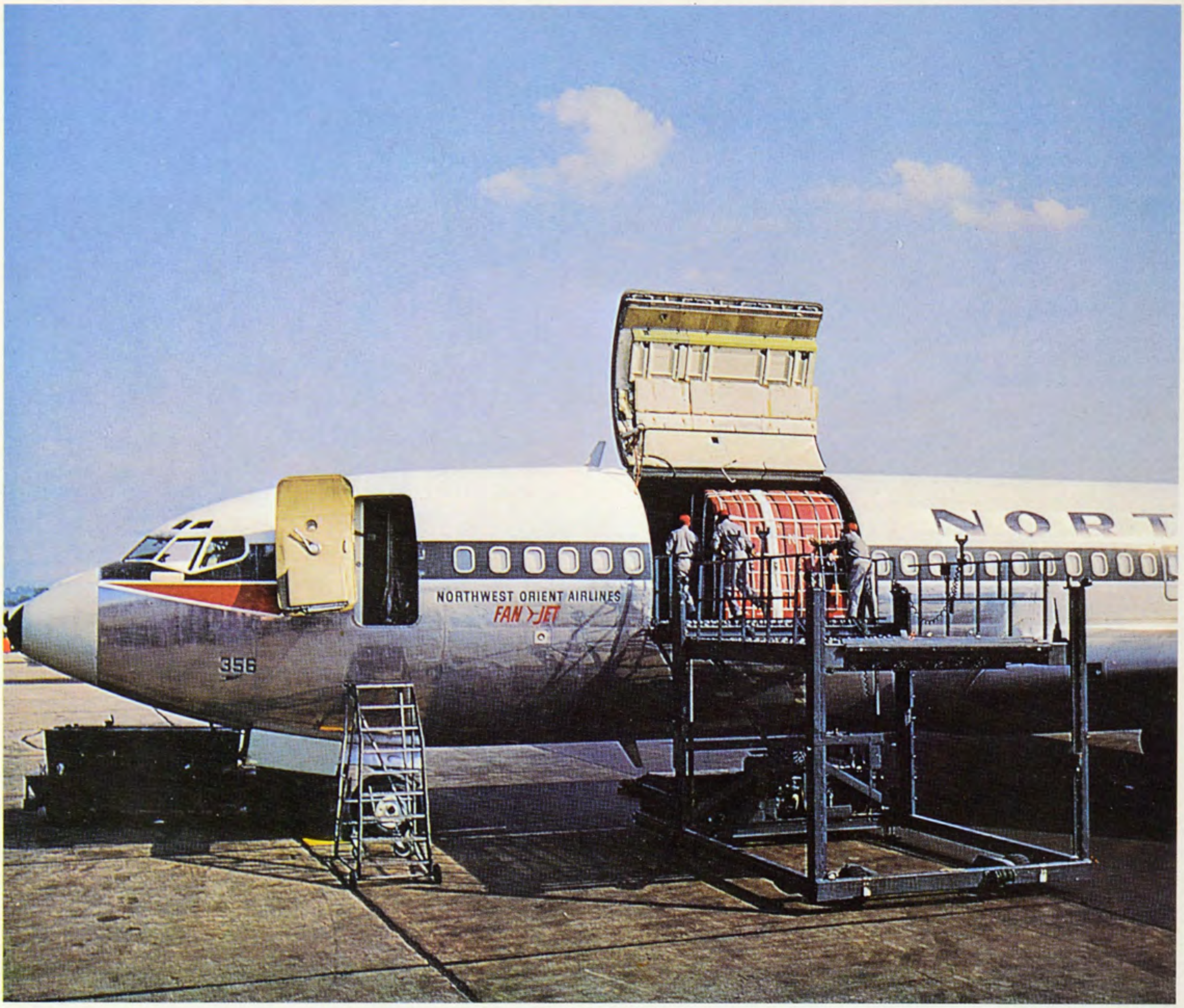
Passenger and cargo flights were increased throughout the system, including nonstop Billings-Chicago and nonstop Jamestown-Twin Cities. Increased service also was provided New York, Milwaukee, Detroit, Seattle, Spokane, Portland, Chicago, Miami and the Twin Cities. Total Transpacific frequencies were increased from 25 to 29 weekly round trips, and all-cargo service to the Orient was initiated between New York and Tokyo, Seoul, Okinawa and Osaka, with intermediate U.S. stops at Chicago, Seattle and Anchorage. Substantial increases also were made in all-cargo services throughout the domestic system.

Route cases in which your Company has requested expanded or new authority include the Transpacific Route Case, Twin Cities-California, Gulf States-Midwest Points, Service to Omaha, Twin Cities-Denver, Pacific Northwest-California and other important route cases. Civil Aeronautics Board approval has been requested for one-plane service to be provided by Northwest and Pan American between the Twin Cities and Europe.

Service to Chicago's Midway Airport will begin in April of 1968, and new hangar facilities at Cleveland are under construction.

MILITARY

Northwest is continuing its policy of providing service for our country's military efforts. Revenue passenger-miles for the military in 1967 increased 36% over the preceding year with a total of 1,675,391,000 miles flown. Your Company flew 11,989,000 revenue plane-miles in 1967, approximately 26% increase over last year.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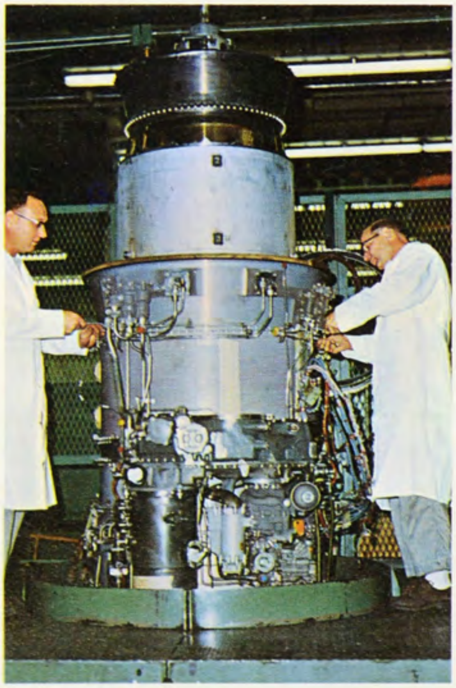
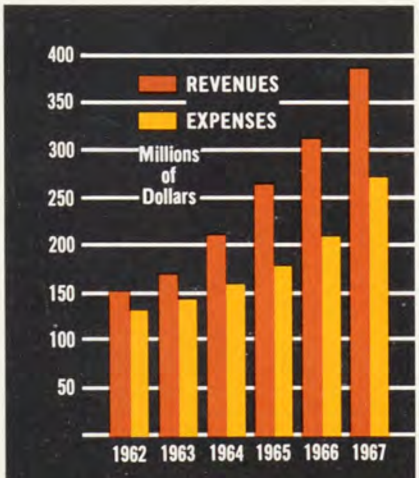
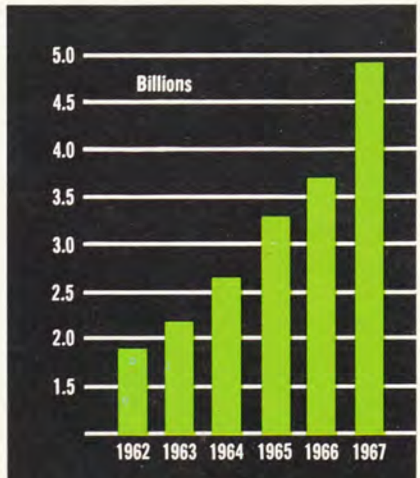


FINANCIAL RESULTS AND TRAFFIC GROWTH



OPERATING REVENUES & EXPENSES

EARNINGS & INCOME TAXES PER SHARE



REVENUE PASSENGER MILES

REVENUES AND EXPENSES

Operating revenues reached a new high of $383,979,067, an increase of 23.3 per cent over the previous high of $311,318,511 in 1966, a strike year.

System passenger revenues increased 27.6 per cent to $275,873,101. This increase was achieved despite a 3.6 per cent decline in the average revenue per passenger-mile in 1967. The decline was the result of the Company's reduction in Transpacific economy fares and expansion of the Orient off-season fare period. The domestic fare yields were lower and showed the effect of liberalization and increased popularity of the Discover America fares, increased use of military and youth standby fares, and a greater share of traffic in coach service. Coach service accounted for 84.4 per cent of the total passenger-miles, up from 82.9 per cent in 1966.

Revenue from freight, mail, express and excess baggage totaled $65,016,385 in 1967, up 24.9 per cent from 1966.

Increased revenues were received from Northwest's extensive commercial and military charter operations with a total of $41,798,533—an increase of 6.6 per cent over 1966. The Military Airlift Command contract extends to June 30, 1968, and we will seek a renewal contract for fiscal 1969.

Operating expenses increased to $271,221,442 in 1967, up 28.7 per cent from a total of $210,664,032 in 1966. Expenses include depreciation and amortization of $33,194,660 in 1966 and in 1967 $41,252,146. Unit operating expenses continued to decline from 15.6¢ per available ton-mile in 1966 to 14.5¢ in 1967. This favorable result was achieved through expanded fan-jet services of greater capacity, increased utilization of our flight equipment and continued attention to the control of expenses in all categories.

NET EARNINGS

Record net earnings were achieved in 1967 amounting to $58,715,983 or $6.42 per share of common stock compared with $53,135,922 or $5.81 per share in 1966. Operating income was a record $112,757,625 in 1967, up 12.0 per cent from $100,654,479 in 1966. Pretax non-operating items included $3,724,766 interest expense and $431,214 gain on disposals of property. The latter figure compares with $1,358,702 in 1966.

All 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. Such credits included in net earnings amounted to $3,117,000 in 1967, up from $2,292,000 in 1966. There remains an unamortized investment credit of $19,894,700 to be reflected in income in future years.

Cash flow from 1967 operations included generation of $116,271,129 from net earnings, depreciation and amortization, deferred income taxes and investment credit. Additional funds of $1,509,862 were derived from the disposals of operating property.

Major application of funds included fleet additions and advance deposits for aircraft on order, totaling $92,242,686, reduction of long-term debt of $11,000,000 and repayment of 1951 mail pay settlement of $1,051,500 net after taxes. In addition, cash dividends of $6,404,737 were paid in 1967, at an annual rate of 70¢ per share. With the March 1968 quarterly dividend, increased to 20¢, your Company will have completed 13 years of consecutive quarterly cash dividends.

RECORD GROWTH

During 1967, Northwest Airlines increased revenue plane-miles in scheduled services by 37.8 per cent and available ton-miles increased by 41.8 per cent.

In 1967 Northwest Airlines approached the 5 billion revenue passenger-mile mark, recording a total of 4,901,520,246 revenue passenger-miles in scheduled services—an increase of 32.5 per cent over 1966. Our domestic passenger-miles increased 32.8 per cent. System passengers carried increased from 5.0 million in 1966 to almost 6.5 million in 1967.

In 1967 system freight and express ton-miles increased 29.6 per cent and system mail ton-miles increased 40.7 per cent over 1966.


FLY NORTHWEST
TO FLORIDA

NORTHWEST AIRLINES, INC.
FINANCIAL REPORT
1967

FINANCIAL CONDITION

Northwest Airlines' financial condition continues to rank among the strongest in the airline industry. Stockholders' equity at year end amounted to $263,986,444, up from $212,726,698 at December 31, 1966. Book value per common share increased to $28.85 at the close of 1967 compared to $23.25 per share last year.

Outstanding debt at the close of the year amounted to $88,000,000.

During 1967 bank credit arrangements were revised to provide maximum revolving credit of $135,000,000. Under the revised original agreement, the Company has outstanding $40,000,000 which is the maximum amount of the revolving credit and which credit reduces $5,000,000 quarterly beginning January 1, 1970 and terminates October 1, 1971. A new agreement provides for an additional maximum revolving credit of $95,000,000 of which the Company has borrowed $14,000,000. This new agreement reduces $6,000,000 quarterly effective April 1, 1970 and terminates with a final $5,000,000 reduction on January 1, 1974.

The Note Purchase Agreements with insurance companies reflect $34,000,000 in outstanding debt. This loan is payable $3,000,000 annually with a final payment of $4,000,000 on October 1, 1978.

The Company has on order 10 Boeing 747 and 10 Boeing 707-320 aircraft which are intercontinental range fan-jets, and two Boeing 727-100 and 16 Boeing 727-200 short-to-medium range fan-jets. Financing for these orders is available from existing credit arrangements and from internal cash generation.

Northwest Airlines' strong financial position is further evidenced by a most favorable debt ratio amounting to 33.3 per cent of stockholders' equity at year end.

10 YEAR SUMMARY

NORTHWEST AIRLINES, INC. AND SUBSIDIARY

(Dollars in thousands except per share figures)

	1967	1966†	1965	1964	1963	1962	1961†	1960	1959	1958
Operating Revenues										
Passenger	$ 275,873	$ 216,239	$ 198,457	$ 163,807	$ 135,222	$ 121,781	$ 85,971	$ 97,680	$ 100,641	$ 81,116
Cargo	38,118	29,515	24,779	18,402	13,745	11,828	8,443	11,368	11,881	8,667
Mail	26,898	22,557	17,421	15,313	14,233	14,228	11,701	10,711	11,219	10,228
Charter and Other Transportation	41,799	39,205	21,851	12,965	6,442	2,646	1,482	823	526	1,237
Nontransport	1,291	3,803	490	1,123	(854)	(30)	3,456	2,780	1,763	709
Total Operating Revenues	$ 383,979	$ 311,319	$ 262,998	$ 211,610	$ 168,788	$ 150,453	$ 111,053	$ 123,362	$ 126,030	$ 101,957
Operating Expenses										
Depreciation and Amortization	$ 41,252	$ 33,195	$ 24,011	$ 22,852	$ 19,159	$ 18,445	$ 17,118	$ 14,413	$ 11,310	$ 8,638
Other	229,969	177,469	153,140	135,627	123,713	112,802	84,213	104,455	103,811	81,281
Total Operating Expenses	$ 271,221	$ 210,664	$ 177,151	$ 158,479	$ 142,872	$ 131,247	$ 101,331	$ 118,868	$ 115,121	$ 89,919
Operating Income	$ 112,758	$ 100,655	$ 85,847	$ 53,131	$ 25,916	$ 19,206	$ 9,722	$ 4,494	$ 10,909	$ 12,038
Other Income and (Deductions)—Net	(2,391)	(1,243)	224	(1,125)	(4,166)	(4,578)	(2,828)	(1,882)	335	(559)
Earnings Before Taxes	$ 110,367	$ 99,412	$ 86,071	$ 52,006	$ 21,750	$ 14,628	$ 6,894	$ 2,612	$ 11,244	$ 11,479
Income Taxes	51,651	46,276	40,377	25,220	11,297	7,398	3,233	986	5,530	5,865
Net Earnings	$ 58,716	$ 53,136	$ 45,694	$ 26,786	$ 10,453	$ 7,230	$ 3,661	$ 1,626	$ 5,714	$ 5,614
Earnings per Share*	$ 6.42	$ 5.81	$ 4.99*	$ 2.93*	$ 1.43*	$ .99*	$ .50*	$ .22*	$ .79*	$ 1.02*
Stockholders' Equity	263,986	212,727	165,081	122,960	68,436	59,712	54,177	52,193	52,267	48,224
Book Value per Share*	28.85	23.25	18.04*	13.46*	9.38*	8.20*	7.44*	7.17*	7.18*	6.69*
Cash Dividends	6,405	5,490	3,657	2,602	1,823	1,702	1,701	1,700	1,714	1,110
Assets and Long-Term Debt										
Flight Property at Cost	$ 467,859	$ 401,476	$ 304,072	$ 219,523	$ 176,655	$ 169,413	$ 170,772	$ 121,441	$ 104,389	$ 90,608
Flight Property at Net Book Value	346,029	311,803	233,858	160,925	127,074	122,980	133,485	86,957	76,647	56,461
Total Assets	481,206	422,040	333,311	237,226	196,765	186,887	189,103	148,698	130,097	105,061
Long-Term Debt	85,000	96,000	72,000	45,000	64,996	74,968	90,286	68,500	50,000	34,250
Unit Expenses										
Per Available Ton-Mile	14.5¢	15.6¢	16.4¢	18.5¢	21.7¢	23.9¢	27.6¢	27.8¢	26.5¢	26.1¢
Per Revenue Ton-Mile	30.3¢	30.1¢	33.0¢	39.7¢	46.8¢	50.2¢	54.2¢	54.2¢	51.0¢	49.0¢
Per Cent of Operating Revenues	70.6%	67.7%	67.4%	74.9%	84.6%	87.2%	91.2%	96.4%	91.3%	88.2%
Statistics—Scheduled Services										
Revenue Plane Miles (000)	93,395	67,780	61,653	52,157	45,356	41,821	31,143	46,671	47,568	39,113
Available Seat Miles (000)	9,198,150	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
Revenue Passenger Miles (000)	4,901,520	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
Passenger Load Factor	53.3%	54.6%	53.8%	52.0%	50.6%	51.5%	52.1%	53.8%	55.2%	54.7%
Revenue Passengers Carried	6,489,295	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
Freight and Express Ton-Miles (000)	141,175	108,914	82,715	55,100	39,417	35,179	23,035	32,480	31,377	22,285
Total Revenue Ton-Miles (000)	709,165	533,556	452,553	351,886	284,732	254,033	182,704	217,722	225,110	181,678
Statistics—Total Operations										
Revenue Plane Miles (000)	106,197	77,715	67,125	55,477	47,207	42,718	31,658	46,963	47,732	39,670
Available Ton-Miles (000)	1,864,128	1,348,983	1,079,832	856,612	657,761	548,159	367,301	428,782	435,977	348,235

†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	
Current Assets	**1967**	**1966**
Cash	$ 20,688,578	$ 18,909,883
Accounts receivable	36,584,754	33,775,339
Flight equipment parts, at average cost, less allowance for depreciation (1967—$3,629,343; 1966—$2,958,212)	11,204,320	7,922,256
Maintenance and operating supplies at average cost	3,123,356	2,639,637
Prepaid expenses	2,778,914	2,387,181
Total Current Assets	$ 74,379,922	$ 65,634,296
Property and Equipment		
Flight equipment at cost	$467,859,160	$401,476,043
Less allowances for depreciation	121,830,443	89,673,047
	$346,028,717	$311,802,996
Advance payments on new flight equipment—Note C	36,771,136	23,726,852
	$382,799,853	$335,529,848
Other property and equipment at cost	$ 35,874,898	$ 29,477,098
Less allowances for depreciation	16,559,197	14,613,625
	$ 19,315,701	$ 14,863,473
	$402,115,554	$350,393,321
Deferred Charges and Other Assets		
Rentals	$ 1,917,854	$ 1,403,442
Unamortized training and other costs in connection with aircraft fleets	564,882	1,641,734
Other	2,228,214	2,967,705
	$ 4,710,950	$ 6,012,881
	$481,206,426	$422,040,498

LIABILITIES AND STOCKHOLDERS' EQUITY

	December 31 1967	December 31 1966
Current Liabilities		
Accounts payable	$ 31,188,772	$ 24,821,375
Employee compensation	7,307,207	7,625,084
Air travel card deposits	1,153,450	1,173,000
Unredeemed ticket liability	4,388,028	3,627,578
Income taxes	7,079,525	10,666,850
Current maturities of long-term debt	3,000,000	3,000,000
Total Current Liabilities	$ 54,116,982	$ 50,913,887
Long-Term Debt—Note A	85,000,000	96,000,000
Deferred Credits—Note D		
Income taxes—arising principally from accelerated depreciation methods	$ 57,808,300	$ 43,743,900
Investment credit	19,894,700	17,656,100
Other	400,000	999,913
	$ 78,103,000	$ 62,399,913
Stockholders' Equity—Note B		
Common Stock—$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	39,381,745
Retained earnings	201,730,634	150,470,888
	$263,986,444	$212,726,698
Commitments—Note C		
	$481,206,426	$422,040,498

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

NORTHWEST AIRLINES, INC. AND SUBSIDIARY

Note A—Long-Term Debt

Under Note Purchase Agreements with twelve insurance companies the Company has borrowed $34,000,000 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 Third Amendatory Agreement with fifteen banks the Company has outstanding $40,000,000 which is the maximum amount of the revolving credit provided in the Agreement and which credit reduces $5,000,000 quarterly beginning January 1, 1970 and terminates October 1, 1971. Interest on funds borrowed is at 4¾%.

Under a Credit Agreement with eighteen banks the Company has borrowed $14,000,000. This Agreement provides for a revolving credit of $95,000,000 reducing to $71,000,000 by January 1, 1971, to $47,000,000 by January 1, 1972, to $23,000,000 by January 1, 1973 and terminating January 1, 1974. Interest on funds borrowed is at the prime commercial loan rate (not to exceed 6¼%) to December 31, 1969 and at the prime commercial loan rate plus ¼% thereafter (not to exceed 6½%).

At December 31, 1967 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, 1967, 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.

After applying the most restrictive provisions of the long-term debt agreements, $70,483,009 of retained earnings was available for cash dividends on Common Stock at December 31, 1967.

Note C—Commitments

The Company has contracted to purchase from The Boeing Company ten 747, ten 320, sixteen 727-200 and two 727-100 turbo-jet aircraft for delivery in 1968 through 1970, which with spare engines will require expenditures of $375,727,000. Of this amount, $35,971,000 had been deposited with manufacturers at December 31, 1967 and approximately $140,493,000, $99,868,000 and $99,395,000 become payable in 1968, 1969 and 1970, respectively.

Annual rental payments of approximately $4,225,000 are required under various lease agreements for periods up to thirty-one years covering airport facilities, ticket offices, etc.

Note D—Taxes on Earnings

The provision for taxes on earnings consists of the following:

	Year Ended December 31 1967	1966
Current provision	$35,348,000	$29,568,200
Deferred taxes	14,064,400	11,123,300
Deferred investment credit	5,355,600	7,876,000
	$54,768,000	$48,567,500
Less amortization of deferred investment credit over eight years	3,117,000	2,292,000
	$51,651,000	$46,275,500

Note E—Pension Plans

The Company has several pension plans covering substantially all of their employees. The plans' assets are sufficient to cover the vested benefits for all plans at December 31, 1967 and all past service costs have been funded. Total Company contribution to the plans for 1967 was $4,339,872.

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, 1967 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 previously made a similar examination of the financial statements for the preceding year.

In our opinion, the accompanying statements of financial position, earnings, retained earnings and source and application of funds present fairly the consolidated financial position of Northwest Airlines, Inc. and subsidiary at December 31, 1967 and 1966 and the consolidated results of their operations and source and application of funds for years ended those dates, in conformity with generally accepted accounting principles consistently applied.

Saint Paul, Minnesota
February 14, 1968

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
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

DONALD W. NYROP
President, Northwest Airlines, Inc.
St. Paul, Minnesota

ALONZO PETTEYS
President, Farmers Realty Company
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

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, 1968*

OFFICERS*

DONALD W. NYROP
President

JAMES A. ABBOTT
Vice President-Orient Region

CLAYTON R. BRANDT
Vice President-Purchasing and Stores

ROBERT W. CAMPBELL
Vice President-Budgets

ROBERT A. EBERT
Vice President-Personnel

A. E. FLOAN
Secretary

BENJAMIN G. GRIGGS, JR.
Vice President-Flight Operations

DONALD H. HARDESTY
Vice President-Finance and Treasurer

WM. E. HUSKINS, JR.
Vice President-Communications and Data Services

FRANK C. JUDD
Vice President-Maintenance and Engineering

RICHARD KITCHEN
Vice President-Public Relations

M. JOSEPH LAPENSKY
Vice President-Economic Planning

RONALD McVICKAR
Assistant Vice President

BRYAN G. MOON
Assistant Vice President-Advertising

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

CUSTOMER SERVICES AND OPERATIONS

PERSONNEL

In order to improve customer services in Northwest's communities, and to maintain the high standard of leadership in every phase of operations, your Company selected, trained and placed 1,382 new employees in all classifications. The total year-end personnel complement exceeded 10,200.

Northwest, a member of the Plans for Progress, continued to provide equal employment opportunity for all qualified applicants regardless of race, color, creed or national origin.

Your Company hired and trained 271 new pilots and provided transition flight training to upgrade and qualify 665 currently employed pilots to new positions on our expanding fleet of jet aircraft.

Our annual awards banquet honored 309 employees who completed 25 years of service with Northwest, which is indicative of the invaluable experience possessed by personnel of your Company, and a substantial factor in Northwest's ability to maintain leadership in the airline industry.

Collective bargaining agreements were negotiated and signed with labor organizations representing 2,900 clerical, office and agent personnel and 1,400 cabin attendants. Foreign national stewardesses were assigned to flight operations between the United States and the Orient to provide bilingual service to passengers.

Your Company successfully negotiated all pending labor agreements prior to the end of the year, and there were no man-hours lost due to strikes. During the first quarter of 1968, negotiations will commence with unions representing flight deck crews.

OPERATIONS

In order to provide the most efficient training equipment available, a Boeing 707/727 dual cockpit digital computer flight simulator was installed in the general office training center, providing our pilots with the most modern equipment available for initial transition training as well as required annual proficiency checks. Purchased at a cost of $2,560,000, the flight simulator will substantially reduce our flight training costs, provide more comprehensive training for our pilots and reduce the number of required training flights.

Continuing efforts to improve community services resulted in increased reliability due to our fog dispersal program in Spokane, Portland, Seattle, Anchorage and Missoula during conditions of low visibility by "supercooled" fog. Additional research is being sponsored to expand this program to disperse warm fog and control other meteorological conditions affecting visibility.

Your Company purchased a new multi-million dollar computer system. This electronic information network will provide entirely new and instantaneous reservations procedures for the Company. It will also improve both the quality and quantity of information to our customers, improve cargo service and accounting functions and maintain inventory records for millions of dollars worth of spare parts. With the unprecedented growth in air travel predicted for the next few years, including the introduction of the 747 and SST, Northwest will be in a position to provide for the increased capacity through faster data processing.

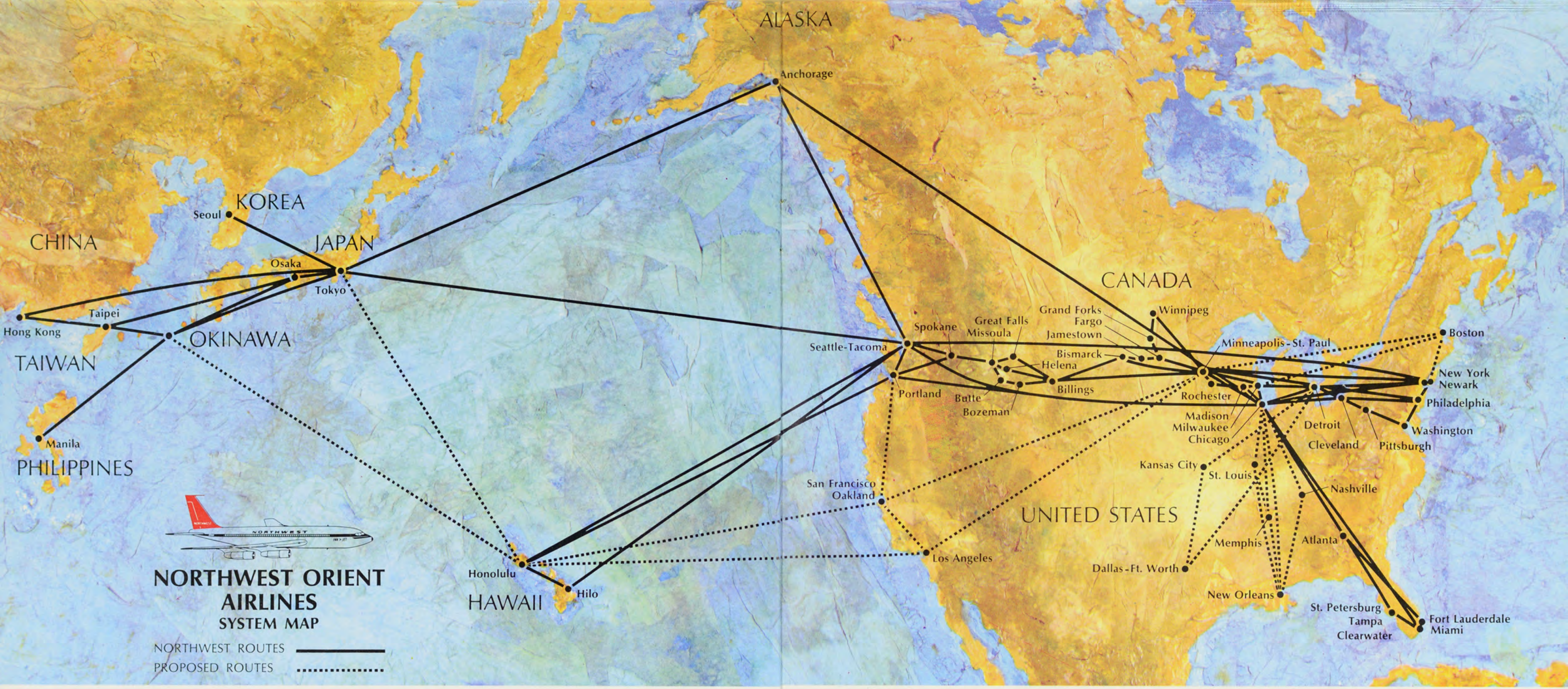
MARKETING

During the year just ended, new emphasis on sales promotion, air freight, convention solicitation and group tour sales resulted in a number of ambitious improvement programs. Schedules were established for convention solicitation in sales districts, thereby developing increased convention travel to the Orient, Hawaii and key domestic cities. Orient promotions were held in San Francisco, Los Angeles, Seattle, Detroit, Cleveland, Atlanta, New York, Washington and other cities. Hawaii promotions and Florida seminars were held in several major cities throughout the U.S. Group tour passenger sales to Hawaii and the Orient increased 73 per cent over 1966, and major sales promotions featuring Hawaii, the Orient and Florida were presented to 6,000 travel agents during 1967.

Jet all-cargo schedules, increased capacity and improved ground services have permitted Northwest to keep pace with industry cargo growth this year. Rate reductions and convenient schedules for air freight between the Orient and the U.S. will encourage additional traffic during 1968. Available cargo pallet-miles per day increased from 126,000 at the beginning of the year to 298,000 at year-end 1967, an increase of 137 per cent.

Freight and express ton-miles flown in scheduled services during 1967 indicated a 29.6 per cent growth, from 108,914,000 in 1966 to 141,175,000 in 1967. Mail ton-miles were up 40.7 per cent, from 66,958,000 in 1966 to 94,200,000 in the year just ended.

Your Company has ordered 16 Boeing 727-200 aircraft, with delivery of the first jet in November of 1968. The 727-200 retains all the proven features of the 727-100 and can be operated at a 20 percent lower seat-mile cost over routes of up to 1,500 miles. In addition, the 727-200 will carry 29 more passengers; has increased lower deck compartment space for additional luggage and mail; an improved braking system; and improved Pratt and Whitney power plants.



NORTHWEST ORIENT AIRLINES' ROUTES SERVE:

Anchorage
Atlanta
Billings
Bismarck
Bozeman
Butte
Chicago
Clearwater
Cleveland
Detroit
Fargo
Ft. Lauderdale
Grand Forks
Great Falls
Helena
Hilo
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