Northwest Airlines Corporation

1995 ANNUAL REPORT

About the Company

Northwest Airlines is the world's fourth largest airline with domestic hubs in Detroit, Minneapolis/St. Paul and Memphis, and Asian hubs in Tokyo and Osaka.

Northwest Airlines, together with major airline alliances and Northwest Airlink partners, serves more than 390 cities in 80 countries on six continents. The airline has more destinations in Asia than any other U.S. airline, including the most nonstop flights between the U.S. and Japan. With KLM Royal Dutch Airlines, Northwest Airlines serves more than 80 cities in Europe, Africa and the Middle East from 11 U.S. gateways through a European hub in Amsterdam. With Alaska Airlines and its Airlink partners, Northwest Airlines serves more than 240 U.S. cities.

Northwest Airlines is one of the world's largest international air freight carriers with a dedicated fleet of eight main-deck freighter aircraft.

The Vision of Northwest Airlines

To build together the world's most preferred airline with the best people; each committed to exceeding our customers' expectations every day.

The Mission of Northwest Airlines

The people of Northwest Airlines will provide reliable, convenient and consistent air transportation that meets or exceeds customer expectations and earns a sustainable profit.

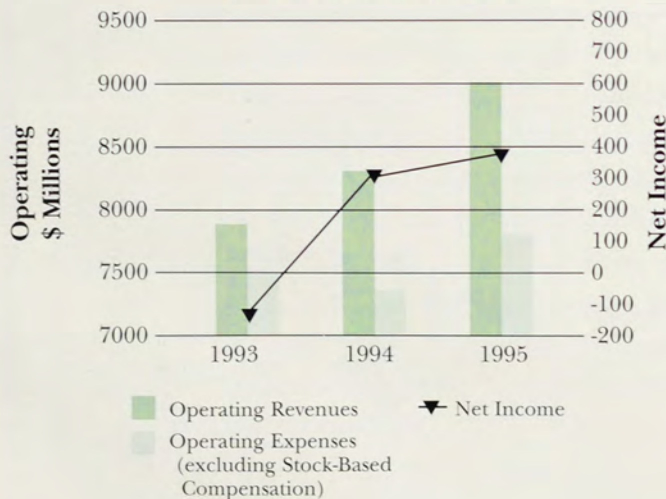
Reliable means safe, clean, on-time air transportation created by the best people providing friendly, professional, consistent and caring service. A cornerstone of Northwest's reliability is prompt and appropriate service recovery when, despite our best efforts, something goes wrong.

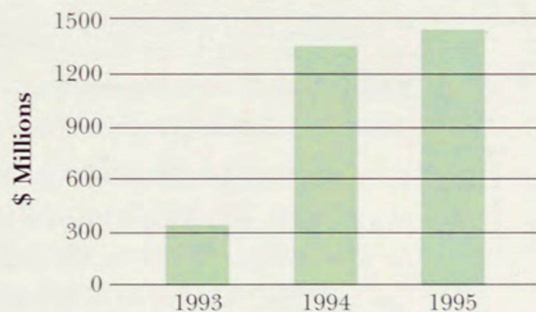
Convenient means making it as easy as possible for customers in the markets we serve to do business with us, with the best schedules and the simplest access to our network.

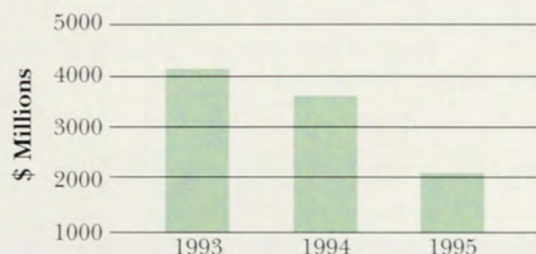
Consistent means delivering reliable and convenient service every time the customer flies or ships on our airline.

Condensed Financial Highlights

(Dollar amounts in millions, except per share data)	1995	1994	Percent Change
	Year Ended December 31		
Financial			
Operating Revenues	$ 9,084.9	$ 8,324.9	9.1
Operating Expenses (Excluding Stock-Based Compensation)	7,704.7	7,387.3	4.3
Stock-Based Compensation	478.0	107.2	345.9
Operating Expenses	$ 8,182.7	$ 7,494.5	9.2
Operating Income	$ 902.2	$ 830.4	8.6
Amounts Before Extraordinary Item:			
Income	$ 342.1	$ 295.5	15.8
Earnings Per Common Share:			
Primary	$ 3.02	$ 2.92	
Fully Diluted	$ 2.85	$ 2.87	
Number of Common Shares Outstanding	91.3	84.3	
Operating Statistics			
Scheduled Service:			
Available Seat Miles (ASM) (millions)	87,472.0	85,015.6	2.9
Revenue Passenger Miles (RPM) (millions)	62,515.2	57,873.2	8.0
Passenger Load Factor	71.5%	68.1%	3.4 pts.
Revenue Passengers (millions)	49.3	45.5	8.4
Revenue Yield Per Passenger Mile	12.42¢	12.11¢	2.6
Cargo Ton Miles (millions)	2,246.3	2,322.3	(3.3)
Operating Revenue Per Total ASM (RASM)	9.58¢	8.93¢	7.3
Operating Expense Per Total ASM (CASM)	8.66¢	8.08¢	7.2
Operating Expense Excluding Stock-Based Compensation Per Total ASM	8.11¢	7.95¢	2.0







Alfred A. Checchi
Co-Chairman

Gary L. Wilson
Co-Chairman

In 1994, after five years of private ownership, Northwest Airlines Corporation was reintroduced to the public equity market. Our remarks in the 1994 Annual Report described the wide ranging efforts of our 45,000 employees to develop the company's strategic assets and create the New Northwest.

Last year's discussion focused on past achievements. This year we focus on the future — specifically the philosophy underlying the decisions by which your company's resources will be directed.

A large corporation, particularly one providing a vital public service like air transportation, has many constituencies with differing interests:

- Customers seek safe, clean, reliable, convenient, consistent and competitively priced air service.
- Employees seek job security, fair wages and a good work environment.
- Investors seek market-level financial returns.
- Municipalities seek reliable access to the world air transportation network.
- Government seeks tax and fee based revenues and compliance with federal, state, and local laws and regulations.

To meet all these interests requires that we pursue strategies that strengthen Northwest financially and operationally and reduce its risk profile in the changing air transportation industry. We seek to maximize the margin by which Northwest can meet the claims of all of its various constituents through the application of strategic, operational and financial management.

Our employees focus their efforts on the following:

- **Efficiency** – the margin created between revenues and the costs of the human, material and financial resources necessary to produce the products we provide.
- **Stability** – the certainty of achieving future cash flows.
- **Growth** – the rate at which we may increase these cash flows.

In directing Northwest for efficiency, we seek to make assets and capital more productive and thereby maximize the spread between unit cost and unit revenue.

To achieve stability we pursue operating and financial strategies that reduce our risk profile making us more competitive and prepared for changes in the external environment.

And we pursue strategies to maximize the long-term growth of the company's income stream always mindful that these strategies must produce adequate returns on invested capital with below industry average risk.

Over the long term these strategies will best meet the objectives of our constituents. Shareholder value will be created as a result of our ability to meet the claims of Northwest's employees, customers, the municipalities which we serve, and federal, state and local governments.

Over the past six years the company paid $14.2 billion in employee salaries and benefits. Since the ownership change in July 1989, Northwest has increased employment by more than 19 percent and made large strides in improving the work environment. The people of Northwest for their part produced measurably better service for the company's customers who have become far more discriminating and demanding in the quality of services which they require. Northwest met the high quality transportation requirements of 265 million passengers while increasing its revenue per available seat mile above the industry average.

Meeting the needs of municipalities, the company provided transportation links among 152 cities, a six percent increase over 1994 and was able to structure innovative cooperative financial arrangements in its Detroit, Minneapolis/St. Paul and Memphis hubs.

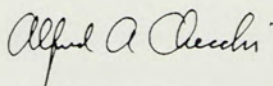
During the past six years Northwest generated more than $4 billion of federal, state and local taxes and nearly $500 million of user fees, conducting itself at all times consistent with the responsibilities of a good corporate citizen.

Decisions at Northwest are measured against their ability to contribute to the margin of meeting all of these diverse and demanding responsibilities.

We wish to thank you, our shareholders, for your support of our collective efforts over the past year. We believe that Northwest is well positioned to continue its growth trajectory and add substantial future value for all its constituents. We are particularly excited by the prospective benefits from our planned 1996 and 1997 focus on our Pacific markets, and by the cooperative efforts to improve productivity initiated by several of our employee groups.

As you read through this 1995 Annual Report we hope that you will agree that the employees of Northwest are doing an extraordinary job building this company. They are strengthening the three pillars of efficiency, stability and growth; the foundation upon which long-term value is built. They continue to improve product quality while maintaining capital investment discipline. They are cooperating to develop more efficient ways to reduce the costs of doing business while continuing to build upon the unique strategic assets of Northwest Airlines. And they are targeting low risk, low-capital intensive growth opportunities which strengthen the Northwest Airlines franchise and contribute to increasing the growth and stability of the company's earnings stream.

Over the past year, the employees of Northwest added to their cumulative efforts of prior years to make Northwest a better place for all the people and all the constituencies who depend upon the continued health and growth of this enterprise. We thank the 45,000 employees of Northwest Airlines and salute their professionalism.



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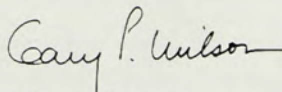
Co-Chairman



Gary L. Wilson
Co-Chairman

John H. Dasburg
President and Chief Executive Officer

To Our Shareholders:

Northwest Airlines experienced another successful year in 1995 as a result of our strategies, the commitment and hard work of the people of Northwest Airlines, and the strong demand for our product. Let's examine each of these three critical elements underlying our success.

STRATEGIES

Product Strategy – Our customers tell us they want air transportation that is consistently convenient and reliable. They define convenience as frequent air service between easily accessible airports. To fill this need we *manufacture connections* through our hubs where we have the competitive advantage of convenient transfers and frequent service. Thus we have concentrated our domestic flying through three large and efficient connecting hubs in Detroit, Minneapolis/St. Paul and Memphis.

No other U.S. airline concentrates such a high percentage of flying through its hubs. In 1995, more than 98 percent of all Northwest flights connected at our domestic hubs compared with 89 percent in 1991.

We serve the high-growth Pacific market through our major hub in Tokyo. Additionally, via our transatlantic alliance with KLM, we make connections with Europe, Africa, and the Middle East through our Amsterdam hub.

Increased service to hubs is key to our product strategy. For example, in 1995 we inaugurated service connecting our Detroit and Minneapolis/St. Paul hubs with five new Canadian destinations. We now offer service to more Canadian cities than any other U.S. carrier.

Operating Strategy – Just as convenience is achieved through a focused hub-and-spoke system, reliability is achieved by people. Our customers tell us they want safe, clean air transportation that arrives on time, with luggage. They want professional, friendly and caring service, and prompt and appropriate service recovery when, despite our best efforts, something goes wrong. And increasingly they are telling us they are delighted when we exceed their expectations.

People Strategy – While it is natural to identify commercial aviation with aircraft, our product is convenience and *service.* Therefore, our most important strategy is to focus on the people of Northwest Airlines. We are investing in hiring the best people, providing appropriate training, and creating an environment that promotes high self-esteem and focuses on customer service.

The people of Northwest have achieved extraordinary customer service results. They have made their company — for an unprecedented six straight years — the on-time leader among the seven largest U.S. network airlines. This achievement is in part responsible for another first — the lowest number of consumer complaints for 1995 among the seven largest U.S. network airlines. On-time arrival is critical to customer satisfaction and to the efficient operation of our hub-and-spoke system.

International Strategy – Commercial aviation is becoming increasingly global. Therefore, we place great emphasis on our 48 years of experience doing business in Japan, where we link the U.S. to Asia via hubs in Tokyo and Osaka. Northwest provides more transpacific capacity between the U.S. mainland and Japan than any other carrier. We are expanding our presence in other Pacific markets with the first ever nonstop service between the U.S. and Beijing, beginning in May, 1996.

In addition to the KLM alliance, our new alliances with Alaska Airlines and Asiana Airlines also permit us to expand and attract additional passengers to our international route system. Alliances remain a key opportunity to extend the reach of our system.

Financial Strategy – For the second consecutive year, Northwest Airlines had the highest profit margins among the large U.S. network carriers.

In 1994 and 1995, Northwest Airlines generated substantial operating cash flow that reduced debt and improved our balance sheet. During 1995, we reduced long-term debt by more than 40 percent and significantly improved our debt amortization schedule. Financial strength gives us access to funds to grow and provide increased service to our customers and growth opportunities for our people.

To further improve our balance sheet we will maintain our highly disciplined investment strategy. We will make only those investments that earn superior returns. Northwest has invested in markets where we have historic presence and can provide frequent service. We also serve other markets with alliance partners that can provide our high standards of service and where no capital investment is required. Return on capital improved from 7.70 percent in 1994 to 10.85 percent in 1995, which we believe to be the highest among the seven largest U.S. network carriers.

Investors have shown confidence in Northwest's future prospects. Our stock price more than tripled, to close 1995 at $51 per share.

COMMITMENT AND HARD WORK

Our return to profitability and financial strength was hard won. The determination and discipline demonstrated by our people remain a key to controlling costs. Excluding stock-based compensation, unit cost increased only two percent in 1995.

To maintain our focus on cost savings we have initiated several productivity improvement initiatives that fall generally into three categories: investing in technology that has a time-specific and measurable payback, improving our processes by working smarter, and negotiating with our labor groups to update contractual work rules that benefit everyone.

Credit for the company's outstanding 1995 performance belongs to all the people of Northwest Airlines who rose time and time again to the challenges of the past year. I thank them all and commend them for their dedication and the results they produced.

STRONG DEMAND FOR NORTHWEST AIRLINES PRODUCT

In general, 1995 was a good year for commercial aviation. Figures for the most recent 12-month period show that industry demand in North America grew by six percent while capacity grew by four percent. Our performance outpaced the industry. Demand (revenue passenger miles) for Northwest increased eight percent while capacity grew by only three percent.

Creative marketing programs helped increase Northwest's passenger unit revenues 7.5 percent in 1995 which exceeded the average for our major competitors for each of the last eight consecutive quarters. ConnectFirst is one of our programs to encourage connections through domestic hubs. ConnectFirst offers free upgrades to First Class and extra WorldPerks Bonus Miles for each connecting flight. Our World Business Class service, offering extra comfort and amenities, has gained wide acceptance from our international customers.

We are also investing in facilities to make connecting through our hubs quicker and more comfortable. We opened new WorldClubs in Detroit and Minneapolis/St. Paul, two new passenger lounges at Tokyo's Narita International Airport, and a new terminal for our Airlink partners in Detroit. A new customs facility in the main terminal at Minneapolis/St. Paul will open in 1996 to make international connections even more convenient.

FUTURE PROSPECTS

Northwest Airlines will further develop our hub strategy, as a pure network carrier, providing convenience and reliability to our customers. Particular focus will be on further expansion in high growth Asian markets.

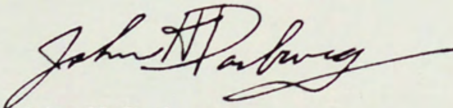
We will continue to develop alliances with other carriers as an important method for adding convenience while minimizing capital commitments and eliminating the risk of operating losses from expansion efforts outside our core hub markets.

We will look to Northwest Cargo to expand significantly its contribution to our profits by building on its strong presence in Asia. Already one of the leading airfreight operators between the U.S. and Asia and within Asia, Cargo is well positioned to grow with dynamic Asian economies.

And we will focus on technological advancements, process improvements and work rule updates to become an ever more productive company.

The performance of Northwest Airlines over the prior two years forcefully demonstrates the effectiveness of our strategies and our evolution into a high quality service provider. All 45,000 of us share a commitment to building the world's most preferred global airline. The satisfaction we enjoy from last year's achievements will inspire new accomplishments in 1996.

Thank you for your interest and support.



John H. Dasburg

President and Chief Executive Officer

Focus on Productivity

In 1995, the U.S. airline industry enjoyed a strong recovery from the billions of dollars in losses incurred between 1990 and 1993. In fact, 1995 was the most profitable year in airline industry history.

Sustainable, predictable growth in earnings and cash flow depends on continued strategic focus and operating discipline; critical to increasing the margin between Revenue per Available Seat Mile (RASM) and Cost per Available Seat Mile (CASM).

While Northwest's recent revenue growth has been outstanding and further increases are anticipated, the key to greater future profit growth is improving productivity. Increasing productivity is the principal means by which the company can continue to improve service to customers while steadily decreasing the real cost — and thus the price — of that service. Productivity improvement is essential to enable Northwest Airlines to achieve desired profitability levels and deliver returns to investors that are superior to other air transportation companies and competitive with other capital-intensive service industries.

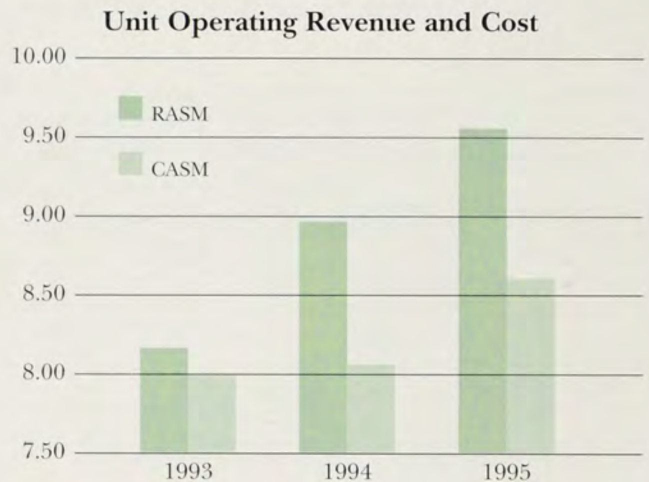
Productivity Improvement at Northwest Airlines

Northwest has led the U.S. airline industry in restructuring its route system to concentrate resources on markets where it has distinct competitive advantages that produce superior returns. The route restructurings undertaken over the prior three years have largely redeployed existing resources to more profitable routes, resulting in significantly increased unit revenue, and improved asset productivity. In addition, Northwest has aggressively managed expenses to realize one of the lowest unit operating cost among the large U.S. carriers. The 1993, 1994 and 1995 route restructurings, implementation of creative and effective marketing strategies and rigorous cost control have combined to produce unit revenue and margin increases.

New Productivity Improvement Initiatives

The next wave of productivity improvements will emanate principally from three sources:

- Investments in technology that improve efficiency.
- Improvements in work processes that reduce unproductive time.
- Modifications to contractual work rules through an ongoing labor-management dialogue to adapt to changing conditions.



Productivity-Enhancing Technology

ResNet, a new reservations system now being developed in Northwest reservation centers, is a technology investment that increases reservation sales agent productivity as well as customer service. ResNet dramatically simplifies the process of getting flight and fare information for customers, by significantly reducing the number of keystrokes required to execute complex commands. Because the system requires fewer, easier-to-remember commands, it saves agents (and customers) time on the phone and allows them to concentrate on selling — by quickly offering alternative flights, for instance.

Aircraft Situation Display (ASD) is another productivity-enhancing technology further developed at Northwest last year. ASD is a real-time tracking tool used by flight dispatch. It provides flight dispatchers with a snapshot of a flight en route, including aircraft position, weather information and critical flight operations data.

Dispatchers use the system to route planes around inclement weather and to work with air traffic controllers to minimize flight plan changes or landing holds that inconvenience passengers and burn extra fuel. To date, the airline's investment of approximately $100,000 in ASD has netted annual cost savings approaching $2.5 million.

In 1996, Northwest will introduce electronic ticketing ("ticketless travel"). Ultimately, electronic ticketing will reduce distribution costs, improve operating efficiency, speed airport check-in, reduce lost tickets and enhance revenue reporting. When fully implemented, electronic ticketing is expected to save the airline in excess of $20 million annually.

Process Improvements Increase Productivity

Northwest has also targeted work process improvements as a major source of productivity gains. For example, throughout 1995, the airline's Technical Operations group (Tech Ops), the area responsible for heavy maintenance of Northwest's aircraft, has been examining processes and workflows to identify potential time and cost saving opportunities without compromising safety. Among the proposed initiatives are some that would dramatically reduce the time required to complete engine overhauls, heavy maintenance checks and other time and labor intensive projects while maintaining safety and quality standards. To date, with the active involvement of the International Association of Machinists (IAM) and all Technical Operations employees, significant potential annual savings have been identified.

The heavy maintenance check is an exhaustive process which involves stripping the aircraft to bare metal, inspecting it for defects, performing scheduled maintenance, making necessary repairs and rebuilding the airplane. During 1995, in a joint IAM-company effort, the people at Northwest's Atlanta maintenance base completed heavy maintenance checks on three

DC-9 aircraft in 45 days — a 29 percent improvement in a process that previously required 63 days. By adopting many of the process improvements and techniques used in Atlanta, Northwest's Minneapolis/St. Paul maintenance base completed a DC-10 major maintenance check in 18 days, half the time previously required.

Changing to Meet New Challenges

Modifying work rules to reflect changing conditions and new challenges is a third source of productivity improvement at Northwest. Many work rule changes are contract issues governed by the collective bargaining process and therefore must be negotiated. Northwest and its unions have negotiated a number of changes in work rules that have resulted in revenue growth, improved productivity and new positions.

In Atlanta, for example, the successful trial period that produced three DC-9 heavy maintenance checks also resulted in a letter of agreement to implement an employee recommended operating pattern of four ten-hour days per week.

In Memphis, the IAM worked creatively with Northwest to submit a competitive bid to ground-handle the KLM MD-11 used to provide Memphis-Amsterdam service. Northwest was able to win the business, gain the revenue and put more people to work. During the year, the IAM also helped boost productivity by implementing a freeze on assignment bidding. This helped reduce movement within the work force and costly re-training that can disrupt work flow.

Similarly, since 1993, the Air Line Pilots Association and Northwest have negotiated more than 40 side agreements to their contract to improve pilot scheduling and utilization.

Advances in technology, combined with the dedication and imagination of the people of Northwest, will continue to deliver improvements in productivity. Northwest's focus on productivity reflects the shared understanding among its employee-owners that, to attract the capital the company needs to prosper and thus provide job security, Northwest must consistently deliver profitable growth and attractive returns to investors.

1995 In Review

Northwest Airlines achieved record levels of operating revenue and net income in 1995. Operating revenue totaled $9.1 billion, up 9.1 percent from 1994. Net income, including extraordinary item, totaled $392.0 million, up 32.7 percent from 1994. Reflecting a continuing focus on hub-based flying, Northwest increased revenue passenger miles 8.0 percent to 62.5 billion although capacity increased only 2.9 percent to 87.5 billion available seat miles (ASM). Throughout the year, marketing and promotion programs focused on increasing demand among price-sensitive leisure travelers without diluting higher margin business travel. As a result, revenue per ASM increased 7.3 percent to 9.58 cents from 8.93 cents in 1994 while revenue yield per passenger mile improved to 12.42 cents from 12.11 cents in 1994. These revenue increases were complemented by Northwest's continued emphasis on controlling costs. Excluding non-cash, stock-based compensation expense, operating expense per total ASM increased a modest 2.0 percent to 8.11 cents, primarily as a result of increased revenue, passenger loads and changes in currency exchange rates.

Through a variety of transactions completed in 1995, Northwest reduced long-term debt by more than 40 percent, and substantially improved its debt amortization schedule. Further information about the company's financial performance and position is included in the Financial Review beginning on page 31 of this report.

Expanded service and successful marketing and promotion programs helped increase traffic. New flying to 15 domestic and international markets is summarized in the operational reviews on the following pages. Northwest continues to emphasize alliances and code-share agreements with other domestic and overseas carriers to provide travelers seamless, convenient service to additional markets while continuing to concentrate flying through Northwest hubs and to minimize capital investment in route system expansion.

In 1995, Northwest expanded service through its partnership with KLM with the launch of the first ever nonstop transatlantic service from Memphis. Northwest also began operating daily Washington Dulles-Amsterdam service, rescheduling the flight to better accommodate travelers. Further enhancing service to Europe, Northwest has added convenient connecting service to eight German cities through a code-share agreement with Eurowings.

In North America, Northwest added Alaska Airlines as a service partner under a comprehensive marketing and code-share agreement announced in September 1995. The agreement brings together Alaska's strong route system in the Pacific Northwest, Alaska and the West Coast of the U. S. with Northwest's extensive Pacific system, comprehensive U.S. route system and service to Europe and beyond via Northwest's alliance with KLM.

Northwest significantly enhanced connections to Japan with increased service between Tokyo, Osaka and the U.S. A 1994 marketing and code-share agreement with Asiana Airlines enabled Northwest to maintain a significant portion of its Korean transpacific presence despite a 1991 decision to downsize operations in Seoul and redeploy the resources to Japan.

During 1995, Northwest received two of the 15 scheduled 757 aircraft from Boeing. Financing commitments are already in place for all of these aircraft. Northwest also took delivery of four DC-10-30s. These used aircraft offer an economical means to add long-range, widebody capacity to the fleet at approximately one-fourth the capital cost of a comparable new aircraft.

The airline undertook a major program to totally refurbish all 106 DC-9-30 aircraft. The first 15 were completed in 1995, at a cost far less than purchasing new aircraft.

North American Operations

Record-Setting Performance

Northwest Airlines' North American operations took industry honors during 1995 in safety, on-time service and customer satisfaction.

Northwest received an exceptional report from the Federal Aviation Administration (FAA) during the most recent National Aviation Safety Inspection Program (NASIP) audit. Northwest's 1995 NASIP report was an improvement upon the airline's 1992 report, which at the time was the best in the history of this FAA program. Northwest's performance on the NASIP audit reflects outstanding company-wide commitment to Northwest's number one guiding principle — Never Compromise Safety.

For the sixth consecutive year, Northwest's North American route system was first in on-time performance among the seven largest U.S. airlines, based on statistics compiled by the U.S. Department of Transportation (DOT) for the domestic operations of the ten reporting U.S. airlines. In addition, in 1995 Northwest also reported the lowest incidence of customer complaints among the seven largest U.S. airlines, according to DOT data. In a year characterized by record loads, tough competition and several periods of very harsh weather, sustaining the industry's best domestic on-time performance and achieving first place finishes on key customer satisfaction measures were truly remarkable accomplishments. They resulted from the focus, discipline and dedication of Northwest people on the ground and in the air.

New Flying Leverages North American Hubs

In keeping with its strategy to build on the strength of its North American hub operations, Northwest significantly increased service from its domestic hubs in Detroit, Minneapolis/St. Paul and Memphis.

Northwest added seven new routes and five new Canadian destinations under the "open skies" agreement between the U.S. and Canada, making Northwest the leading U.S. carrier between the U.S. and Canada. New nonstop service was initiated between Minneapolis/St. Paul and Montreal, Vancouver, Regina, Saskatoon and Calgary. New nonstop flights connecting Detroit with Ottawa and Halifax were also added.

At year-end, Northwest offered more than 464 daily jet and Airlink departures from Detroit and more than 461 daily departures from Minneapolis/St. Paul, up from approximately 445 and 420 respectively at year-end 1994.

Additional service was initiated between Minneapolis/St. Paul and Raleigh-Durham, Colorado Springs and Fairbanks. Northwest expanded its service between Minneapolis/St. Paul and Anchorage to daily year-round.

In North America, our strategy is to strengthen and grow our hubs in Detroit, Minneapolis/St. Paul and Memphis.

The airline continued to build its position as Memphis' "hometown" airline. A new flight schedule initiated in 1994 and a series of successful marketing and local presence programs led to an increase of seven percent in Northwest's share of local bookings for the year.

During 1995, Northwest initiated a major code-share relationship with Alaska Airlines centered around both airlines' operations in Seattle. The new agreement covers some 290 flights each day serving 38 cities, making it one of the largest such agreements ever executed between two major U.S. airlines. The agreement enhances Northwest's West Coast transpacific operations, solidifying both airlines' market positions in the Pacific Northwest and in the state of Alaska. Underscoring its emphasis on Seattle as a Pacific gateway, the agreement fulfills Northwest's objective to improve its West Coast presence and strengthen its feed for Japan and Asia routes.

Marketing Initiatives Build Traffic

Northwest continued to build revenues through innovative marketing programs.

- **ConnectFirst**[SM] offers special benefits, including WorldPerks mileage bonuses and confirmed first-class upgrades, to passengers who connect through Northwest's Detroit, Minneapolis/St. Paul and Memphis hubs.
- **MilesAbove**[SM] offers WorldPerks mileage for sale to businesses for use in incentive and other promotions.

In addition, the airline offered a number of successful promotions, including the 1995 summer sale that generated more than four times the "normal" or base number of bookings during the 11-day ticketing period.

Northwest continued its strategy of offering brief, frequent and carefully targeted leisure fare sales. This allows Northwest to maintain fare levels capable of supporting frequent and convenient network service while still making air travel accessible to price-sensitive leisure customers. While making bargain fares available, the strategy avoided significant dilution of business travel revenue and resulted in a 5.62 percent increase in domestic revenue per available seat mile.

Fleet Upgrade Underway

In May 1995, Northwest began a comprehensive process to refurbish its fleet of 106 DC-9-30s. This process involves replacement of all seats, lavatories, overhead bins, sidewall panels, carpeting, windows, galleys, partitions and ceiling panels; hush-kitting of the aircraft engines and new exterior paint. The first completed aircraft entered service in August. The remaining DC-9-30s in the Northwest fleet are scheduled to complete the thorough interior makeover by December 1996. This refurbishment plan will bring Northwest's entire DC-9-30 fleet into Stage III noise compliance and offer customers more comfortable seats, larger overhead bins and wider aisles. While many of the changes to the interior of the aircraft will better accommodate people with disabilities, most of the changes enhance aesthetics and increase convenience for all passengers. Passengers surveyed on the comfort and appearance of the new interiors have responded very positively.

New Minnesota and Detroit Facilities

Northwest launched several other projects to improve customer service.

These included a $23 million physical facilities program at the Detroit hub, a new Northwest WorldClub on the airport's C Concourse and a new regional airlines terminal.

The airline's largest new WorldClub (12,500 square feet) also opened at Minneapolis/St. Paul, with more than double the space of the two clubs it replaced.

Northwest also began construction of two new facilities in the state of Minnesota: the Iron Range Reservations Center, near Chisholm; and an advanced technology aircraft heavy-maintenance base, to service the A320 fleet more efficiently at the Duluth International Airport. Both are scheduled to be completed in 1996. The Chisholm reservations center, scheduled to begin taking calls in April, is expected to employ more than 250 people by the end of 1996 and more than 600 by the year 2000. Facility design, equipment provisioning and work process flow at the new maintenance base are being designed to reduce cycle times and maximize efficiency on routine aircraft maintenance. Employment at the maintenance base is expected to reach 350 by the end of 1999.

Northwest Airlines North American Route System

Northwest Airlines service

Operated by Alaska Airlines and Horizon Air

To Juneau
To Ketchikan
To Fairbanks
To Anchorage
To Sitka
To Honolulu
To Anchorage
To Fairbanks
Vancouver
Edmonton
Saskatoon
Calgary
Regina
Seattle/Tacoma
Kalispell
Spokane
Winnipeg
Minot
Grand Forks
Great Falls
Missoula
Portland
Bismarck/Mandan
Fargo/Moorhead
Duluth/Superior
Bozeman
Billings
Boise
Minneapolis/St. Paul
Rapid City
Rochester
Sioux Falls
Sioux City
Omaha
Cedar Rapids
Des Moines
Salt Lake City
Reno
Sacramento
San Francisco
Oakland
San Jose
Steamboat Springs (Hayden)
Vail (Eagle)
Denver
Colorado Springs
Kansas City
St. Louis
Wichita
Las Vegas
Burbank
Los Angeles
Ontario
Palm Springs
Orange County
San Diego
Phoenix
Tucson
Albuquerque
Oklahoma City
Dallas/Fort Worth
Little Rock
Austin
San Antonio
Houston
Memphis
Nashville
Knoxville
Birmingham
Atlanta
Baton Rouge
New Orleans
Fort Walton Beach
Jacksonville
Orlando
Tampa/St. Petersburg
Sarasota/Bradenton
Fort Myers
West Palm Beach
Fort Lauderdale
Miami
Puerto Vallarta
Mexico City
To Ixtapa/Zihuatanejo
To Acapulco
Cancun
Cozumel
Grand Cayman
Montego Bay
San Juan
St. Maarten
Traverse City
Green Bay
Saginaw/Bay City/Midland
La Crosse
Grand Rapids
Milwaukee
Madison
Lansing
Detroit
Kalamazoo
South Bend
Chicago (O'Hare)
Chicago (Midway)
Ft. Wayne
Columbus
Cleveland
Indianapolis
Dayton
Cincinnati
Louisville
Pittsburgh
Toronto
Rochester
Syracuse
Albany
Buffalo
Ottawa
Montreal
Halifax
Boston
Providence
Hartford/Springfield
Westchester
Newark
New York (La Guardia)
Allentown
Philadelphia
Harrisburg
Baltimore
Washington, D.C. (Dulles)
Washington, D.C (National)
Richmond
Norfolk
Raleigh/Durham
Charlotte
Greenville/Spartanburg

Pacific Region Operations

Northwest Airlines improved its profitability in the Pacific Region in 1995 as it continued to build on its strong competitive position in Japan based on nearly 50 years of service to Asia. Northwest has extensive authorities to carry air traffic between Japan and as many as 16 U.S. gateways and between Japan and other Asian destinations. Over the years, Northwest has worked diligently to maximize its presence in the Japanese market. Today, in addition to linking eight U.S. gateways and 10 Asian and Micronesian destinations via Tokyo, Northwest also operates nonstop service from the U.S. to Osaka, Fukuoka, and Nagoya. Its portfolio of 316 per week takeoff and landing slots at New Tokyo International Airport (Narita) exceeds that of its next largest non-Japanese competitor, United Airlines, by almost 50 percent and is the largest of any non-Japanese airline. Other Northwest nonstop destinations include Seoul, Hong Kong and in May, Beijing.

Northwest in 1995 doubled nonstop Detroit-Tokyo flights to twice daily. Weekly nonstop flights were initiated between Minneapolis/St. Paul and Tokyo. Service at Osaka's Kansai International Airport was increased from 18 to 35 flights per week. And nonstop flights were increased from three to four times per week from Seattle to Osaka.

Customer usage of Northwest service continued to grow in 1995. For the fourth year in a row, Northwest's Japan stations boarded more than one million passengers, a milestone reached in October, one month earlier than in 1994. About 10 percent of all air travelers departing Japan fly Northwest, the largest share among all foreign airlines serving Japan.

Our strategy in the Pacific Region is to preserve and enhance the market position which Northwest has developed during five decades in Japan and elsewhere in Asia.

Focused marketing activities attracted additional passengers. Strong selling and service efforts during the Japan "Golden Week" holiday travel period helped to realize a 17 percent increase in passenger boardings and a 15 percent increase in revenue over Golden Week 1994. Passengers continued to be attracted to Northwest's World Business Class Service, first launched in the Pacific Region in 1994. World Business Class is an enhanced business class product which features a roomier, more comfortable seat, greater distance between seats and greater seat recline — all conducive to more restful long-haul flights. The service also features enhanced menus, a personal video system, an expanded library of in-flight reading materials and other travel amenities.

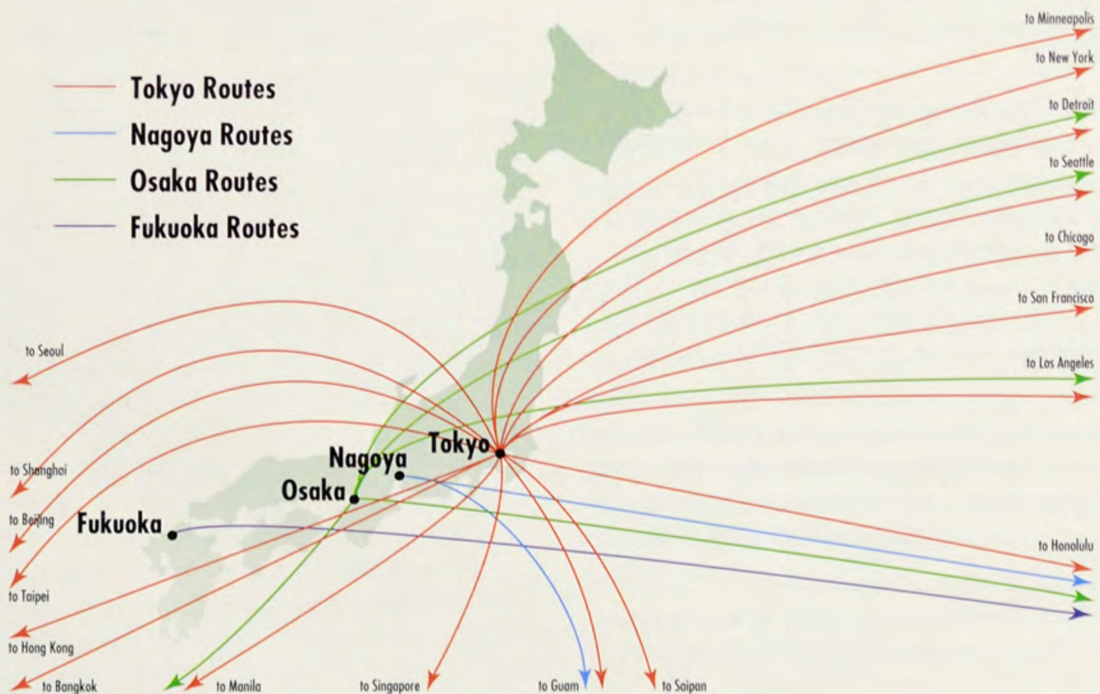
Northwest also generated additional revenue by reconfiguring its 10 747-400s to increase seat capacity from 383 to 418 and increasing daily utilization of the fleet. The 747-400 fleet is used primarily on service connecting Detroit and Tokyo, Osaka, Seoul and Beijing.

Northwest continued to expand its service to China. Five additional weekly frequencies to China, awarded to the airline by the U.S. Department of Transportation in 1994, brought the airline's total to nine. On May 1, 1996 Northwest will become the first U.S. airline to operate sustained nonstop service to China when Detroit-Beijing flights are inaugurated.

During the year Northwest established new marketing agreements in addition to our Asiana partnership, with two international airline partners further solidifying its presence in the Pacific Region. An agreement with Pacific Island Aviation enhances Northwest's presence as a provider of service to Guam, Saipan and Rota, islands located in the Northern Marianas that are popular with Japanese leisure travelers. To provide additional capacity — and improve profitability — on the Japan-vacation routes, Northwest reconfigured the interiors of three 747-100 aircraft to gain 45 additional seats per plane. An agreement with Air New Zealand provides Northwest valuable market presence in the South Pacific. It extends Northwest's WorldPerks free travel program to include Air New Zealand's extensive South Pacific route system and calls for the two airlines to share airport facilities and offer joint sales and marketing support.

Northwest's strategy in the Pacific Region will continue to focus on maximizing the competitive position developed over almost five decades of service. Vital to this strategy are strong relationships with governments, alliance partners, tour operators and airline customers — relationships built through sensitive stewardship, mutually productive working agreements and excellent customer service.

Northwest Airlines Japan Route System



Atlantic Region Operations

Northwest Airlines in 1995 continued to strengthen its competitive position in the Atlantic Region through its transatlantic alliance with KLM Royal Dutch Airlines. Operating with antitrust immunity from the U.S. government, the two airlines collaborate on all aspects of service, including pricing, scheduling, product development and marketing. Under the airlines' joint venture agreement, Northwest and KLM operate between 11 U.S. cities and Amsterdam, KLM's hub airport. Amsterdam is strategically well located as both a major point of origin and destination for many people traveling between Europe and North America and as a connecting point to and from cities across Europe, the Middle East and Africa.

Joint routes linking Amsterdam with Northwest's two major North American hubs in Minneapolis/St. Paul and Detroit have proven especially successful. During 1995, service to Amsterdam was expanded to twice daily from Detroit and from Minneapolis/St. Paul during the summer. Northwest and KLM launched joint Memphis-Amsterdam nonstop service, the first regularly scheduled intercontinental service out of Memphis.

In 1995, Northwest assumed operation from KLM of the Amsterdam-Washington Dulles route, increasing service frequency from three times per week to daily. By re-scheduling the flights, Northwest has provided a more convenient Dulles departure time and better connections to onward flights from Amsterdam. The enhanced service links Washington to more than 65 destinations in Europe, the Middle East, Africa and India.

Service connecting North America and Amsterdam will be increased in 1996. Memphis-Amsterdam flights will grow from four times a week to daily and joint service between Amsterdam and San Francisco will be expanded.

Other new Atlantic Region service launched during 1995 included weekly seasonal nonstop service between Minneapolis/St. Paul and Frankfurt and a second daily nonstop flight between Detroit and Frankfurt. New nonstop service between Detroit and London Gatwick was also initiated. Strong traffic on this route led to an expansion from seven to nine weekly flights. Northwest implemented a no-smoking policy on all transatlantic nonstop flights.

In the Atlantic Region, Northwest Airlines' strategy is to develop alliances and code-share agreements to maintain presence and improve convenience.

Further enhancing service to Europe, Northwest has added convenient connecting service to eight German cities through a code-share agreement with Eurowings. Northwest's flight codes appear on Eurowings' service between Amsterdam and Nürenberg, Stuttgart, Düsseldorf, Leipzig, Hannover, Dortmund, Paderborn and Dresden. The code-share service is available for travelers who use Northwest and KLM's joint service to Amsterdam from Minneapolis/St. Paul, Detroit, Memphis, Boston, Washington Dulles and other U.S. points.

Northwest Cargo

Northwest Cargo had another strong year, finishing 1995 with its second best year in history despite reduction of belly-freight capacity in Northwest passenger aircraft due to record passenger loads. As a result, Northwest carried 1.2 billion pounds of cargo in 1995, a 1.8 percent reduction from 1994. Operating a fleet of eight Boeing 747 freighters and relying on the belly-freight capacity of the world's fourth largest airline, Northwest Cargo's 1995 gross revenue was $754 million (including charter revenue), accounting for 8.3 percent of the company's total revenues. Total mail revenue increased to a record $136 million.

While domestic and transatlantic revenue were lower than in 1994 due to high passenger loads, Northwest Cargo realized strong growth during the year in two key markets, intra-Asia and between North America and Asia served primarily by main-deck freighters. In the intra-Asia market, net revenue increased 18.7 percent, pounds carried grew 13.8 percent, and yield increased 4.5 percent over 1994's strong results. North America to Asia net revenues increased 7.8 percent, pounds carried increased 6.0 percent, and net yield rose 1.6 percent over 1994.

Overall, the Pacific region generates a significant portion of Northwest Cargo's total revenue. Operating principally as a wholesaler of heavy lift cargo capacity, Cargo is focused on the international freight forwarder community serving the U.S. and Asia. The unique combination of fleet and network capability permits Northwest Cargo to offer extensive combinations of U.S. and Asian market origins and destinations, which are served by a variety of lift capabilities, routings, and departure and arrival times, thus satisfying the needs of most air freight shippers.

Several of Northwest Cargo's products achieved record performances in 1995. Cargo's international courier product generated record revenue, topping 1994

Northwest Cargo has a dedicated fleet of 747 freighters and twice the international capacity of any other U.S. combination carrier.

results by 38.8 percent. Northwest's domestic airport-to-airport product, which is called V.I.P., had a record year in 1995 with revenues increasing 10.7 percent and pounds increasing 14.0 percent over 1994. During 1995, Northwest Cargo assumed cargo ground handling responsibility for KLM in Hong Kong and for United Parcel Service in Tokyo.

Northwest Cargo's strategic advantages include:

- A dedicated cargo fleet and the complementary capacity and network scope of the Northwest passenger fleet
- A favorable reputation as one of the most experienced transpacific and intra-Asia cargo carriers
- Extensive authorities to fly into and beyond Japan
- Freighter crossloading and passenger aircraft cross connection operations at the Narita hub.

Northwest Cargo's future growth focuses on the Pacific region. U.S. exports to Japan account for nearly half of the airfreight industry's total westbound traffic. Northwest Cargo today is among the top two carriers in tonnage flown between the U.S. and Japan. Historically Hong Kong, too, is a major market for dedicated freighter service. While Hong Kong serves as a significant export center for China's explosive growth in manufacturing, Northwest Cargo also seeks to expand its operations in China through commencement of freighter service to Shanghai, one of China's most advanced commercial centers.

Northwest Aerospace Training Corporation (NATCO)

Northwest Aerospace Training Corporation (NATCO), a wholly-owned indirect subsidiary of Northwest Airlines Corporation, continued in 1995 to provide simulation for Northwest Airlines pilot training as well as full service pilot and air crew training programs on eight different aircraft types. NATCO's state-of-the-art "classrooms" include 26 full-flight simulators and training devices at its Eagan, Minnesota, headquarters and two MD82 simulators in Long Beach, California.

Northwest Airlines provided 60 percent of NATCO's revenue in 1995. The other 40 percent came from 113 airlines, non-airline jet operators and government agencies — all of which make up NATCO's growing base of customers. Working to establish itself as a leading training center for pilots and crew members from around the world, NATCO increased its revenues from non-Northwest sources by six percent.

During the year, NATCO continued to expand its Total Solution℠ offering of airline training and support products. In addition to its core pilot training business, NATCO markets Northwest Airlines' training and support services. Its offerings include crew resource management training, flight attendant training, ground services training and support, and systems operations control products and services.

NATCO, an industry leader, provides training and support solutions to airlines around the world.

Other 1995 highlights included:

- The doubling of market share by NATCO's Technical Services Division, which markets simulator support services;
- The continued importance of Asia as a growth market for NATCO, which in 1995 provided airline training services to six airlines in China and five airlines in Taiwan. NATCO is working closely with Asian airlines and government agencies to develop and implement a full range of safety and efficiency programs modeled after Northwest Airlines Flight Operations training curriculums.
- The signing of contracts to train pilots from three Russian airlines. As Western manufacturers continue to place aircraft in Russia, NATCO is well placed to capture training and support contracts. In addition to providing comprehensive pilot training programs for Russian crews from NATCO's Eagan, Minnesota facility, the company is discussing development of training facilities within Russia to help prepare crews for NATCO's simulators.

Looking ahead, NATCO is responding to the need for better training facilities and safety programs for regional airlines. Plans to provide a full range of training and safety related programs to regional carriers are being solidified.

NATCO Growth Chart

Annual Simulator Utilization

MLT Inc.

MLT Inc., a wholly-owned indirect subsidiary of Northwest Airlines Corporation, is among the largest vacation wholesale companies in the United States. Its two major vacation package product lines, Northwest WorldVacations and MLT Vacations, offer air transportation, accommodations, car rentals, shows and tours. Travelers can mix and match a variety of components, such as lift tickets and equipment rental at ski destinations, wedding packages in Las Vegas and fixed-price, three-course meals in Paris, to create personalized, pre-paid vacation packages in one easy step.

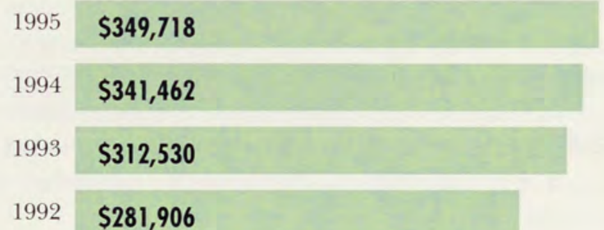
MLT seeks to be the leading provider of quality leisure travel products and services, recognized for excellence, innovation and total customer satisfaction.

MLT's growth derives from two primary strategic thrusts: supporting travel to new and expanding leisure destinations offered by Northwest; and identifying strategic charter routes and providing complete land options at all charter destinations.

MLT in 1995 reported growth in vacation packages to Europe, Hawaii, Mexico and ski destinations. Las Vegas continued to rank as MLT's top destination. In addition, MLT introduced WorldVacations packages to Nova Scotia and Vancouver, Canada, building on Northwest's new routes between the U.S. and Canada. More growth is expected in 1996 with the addition of packages to Montreal, Toronto, Ottawa, Edmonton and Calgary.

MLT offers Northwest WorldVacations packages to 138 destinations throughout Asia, Canada, the Caribbean, Europe, Mexico and the U.S. MLT Vacations feature year-round and seasonal charter air vacations from 15 cities to 38 destinations. Among those destinations are locations in the Caribbean and Mexico and U.S. cities in Alaska, Arizona, California, Florida, Nevada and Utah. MLT Vacations also offers Caribbean cruises, which during the 1995-96 season are being expanded from one to three itineraries.

MLT Inc. Operating Revenue ($000)



Northwest AirCares

Through the Northwest AirCares charitable support program, Northwest Airlines in 1995 demonstrated its ongoing commitment to enrich the quality of life in the communities it serves.

Working with a different non-profit organization during each quarter throughout the year, Northwest AirCares builds awareness — and helps to raise funds through on-board campaigns — for its charitable partners. On every flight, a flight attendant or a video describes the mission of the featured organization. An article in Northwest's in-flight magazine, *WorldTraveler*, provides additional detail. An envelope is also included for passenger contributions. To encourage donations, Northwest offers 500 WorldPerks bonus miles to anyone who donates a WorldPerks FlyWrite ticket or makes a cash contribution of $50 or more.

The four organizations benefiting from the Northwest AirCares program in 1995 included:

The American Red Cross

The American Red Cross, which for over a century has reacted quickly in times of crisis, is the largest private, non-profit humanitarian organization in the U.S. Its work has saved lives and restored hope to people in local communities across the U.S. and around the world.

Epilepsy Foundation of America

The Epilepsy Foundation is dedicated to helping families cope with the range of issues surrounding the treatment, education and social development of children with seizure disorders. Epilepsy is a common neurological disorder that affects one of every 100 people, most of whom are children.

Share Our Strength (SOS)

Share Our Strength is one of the nation's largest non-profit hunger relief organizations. Its goals are to alleviate and prevent hunger in the United States and around the world. During 1995, Northwest AirCares helped sponsor two successful "Jam Against Hunger" concerts in Minnesota to assist SOS's mission.

Toys for Tots

Created by the U.S. Marine Corps Reserve in 1947, Toys for Tots annually provides millions of toys to needy children throughout the country. Northwest AirCares assists the Toys for Tots campaign by encouraging passengers to contribute to the cause and promoting the organization through national advertising. The annual Toys for Tots collection effort, held in nearly 200 communities nationwide, brings in more than seven million new toys each year to kids who otherwise might not enjoy a new toy at Christmas. The 1995 Toys for Tots Foundation drive succeeded in

Toys for Tots

gathering approximately 1.1 million more toys than the previous year.

In addition to its four in-flight charity partners, Northwest AirCares also supports other projects. Early in 1995, Northwest AirCares delivered approximately 500,000 pounds of relief supplies donated by AmeriCares, a non-profit relief agency, to assist with earthquake recovery in Kobe, Japan. Donated items ranged from temporary housing to canned soup. While AmeriCares provided the supplies, Northwest

Kobe, Japan

donated the use of two freighter aircraft, and Northwest employees volunteered countless hours to aid the relief effort. In addition, working together, AmeriCares and Northwest AirCares conducted a two-week fund-raising and awareness campaign that included a full page advertisement in *USA Today*; four television announcements during the Super Bowl appealing for assistance for Kobe victims; in-flight announcements and videos; and a pledge by Northwest to match all passenger contributions.

Other organizations benefited from Northwest AirCares' support during the year as well. A portion of revenues from a special fall fare sale was designated to support a group of charitable organizations, including Guide Dogs of America, Share Our Strength, the American Red Cross, the Epilepsy Foundation of America and the Children's Cancer Research Fund. Also, in launching a partnership with UNICEF in France, Northwest donated $2 for every ticket sold on Flight 51 in France to the organization during the last two months of the year.

Initiated in 1992 as a way to help non-profit organizations that reflect Northwest's values and community concerns, the AirCares charitable support program is increasingly known for its dedication and innovation. In 1995, it received the "Golden Bell" award, the top recognition in its category from the Hospitality Sales and Marketing Association International.

Northwest's community support is not limited to those activities sponsored by AirCares. Throughout the year, Northwest employees volunteer thousands of hours to community causes. They also give generously to the United Way, supporting a broad range of organizations that address society's needs.

Employee Recognition

"Always support and inspire each other" is a guiding principle of Northwest Airlines. The company's employee recognition programs support and inspire by singling out our best. The major honors bestowed on Northwest employees in 1995 were:

- Honor Roll, a quarterly publication that recognized all 13,576 employees who received a commendation from a customer, co-worker or supervisor.
- The Caring Award honored 10 employees for exceeding the call of duty to deliver outstanding customer service.
- The Global Partner Award recognized six Northwest and six KLM employees for providing outstanding service to advance the Northwest/KLM alliance.
- Service Anniversary Award Pins were presented to 1,130 employees who celebrated 23 to 25 years with Northwest in 1995.
- The Support and Inspiration Award was presented to five employees who demonstrated Northwest's Guiding Principle by supporting and inspiring their colleagues.
- The Excellence Award honored 13 employees who contributed extraordinarily to Northwest's profitability and success.

Awards and Recognition

Summary of the most significant awards and recognition earned by Northwest during 1995 in these categories:

Recognition from Customers

- Best Frequent Flyer Program — J.D. Power survey of airline customer satisfaction
- "A+" for service to WorldPerks domestic and international reservations agents from *Inside Flyer* magazine
- Ashington-Pickett Crystal Pyramid Award of Merit for Best Overall Service
- The Los Angeles Business Travel Association's first biannual airline appreciation award

Recognition from Communities

- "Company of the Year" award from the Memphis Convention Bureau
- The Memphis Convention and Visitors Bureau presented Northwest with the President's Award, recognizing the airline for its omni-bank schedule and for the start-up of Northwest/KLM service to Amsterdam
- AmeriCares, the international disaster relief organization, presented the Heroic Action Award to the employees of Northwest for their lifesaving contributions to the relief efforts in Kobe, Japan, following the devastating earthquake
- Citation from Mayor of Kobe, Japan
- "Gift of Sight" Award from Guide Dogs of America
- The Atlanta maintenance base received the Environmental Achievement Award from the Georgia Water and Pollution Control Association. The award was presented for outstanding environmental achievement in the category of indirect discharge physical/chemical treatment.

Recognition from Industry Peers

- The Grand Prix Award presented by a panel of Japanese travel industry officials in *Travel Management* magazine, named Northwest the best international airline serving Japan for its numerous marketing activities in 1995 to stimulate Japan's out-bound tourism market
- Sapphire Award for onboard safety video from *Onboard Services* Magazine
- Three Golden Bell Travel Industry Awards given by the Hospitality Sales and Marketing Association International to Northwest for the airline's AirCares program and its World Business Class marketing communications
- A PATA Gold Award given by the Pacific Asia Travel Association for Northwest's World Business Class marketing communications program
- Northwest's Aircraft Situation Display (ASD) is a finalist in the Apple Enterprise Awards. ASD provides flight dispatchers with a real-time snapshot of a flight situation

President's Award Winners

In 1995, President and CEO John Dasburg presented the President's Award to eight Northwest people. This award honors and recognizes employees who have contributed significantly to Northwest's mission, goals and guiding principles. The honorees and their achievements were:

Ed Archer, Boston director-customer service and ground operations. Archer led the people of his station through a challenging year and the aftermath of past problems that could have distracted employees without the right focus and inspiration. Boston people came together to reach all the station's performance goals for the first quarter of 1995.

Bryan Bourn, analyst in the Operations Automation division. Bourn helped develop the Aircraft Situation Display (ASD). Flight Dispatch uses ASD, in part, to re-route aircraft around inclement weather. After investing $100,000 in ASD, Northwest has realized $2.5 million in savings.

Kathryn Cinkle, Minneapolis/St. Paul reservations sales agent. Cinkle mastered the complexity of the marketing promotions and programs targeting specific customers to the point she is an inspiration to her co-workers. She was featured on a training video that highlights her techniques and personal touches. And she sold $1.8 million of tickets-by-mail, just short of her personal — and ambitious — goal of $2 million.

Lauretta Moritz-Crisler, Memphis flight attendant. After a mother stopped breathing on her flight, some flight crew members immediately applied emergency aid. Moritz-Crisler, meanwhile, cared for the woman's 1- and 3-year-old children. The plane diverted to Rochester, Minn., but doctors at the Mayo Clinic were unable to revive the mother. Moritz-Crisler traveled with the father and children to their Twin Cities' home, where she continued to help and console them.

Morris "Moe" Moultrie, Washington National equipment service chief. Moultrie played a key role in recruiting two other airlines, Continental and America West, to contract with Northwest to handle their ground service at Washington National Airport. He repeatedly showed officials of these two airlines around Northwest's station facilities and introduced them to fellow employees. He showed them the high quality of service they could expect by contracting with Northwest.

Masao Suzuki, Japan director-Cargo. Within hours of the Kobe earthquake, Suzuki flew to nearby Osaka. For several days, he reported every few hours to Northwest offices in Tokyo and Minneapolis/St. Paul on damages and injuries. And Suzuki worked tirelessly to coordinate with headquarters and Japanese customs to bring and distribute 500,000 pounds of relief supplies to Kobe shipped by Northwest.

Ronald Weldon, Minneapolis/St. Paul pilot. Weldon was the captain of a flight when the plane experienced difficulties. Under Weldon's leadership, the three crew members worked together to control the aircraft. The effort required tremendous coordination. They successfully landed the plane safely, without harm to passengers, crew or aircraft.

Yoshinori Yamaguchi, Tokyo manager-station operations. Yamaguchi worked with the Japanese government and airport authorities to gain approval for Northwest to expand its Azuma lounge and increase by 10 percent its gate use. He developed good relations with Japanese officials that resulted in better media relations for Northwest in Tokyo. Yamaguchi led the effort to create a committee in Japan for emergency preparedness that helped make Northwest the first non-Japanese airline to participate in the airport's periodic emergency drill.

Employee Profile

	1995	1994	1993
Flight Attendants	**8,844**	8,603	8,688
Mechanics	**6,640**	6,495	6,413
Equipment Service Employees	**5,682**	5,378	5,092
Pilots	**5,255**	4,965	4,984
Customer Service Agents	**5,162**	4,997	4,849
Reservation Sales Agents	**3,242**	3,017	3,385
Management	**3,094**	3,020	2,808
Secretaries/Clerks	**2,394**	2,355	2,375
Others	**1,827**	1,805	1,955
Groomers/Cleaners	**1,348**	1,296	1,242
Subsidiaries — primarily MLT	**846**	986	855
Technical — Non-contract	**790**	756	712
Total	**45,124**	43,673	43,358

Financial Review

In 1995 Northwest Airlines Corporation continued its complementary operating and financial strategies to maximize shareholder value. Through targeted deployment of assets into markets of competitive advantage, cost effective fleet planning, rigorous cost control, and strategic capital structure management, Northwest has increased return on assets while improving strategic and operating flexibility.

Maximize Return on Assets

Northwest seeks to maximize return on assets by deploying existing assets where they can generate maximum returns, and by investing in additional assets only when they can produce superior returns. Since 1992, Northwest has led U.S. network carriers by focusing on core strategic assets and expanding international alliances and code-share agreements. Some of the major 1995 highlights are discussed in detail throughout this Annual Report.

Operating Activities – As we look forward, route structure development has positioned Northwest well for a planned 7% capacity growth for 1996. Approximately half of this growth will be new flying. The remainder of the incremental capacity will result from the carryforward of 1995 growth and the addition of incremental seating capacity to existing selected aircraft.

In the context of its continuing focus on areas of competitive strength, Northwest is pursuing a number of meaningful cost reduction and productivity improvement opportunities. These initiatives in 1996, which include process improvements, automation and technological improvements, will help the Company build upon the traffic and unit revenue advantage it currently enjoys.

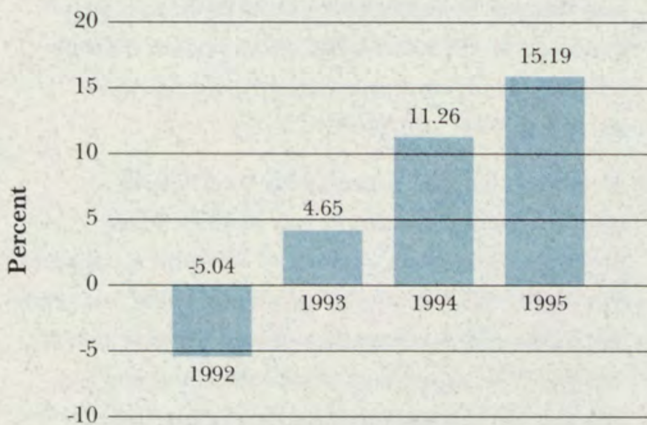
As a result of similar efforts in prior years, Northwest's operating cost per available seat mile (excluding stock-based compensation) has increased only 2% from 1994 to 1995. This increase was entirely related to higher revenues and load factors, and a stronger yen.

Fleet Initiatives – Northwest continued its strategy of identifying and employing the aircraft best suited to the Company's route structure while making the most efficient use of invested capital. Several major fleet transactions were completed during the year.

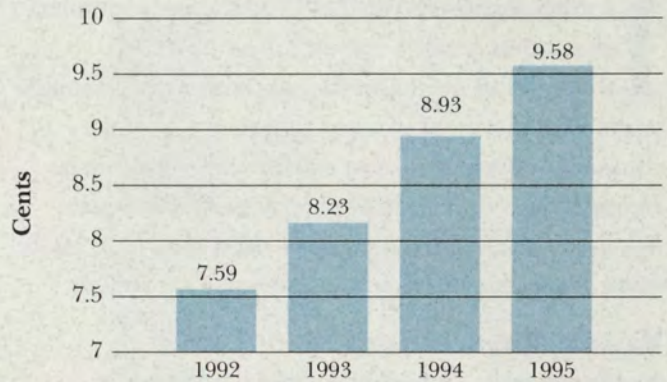
- Northwest arranged the early delivery of 15 new 757-200 aircraft already on order from Boeing, two of which were delivered in 1995, with the remainder scheduled for delivery in 1996. This transaction also included the rescheduling of or the right to reschedule (with substitution rights), 25 Boeing 757-200 aircraft and four Boeing 747-400 aircraft, from delivery in the 1996-1999 period to 2002 and beyond.
- In February 1996, Northwest signed a memorandum of understanding with Airbus that includes the purchase of 20 highly efficient A320 aircraft to be delivered in 1998 and 1999, and a revised delivery schedule (with substitution rights) for 16 A330 aircraft to 2004 and 2005.
- Northwest has had success with the DC-9-30 refurbishment program begun in 1994. This program allows the Company to continue to operate this highly reliable aircraft profitably, while foregoing the substantial investment required for new aircraft. During 1995, significant new profitable flying for 100 seat aircraft was identified including the new Canadian routes. In 1995, Northwest exercised an option to acquire an additional ten used DC-9-30 aircraft, scheduled for delivery in 1996 and 1997.

- In order to take advantage of additional profitable route opportunities, Northwest acquired five used DC-10-30 aircraft. These aircraft will serve our new India service, and additional frequencies to London and Amsterdam.

Results - Operating results continued to improve. 1995 operating income of $902 million and net income of $392 million were Company records. However, these results were significantly impacted by the increase in the market value of common stock earned by our employees in 1995, and expensed to our 1995 financial results. The Company's wage savings period is scheduled to end in late 1996 and stock will no longer be given to employees in lieu of wages. If the wage savings had ended on January 1, 1995, the Company's 1995 operating income and net income would have increased to approximately $1.1 billion and $514 million, respectively. This is because the value of the stock charged to the 1995 financial results was worth approximately $193 million more than the labor cost savings. Excluding the impact of the employee stock charge, operating margins improved 3.9 points or 35% over 1994.



As in 1994, a major contributor to this strong performance has been revenue per ASM which has improved 26% since 1992.



Capital Structure Management

Northwest's capitalization strategy is designed to minimize capital costs while allowing the Company to maintain adequate levels of liquidity and create a prudent debt amortization schedule.

In 1994, Northwest accomplished several major financings including a $265 million initial public equity offering designed to strengthen our capital base and expand our access to the public capital markets.

This momentum continued in 1995 as the Company used $1.5 billion in operating cash flow and $2.5 billion in financing transactions to reduce total debt (including capital leases) by $1.6 billion or 33%. Highlights of 1995 financing activities include:

- The prepayment of the $837 million balance of the 1989 initial acquisition loan, which was funded in part by an unsecured $300 million bank facility with favorable terms. This transaction also released collateral with a market value of approximately $6 billion.

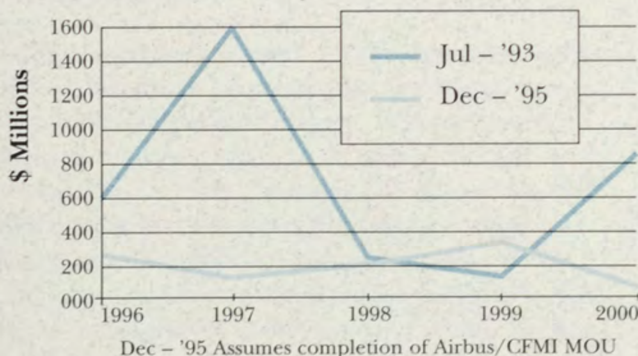
- The innovative restructuring of a non-recourse obligation on certain of the Company's Tokyo land holdings which resulted in $696 million being removed from long-term debt and reclassified as a Mandatorily Redeemable Preferred Security.

Northwest recorded an extraordinary gain of $62 million in this cross-border financing.

- The completion of a $247 million secondary offering of common stock which increased the shares held by the public, thereby improving the liquidity of the Company's stock.
- A $97 million preferred for common stock exchange with Bankers Trust Corporation which strengthened Northwest's balance sheet by adding approximately $97 million to common stockholders' equity. It also removed over $169 million of cash requirements during the period 1998-2002.
- Syndication of a $320 million 20-year bank bridge revolving loan facility that will minimize the cost of acquiring 15 757-200 aircraft.
- The Airbus and CFM International Memoranda of Understanding (MOU) include the elimination or rescheduling of $470 million of existing debt to beyond 2000 at lower interest rates. Financing for the 20 new A320 aircraft on attractive terms was also arranged.

Northwest's strong cash flow generation and aggressive debt retirement served to further improve the Company's debt amortization schedule. The following graph illustrates that the Company's debt amortization schedule has improved dramatically since 1993.

Northwest Amortization Schedule



Dec – '95 Assumes completion of Airbus/CFMI MOU

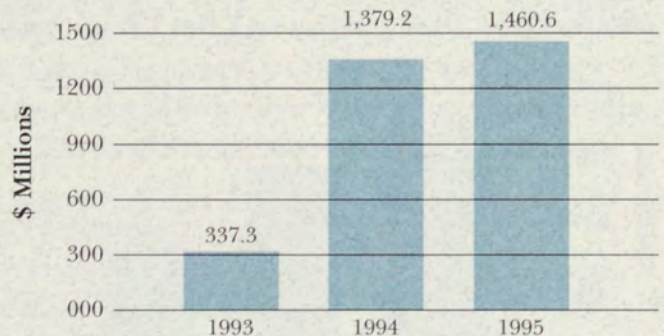
Results - Northwest's financial management is focused upon maintaining adequate levels of liquidity, reducing indebtedness and releasing encumbered assets which, collectively, are intended to enhance overall financial stability and flexibility, and increase the value of common equity.

After the 1995 financing transactions, liquidity at year-end was approximately $1.2 billion.

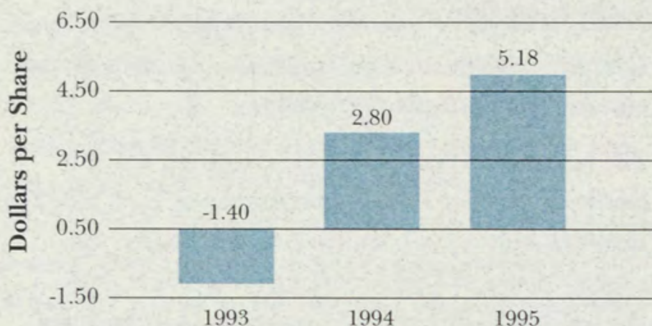
The major credit rating agencies responded well to Northwest's strong financial performance. Both Moody's Investors Service and Standard & Poor's Corporation raised Northwest's long-term unsecured debt rating two notches to Ba2 and BB-, respectively, while Fitch and Investors Service raised Northwest to BB-.

Cash flow from operations improved from $337 million in 1993 to $1.38 billion in 1994 and $1.46 billion in 1995.

Cash Flow from Operations

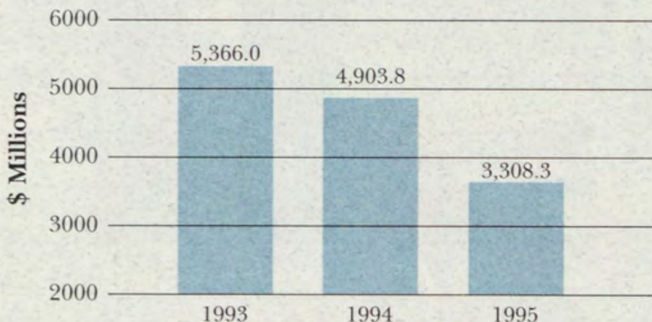


In addition, fully distributed earnings per share has significantly improved from 1993 through 1995 and increased 85% from 1994 to 1995.



(1) For further information see Management's Discussion and Analysis.

Finally, total debt levels have declined markedly since 1993 from $5.37 billion at December 31, 1993 to $3.31 billion at December 31, 1995.



Outlook

Northwest has excellent opportunities to further improve return on assets by continuing to focus on areas of competitive strength, particularly our hubs. Northwest's greatest growth opportunity is in the Pacific. As the largest carrier in the U.S.-Japan market, the Company is well positioned to share in the economic rebound that is occurring in Japan. Furthermore, Northwest's strategic Asian presence provides an ideal opportunity to participate in high-growth Pacific markets such as China, where the Company recently gained authority to fly non-stop from Detroit to Beijing.

Northwest is now well positioned with efficient aircraft, rapidly decreasing debt, and relatively modest future capital commitments. The Company will review future capital investment opportunities as they arise and will make additional investments if they are consistent with the objective to produce superior returns. Cash flow from operations in excess of that which the Company believes can be invested at superior returns will be used to reduce debt.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Northwest Airlines Corporation ("NWA Corp." or the "Company") reported income before extraordinary item of $342.1 million and operating income of $902.2 million for the year ended December 31, 1995, the highest annual levels in the Company's history. Income before extraordinary item increased by $46.6 million compared with 1994. Operating income was unfavorably impacted by an increase of $370.8 million ($233.1 million net of tax) in stock-based compensation expense caused by a 224% increase in the price of the Company's common stock. Excluding this increase, 1995 operating income would have been $1.27 billion.

Northwest Airlines, Inc. ("Northwest") is the principal operating indirect subsidiary of NWA Corp., accounting for more than 96% of the Company's 1995 consolidated operating revenues and expenses. The Company's operating results are significantly impacted by both general and industry economic environments. Small fluctuations in yield per revenue passenger mile ("RPM") and cost per available seat mile ("ASM") can have a significant impact on profitability.

Results of Operations—1995 Compared to 1994

Operating Revenues. Operating revenues were $9.08 billion, an improvement of $760.0 million (9.1%). Revenue per total service ASM increased 7.3%. System passenger revenue (which represented 85% of total operating revenue) increased 10.7%. The increase was due to a 2.9% increase in scheduled service ASMs and a 7.5% increase in passenger revenue per scheduled service ASM which was attributable to a 2.6% increase in system yield and a 5.0% (3.4 points) increase in passenger load factor.

The 1995 passenger revenue performance continued to reflect Northwest's focus on markets where the Company has strategic advantage. Effective pricing initiatives increased traffic along with successful service introductions to seven Canadian cities and to London Gatwick from Detroit. New Osaka flying, further development of domestic hubs and aircraft reconfiguration allowed for increased traffic as well. Despite traffic growth, yield remained strong, because capacity growth was concentrated in areas of strategic advantage. Factors contributing to yield strength include solid performance of Northwest's World Business Class product in international markets and favorable Japanese yen exchange rates.

The composition of the Company's operating revenues in each of the past three years is summarized below:

	1995	1994	1993
Passenger revenue			
Domestic	**56.1%**	56.8%	55.7%
Pacific	**23.8**	22.0	23.4
Transatlantic	**5.5**	5.4	5.1
Cargo revenue	**8.3**	9.1	9.3
Other revenue	**6.3**	6.7	6.5
Total operating revenues	**100.0%**	100.0%	100.0%

Domestic passenger revenue of $5.10 billion increased $369.7 million (7.8%) primarily because scheduled service ASMs increased 2.1% and passenger load factor increased by 5.4% (3.5 points) without negatively impacting yield. Pacific passenger revenue increased $325.9 million (17.8%) to $2.16 billion due to a 5.0% (3.6 points) increase in passenger load factor, a 5.1% increase in scheduled service ASMs and a 6.8% increase in yield (largely due to changes in the yen to dollar rate of exchange). Transatlantic passenger revenue increased $56.3 million (12.6%) to $504.6 million, primarily due to a 9.8% increase in yield and a 1.8% (1.4 points) increase in passenger load factor.

Cargo revenue decreased $4.6 million (.6%) due to 3.3% fewer cargo ton miles. Cargo capacity was reduced because of increased passenger loads. Other revenue increased $12.7 million (2.3%) due primarily to ticket exchange fee revenue and other incidental services provided to third parties, offset by decreased charter activity.

Operating Expenses. Operating expenses increased $688.2 million (9.2%). While operating capacity increased 2.1% to 87.6 billion total service ASMs, operating expense per total service ASM increased 7.2%. Excluding stock-based compensation in both periods, operating expense per ASM increased 2.0% largely related to increases in load factors and strengthening of the Japanese yen. Salaries, wages and benefits increased $86.5 million (3.7%) due to an increase in average full-time equivalent employees of 2.4% and overtime, which were largely needed to handle the increased flying of 2.1% and increased traffic, and was partially offset by decreased pension expense. Non-cash stock-based employee compensation expense was $478.0 million and $107.2

million during 1995 and 1994, respectively. The stock-based compensation expense is a function of shares earned by employees during the period and the period-ending common stock price, which increased to $51.00 per share at December 29, 1995 from $15.75 per share at December 30, 1994. Commissions increased $70.3 million (9.1%) as a result of a 10.7% increase in passenger revenue and a higher Pacific effective commission rate, offset by the favorable impact of the new domestic commission structure implemented in February 1995 by Northwest. Aircraft fuel, oil and taxes increased $31.0 million (2.9%), due primarily to a 3.0% increase in gallons consumed, offset by lower prices. In October 1995, the United States ("U.S.") increased taxes on aircraft fuel by 4.3 cents per gallon. This new tax increased the Company's operating expenses for the fourth quarter of 1995 by $12.1 million, and unless suspended by the government will increase the Company's annual operating expenses by approximately $48 million based on Northwest's anticipated fuel consumption. Other rentals and landing fees increased $40.2 million (9.2%) due largely to changes in foreign currency exchange rates and increased volume and rates for landing fees. Other expenses (the principal components of which include outside services, passenger food, selling and marketing, personnel and communication expenses) increased $88.2 million (5.2%), due primarily to increased volume and rates for selling and marketing fees and outside services.

Other Income and Expense. Investment income increased by $30.5 million (72.3%) due to increased invested cash. The foreign currency loss of $36.9 million was attributable to a $27.6 million loss on the balance sheet remeasurement of foreign currency-denominated assets and liabilities and a $9.3 million charge for Japanese yen collar option contracts. The $29.7 million unfavorable change in other-net for 1995 was largely due to miscellaneous licensing revenues received in 1994 and losses related to an equity investment in an affiliate in 1995.

Net income for 1995 included a $49.9 million net extraordinary gain which relates primarily to the restructuring of the Company's financing arrangement with respect to certain property owned in Japan. See Note E to Consolidated Financial Statements.

Results of Operations— 1994 Compared to 1993

Operating results improved substantially with operating income increasing $558.0 million to $830.4 million. Net income increased $410.8 million to $295.5 million. The improved profitability was primarily the result of a $390.5 million increase in passenger revenue over 1993.

Operating Revenues. Operating revenues were $8.32 billion, an improvement of $460.0 million (5.8%). Revenue per total service ASM increased 8.5%. System passenger revenue increased 5.9%. The increase was primarily attributable to a 6.3% increase in system yield and a 2.1% (1.4 points) increase in passenger load factor, partially offset by the impact of a 2.5% decrease in capacity as measured by scheduled service ASMs.

Domestic passenger revenue of $4.73 billion increased $351.4 million (8.0%) primarily because domestic yield increased 6.7% to 13.98 cents and passenger load factor increased by 2.2% (1.4 points). Pacific passenger revenue decreased .5% to $1.83 billion, due to a 6.1% decrease in scheduled service ASMs, offset by the impact of a 4.2% increase in yield and a 1.7% (1.2 points) increase in passenger load factor. Transatlantic passenger revenue increased 12.0% to $448.4 million, primarily due to a 7.9% increase in yield and a 4.1% (3.1 points) increase in passenger load factor.

Cargo revenue increased $21.0 million (2.9%) due to an $18.0 million increase in freight revenue and a $3.0 million increase in mail revenue. Other revenue increased by $48.5 million (9.5%) due to increased passenger charter revenue, transportation service charges and other incidental services provided to third parties.

Operating Expenses. Operating expenses declined $98.0 million (1.3%) while operating capacity decreased 2.6% to 85.8 billion total service ASMs and operating expense per total service ASM increased 1.0%. Salaries, wages and benefits decreased $111.8 million (4.6%) primarily due to the labor cost savings resulting from the labor agreements which became effective August 1, 1993. Non-cash stock-based employee compensation expense was $107.2 million and $93.1 million during 1994 and 1993, respectively. Commissions for 1994 increased $52.1 million (7.3%) primarily as a result of a 5.9% increase in passenger

revenue. Aircraft fuel, oil and taxes decreased $107.2 million (9.2%), due to a 9.4% decrease in average fuel price per gallon to 56.23 cents and a .5% decrease in gallons consumed. Aircraft maintenance materials and repairs increased $28.0 million (7.6%) due to the timing of maintenance activities and increased engine parts usage. As a consequence of its DC-9-30 enhancement program discussed below, effective January 1, 1994, the Company extended the depreciable lives of its DC-9-30 aircraft. The net effect of the revision and certain other changes was to reduce 1994 depreciation as discussed in Note A to Consolidated Financial Statements. Other expenses increased $74.5 million (4.6%), due primarily to increased advertising related to the launch of the Northwest/KLM World Business Class product, and increased computer reservation system fees.

Other Income and Expense. Interest expense increased $12.8 million (3.4%), primarily due to an increase in the weighted average interest cost of long-term debt (from 6.7% in 1993 to 7.6% in 1994) caused by higher market interest rates and an increase in fixed rate debt from 32.8% to 51.2% of outstanding debt, partially offset by the impact of a decrease in total outstanding debt. Investment income increased by $22.8 million due to increased invested cash. The foreign currency loss of $20.2 million was primarily attributable to balance sheet remeasurement of foreign currency-denominated assets and liabilities. The $38.8 million decrease in other-net income was largely due to a $46.4 million foreign tax refund received in 1993 related to commissions.

Liquidity and Capital Resources

At December 31, 1995 the Company had cash and cash equivalents of $850.9 million, unrestricted short-term investments of $120.0 million and borrowing capacity of $187.6 million under its revolving credit facility, providing total available liquidity of $1.16 billion. Cash flow from operating activities was $1.46 billion for 1995, $1.38 billion for 1994 and $337.3 million for 1993. Net cash used in investing and financing activities during 1995, 1994 and 1993 was $1.08 billion, $1.05 billion and $442.4 million, respectively.

Financing Activities. In October 1995 the Company completed a restructuring of its financing arrangement related to certain property the Company owns in Japan. As a result, long-term debt decreased by $695.9 million and was replaced by a $622.0 million non-recourse obligation with longer maturities which is reflected in the Company's balance sheet as a Mandatorily Redeemable Preferred Security of Subsidiary which holds solely non-recourse obligation of Company. In December 1995 the Company also retired the 1989 acquisition loan by prepaying the remaining $837 million loan outstanding using proceeds from a new credit facility and available funds. The new credit facility includes an unsecured $300 million term loan and an unsecured $200 million revolving credit facility. The replacement of the acquisition loan by the new credit facility resulted in the release of security interests on a substantial portion of the Company's assets as well as improved financial terms and flexibility. As a result of 1995 financing activities, long-term debt was reduced by $1.5 billion. Also during 1995, Bankers Trust New York Corporation exchanged 1,727 shares of the Company's Series B Preferred Stock for 2,050,000 shares of the Company's common stock. In November 1995, 5,937,525 shares of existing Class A Common Stock were sold to the public in a secondary offering by certain selling stockholders. The Company received no proceeds from this offering. During 1994 the Company completed more than $1.78 billion in capital market transactions, including an initial public offering of common stock and refinancing of existing indebtedness, all of which resulted in substantially rescheduling its debt maturities.

See Note C to Consolidated Financial Statements for maturities of long-term debt for the five years subsequent to December 31, 1995. At December 31, 1995 there were no borrowings outstanding under the Company's revolving credit facility; however, the amount available to borrow has been reduced by $12.4 million due to the issuance of letters of credit.

Investing Activities. Investing activities for 1995 resulted in a $245.7 million use of cash and included $556.9 million of property additions. The property additions pertain primarily to deposits and purchases for sale-leaseback transactions related to Boeing 757 aircraft and the modification of DC-9 aircraft. During 1994 and 1993, capital expenditures were primarily for aircraft modifications, spare parts and non-aircraft property and, in 1994, the acquisition of 21 used DC-9-30 aircraft.

Capital Commitments. The current aircraft delivery schedule provides for the acquisition of 78 aircraft, including 13 Boeing 757-200 aircraft to be delivered in 1996. See Note I to Consolidated Financial Statements for a discussion of aircraft capital commitments. Non-aircraft capital expenditures are projected to be $250 million for 1996, which the Company anticipates funding primarily with cash from operations.

The Company adopted programs to hushkit and modify its 106 DC-9-30 aircraft and 35 DC-9-50 aircraft to meet noise and aging aircraft requirements. Capital expenditures for engine hushkits and aging aircraft modifications were $61 million in 1995 and are expected to aggregate $264 million during the next five years for these aircraft. The Company has also elected to upgrade aircraft systems and refurbish interiors for the 141 DC-9 aircraft. Capital expenditures associated with upgrading systems and interior refurbishment were $27 million in 1995 and are expected to aggregate $261 million during the next five years. The Company has arranged supplier financing of up to $225 million for DC-9 engine hushkit shipsets.

The Company anticipates hushkitting 20 Boeing 727-200 aircraft and is evaluating similar alternatives in order to comply with noise and aging aircraft regulatory requirements for 34 of its remaining Stage II aircraft. If comparable programs are adopted for all such aircraft, the Company estimates the required additional costs over the next five years would be approximately $225 million for engine hushkits and aging aircraft modifications.

Labor Agreements. The labor cost savings agreements discussed in Note B to Consolidated Financial Statements improve the Company's 1993 to 1996 cash flow from operating activities and will expire on various dates from August through November 1996. At the end of the Wage Savings Period, wage scales will revert to 1993 levels and may further increase pursuant to formulas set forth in the labor cost savings agreements which incorporate other airlines' labor rates. Had the labor cost savings agreements not been in effect for 1995, operating income would have increased by approximately $193 million as the $478.0 million of stock-based compensation expense would not have been incurred and salaries, wages and benefits would have been approximately $285 million higher. Additionally, the Company's labor contract with each of its unions becomes amendable as each labor cost savings agreement expires. Consequently, future labor wage rates and costs will be subject to collective bargaining. While the Company cannot predict the precise wage rates that will ultimately be in effect (since such rates will be determined by the formulas referenced above and by collective bargaining), management believes that its labor costs will remain competitive in comparison to the largest U.S. carriers. The Company has identified and continues to identify various work rule changes and productivity improvements which, if incorporated into new labor agreements and work processes, would mitigate some of the effect of the wage rate increases. Management believes that the good relations between the Company and its employees and their representatives will provide a constructive framework for the upcoming collective bargaining.

Financial Position. At December 31, 1995 the Company had a common stockholders' equity deficit of $818.8 million and, like its competitors, operated with a working capital deficit which aggregated $502.4 million. The working capital deficit is attributable primarily to the air traffic liability for advance ticket sales. The Company has taken a variety of actions which have substantially improved operating performance, financial position and liquidity over the past four years.

Other Information

Fully Distributed Earnings Per Share. The effect of the accounting for stock-based compensation on the Company's operating results and earnings per share may make it difficult to compare its earnings with other companies. Accordingly, management believes the following pro forma "fully distributed" earnings per share amount, which excludes stock-based compensation and the unfavorable pro forma impact of the expiration of the labor cost savings and includes all the shares to be issued to its employees, provides additional information and makes analysis between years more comparable. On a fully distributed basis, the Company's net income applicable to common stockholders would have been $701.4 million ($6.13 per share) in 1995. The fully distributed earnings per share for 1995 includes the effect of $.51 per share increase resulting from the January 1995 exchange of the Company's preferred stock for common stock and

a $.44 per share increase resulting from the net gain on the extinguishment of debt.

Income Taxes. Sections 382 and 383 of the Internal Revenue Code of 1986 (the "Code") and the regulations thereunder impose limitations on the carryforward amounts of net operating losses ("NOLs"), alternative minimum tax net operating losses ("AMTNOLs") and credits that can be used to offset taxable income (or used as a credit) in any single year if the corporation experiences more than a 50% ownership change, as defined therein, over a three-year testing period ending on any testing date. See Note H to Consolidated Financial Statements for information regarding income taxes and NOLs, AMTNOLs and credits.

Management believes that the offering of outstanding common stock by existing stockholders in November 1995 triggered an ownership change, but that no ownership change occurred prior to such offering. If such an ownership change in fact occurred as a result of the November 1995 offering, management believes that even as limited by Sections 382 and 383 of the Code, the NOLs, AMTNOLs and credits would be used significantly earlier than their expiration, and the annual limitations would not have a material adverse impact on the Company. However, if the Internal Revenue Service were to successfully assert that an ownership change had occurred on any prior date, including August 1, 1993 (the date of the labor cost savings agreements), the impairment of the Company's ability to use its NOLs, AMTNOLs and credit carryforwards would be significant because the value of the Company's stock on certain prior testing dates (which adversely affects the annual limitations described above) was relatively low, and such low value would be used in computing the annual limitations with respect to losses incurred prior to the testing date.

Foreign Currency. In general, each time the yen strengthens (weakens), the Company's on-going operating income is favorably (unfavorably) impacted and a one-time nonoperating foreign currency loss (gain) is recognized due to the remeasurement of net yen liabilities. The Company's 1995 yen-denominated revenues exceeded its yen-denominated expenses by approximately 62.3 billion yen (approximately $644 million) and its yen-denominated liabilities exceeded its yen-denominated assets at December 31, 1995 by approximately 15.5 billion yen (approximately $150 million). The yen to U.S. dollar exchange rate at December 31, 1995, 1994 and 1993 was 103 yen to $1, 100 yen to $1 and 112 yen to $1, respectively.

Use of Financial Instruments. In order to mitigate its exposure to foreign exchange rate fluctuations, the Company began using a collar option strategy to hedge its anticipated yen-denominated net cash flows in 1994. During 1995, the impact on earnings of the Japanese yen collar option contracts was a pretax realized loss of $9.3 million. As of December 31, 1995, the Company had no option collars outstanding; however, it may elect from time to time to hedge a portion of its 1996 yen cash flows as deemed appropriate. In the ordinary course of business, the Company manages the price risk of fuel costs utilizing both regulated exchange traded futures contracts and fuel swap agreements. Gains or losses on hedge contracts are deferred until the related fuel inventory is expensed. As of December 31, 1995, the Company had no material hedges for future fuel requirements.

Pension Discount Rate. The decrease in the discount rate used to determine the Company's pension expense from 9.15% for 1995 to 7.10% for 1996 is the primary cause of a projected $65 million increase in 1996 pension expense.

Commissions. In February 1995 Northwest implemented a new domestic commission structure which limits standard commissions to a maximum of $25 for each one-way ticket and $50 for each round-trip ticket for domestic travel. Antitrust litigation challenging the new commission structure is pending. See Note J to Consolidated Financial Statements.

U.S. Transportation Tax. The U.S. 10% passenger ticket tax applicable to domestic travel, the 6.25% domestic cargo waybill tax and the $6 per passenger international departure tax expired on December 31, 1995. Consequently, the Company ceased collecting these taxes (which aggregated $504.8 million in 1995) on January 1, 1996. Management believes that some form of these taxes will likely be reinstated in 1996 on a prospective basis and that it is unlikely that any reinstatement will be retroactive.

Consolidated Balance Sheets

Northwest Airlines Corporation

(In millions)	December 31 1995	1994
Assets		
Current Assets		
Cash and cash equivalents	**$ 850.9**	$ 468.0
Short-term investments	**260.7**	601.9
Accounts receivable, less allowance (1995–$21.5; 1994–$19.5)	**700.3**	640.4
Flight equipment spare parts, less allowance (1995–$111.8; 1994–$86.2)	**268.0**	226.7
Deferred income taxes	**82.8**	88.0
Prepaid expenses and other	**175.5**	160.2
	2,338.2	2,185.2
Property and Equipment		
Flight equipment	**4,050.7**	3,695.0
Less accumulated depreciation	**953.5**	820.8
	3,097.2	2,874.2
Other property and equipment	**1,487.4**	1,465.9
Less accumulated depreciation	**505.2**	435.5
	982.2	1,030.4
	4,079.4	3,904.6
Flight Equipment Under Capital Leases		
Flight equipment	**940.9**	940.9
Less accumulated amortization	**230.8**	193.3
	710.1	747.6
Other Assets		
Investments in affiliated companies	**154.1**	156.6
International routes, less accumulated amortization (1995–$192.0; 1994–$168.0)	**775.7**	798.1
Other	**354.8**	278.0
	1,284.6	1,232.7
	$ 8,412.3	$ 8,070.1

The accompanying notes are an integral part of these consolidated financial statements.

(In millions, except share data)	December 31 1995	1994
Liabilities and Stockholders' Equity (Deficit)		
Current Liabilities		
Air traffic liability	**$ 888.4**	$ 761.1
Accounts payable and other liabilities	**790.8**	607.4
Accrued compensation and benefits	**361.6**	418.2
Accrued commissions	**214.7**	172.0
Accrued aircraft rent	**173.2**	177.3
Current maturities of long-term debt	**329.7**	334.2
Current obligations under capital leases	**62.1**	52.7
Short-term borrowings	**20.1**	23.8
	2,840.6	2,546.7
Long-Term Debt	**2,137.4**	3,679.3
Long-Term Obligations Under Capital Leases	**779.1**	837.6
Deferred Credits and Other Liabilities		
Deferred income taxes	**772.5**	768.5
Long-term pension and postretirement health care benefits	**831.1**	462.4
Other	**306.5**	351.3
	1,910.1	1,582.2
Mandatorily Redeemable Preferred Security of Subsidiary Which Holds Solely Non-Recourse Obligation of Company – Note E (Redemption value – $715.4)	**618.4**	–
Redeemable Preferred Stock		
Series A and B	**656.9**	703.7
Series C, liquidation value (1995–$322.4; 1994–$185.0)	**288.6**	91.3
	945.5	795.0
Common Stockholders' Equity (Deficit)		
Common stock, $.01 par value; shares authorized–315,000,000; shares issued and outstanding (1995–91,345,808; 1994–84,333,437)	**.9**	.8
Additional paid-in capital	**970.7**	636.6
Accumulated deficit	**(1,517.8)**	(1,910.9)
Other	**(272.6)**	(97.2)
	(818.8)	(1,370.7)
	$ 8,412.3	$ 8,070.1

Consolidated Statements of Operations

Northwest Airlines Corporation

(In millions, except per share amounts)	Year Ended December 31 1995	1994	1993
Operating Revenues			
Passenger	**$ 7,762.0**	$ 7,010.1	$ 6,619.6
Cargo	**751.2**	755.8	734.8
Other	**571.7**	559.0	510.5
	9,084.9	8,324.9	7,864.9
Operating Expenses			
Salaries, wages and benefits	**2,412.1**	2,325.6	2,437.4
Stock-based employee compensation	**478.0**	107.2	93.1
Aircraft fuel, oil and taxes	**1,083.8**	1,052.8	1,160.0
Commissions	**840.5**	770.2	718.1
Aircraft rentals	**338.9**	337.8	349.5
Other rentals and landing fees	**476.2**	436.0	412.1
Aircraft maintenance materials and repairs	**395.4**	396.0	368.0
Depreciation and amortization	**358.1**	357.4	417.3
Other	**1,799.7**	1,711.5	1,637.0
	8,182.7	7,494.5	7,592.5
Operating Income	**902.2**	830.4	272.4
Other Income (Expense)			
Interest expense	**(401.2)**	(387.2)	(374.4)
Interest capitalized	**13.9**	3.5	2.4
Investment income	**72.7**	42.2	19.4
Foreign currency loss – net	**(36.9)**	(20.2)	(37.1)
Other – net	**(0.1)**	29.6	68.4
Nonrecurring special charges	**–**	–	(74.3)
	(351.6)	(332.1)	(395.6)
Income (Loss) Before Income Taxes, Interest of Preferred Security Holder and Extraordinary Item	**550.6**	498.3	(123.2)
Income tax expense (benefit)	**204.0**	202.8	(7.9)
Interest of preferred security holder	**4.5**	–	–
Income (Loss) Before Extraordinary Item	**342.1**	295.5	(115.3)
Net gain on extinguishment of debt (less applicable income taxes of $29.4)	**49.9**	–	–
Net Income (Loss)	**392.0**	295.5	(115.3)
Preferred stock requirements	**(57.8)**	(59.3)	(92.2)
Exchange of preferred stock	**58.9**	–	–
Net Income (Loss) Applicable to Common Stockholders	**$ 393.1**	$ 236.2	$ (207.5)
Earnings (Loss) Per Common Share:			
Primary			
Before effects of extraordinary item and exchange of preferred stock	**$ 3.02**	$ 2.92	$ (2.82)
Net gain on extinguishment of debt	**.53**	–	–
Exchange of preferred stock	**.62**	–	–
Earnings (loss) per common share	**$ 4.17**	$ 2.92	$ (2.82)
Fully diluted			
Before effects of extraordinary item and exchange of preferred stock	**$ 2.85**	$ 2.87	$ (2.82)
Net gain on extinguishment of debt	**.49**	–	–
Exchange of preferred stock	**.58**	–	–
Earnings (loss) per common share	**$ 3.92**	$ 2.87	$ (2.82)

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

Northwest Airlines Corporation

(In millions)	Year Ended December 31 1995	1994	1993
Cash Flows From Operating Activities			
Net income (loss)	$ **392.0**	$ 295.5	$ (115.3)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	**358.1**	357.4	417.3
Income tax expense (benefit)	**204.0**	202.8	(7.9)
Net refund (payment) of income taxes	**(116.9)**	(22.2)	15.4
Stock-based employee compensation	**478.0**	107.2	93.1
Pension and other postretirement benefit payments (in excess of) less than expense	**(97.6)**	33.2	87.2
Nonrecurring special charges	**–**	–	68.5
Other – net	**(62.0)**	18.8	38.7
Changes in certain assets and liabilities:			
Decrease (increase) in accounts receivable	**(56.0)**	89.8	(14.6)
Increase in flight equipment spare parts	**(59.7)**	(45.2)	(.3)
Decrease (increase) in prepaid expenses and other	**28.3**	233.9	(155.0)
Increase (decrease) in air traffic liability	**127.3**	(35.2)	77.4
Increase (decrease) in accounts payable and other liabilities	**243.3**	149.7	(143.9)
Increase (decrease) in accrued compensation and benefits	**21.8**	(6.5)	(23.3)
Net cash provided by operating activities	**1,460.6**	1,379.2	337.3
Cash Flows From Investing Activities			
Capital expenditures	**(556.9)**	(152.5)	(81.1)
Purchases of short-term investments	**(659.3)**	(992.1)	–
Proceeds from maturities of short-term investments	**991.4**	452.2	–
Other – net	**(20.9)**	(2.3)	(4.3)
Net cash used in investing activities	**(245.7)**	(694.7)	(85.4)
Cash Flows From Financing Activities			
Payment of long-term debt and capital lease obligations	**(1,279.3)**	(1,493.7)	(124.8)
Proceeds from long-term debt	**352.1**	1,182.0	–
Proceeds from sale and leaseback transactions	**100.0**	10.9	–
Issuance of common stock	**–**	249.1	–
Decrease in borrowings under revolving credit facility	**–**	(272.2)	(221.0)
Other – net	**(4.8)**	(32.2)	(11.2)
Net cash used in financing activities	**(832.0)**	(356.1)	(357.0)
Increase (Decrease) In Cash And Cash Equivalents	**382.9**	328.4	(105.1)
Cash and cash equivalents at beginning of period	**468.0**	139.6	244.7
Cash and cash equivalents at end of period	$ **850.9**	$ 468.0	$ 139.6
Cash and cash equivalents and unrestricted short-term investments at end of period	$ **970.9**	$ 968.3	$ 139.6
Available to be borrowed under revolving credit facility	$ **187.6**	$ 290.8	$ 240.1

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Common Stockholders' Equity (Deficit)

Northwest Airlines Corporation

(In millions)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Deficit	Other	Total
Balance January 1, 1993	52.7	$ .5	$ 232.2	$ (1,924.7)	$ (40.5)	$ (1,732.5)
Net loss				(115.3)		(115.3)
Accrued cumulative dividends on Series A, B and C Preferred Stock				(63.3)		(63.3)
In-kind dividends on Series B Preferred Stock, 14%				(26.6)		(26.6)
Accretion of discount on Series C Preferred Stock				(.8)		(.8)
Translation adjustments, net of income taxes					(13.4)	(13.4)
Pension liability adjustment, net of income taxes					(78.7)	(78.7)
Shares issued to Series A and B Preferred stockholders	5.3	.1	16.3	(16.4)		–
Other			4.7		(4.6)	.1
Balance December 31, 1993	58.0	.6	253.2	(2,147.1)	(137.2)	(2,030.5)
Net income				295.5		295.5
Issuance of common stock	20.4	.2	248.9			249.1
Shares earned by employees including shares issued to employee benefit plans	5.8		121.4			121.4
Accrued cumulative dividends on Series A and B Preferred Stock				(54.5)		(54.5)
Accretion of discount on Series C Preferred Stock				(4.8)		(4.8)
Tax benefit related to stock issued to employees			10.0			10.0
Translation adjustments, net of income taxes					(14.1)	(14.1)
Pension liability adjustment, net of income taxes					53.9	53.9
Other	.1		3.1		.2	3.3
Balance December 31, 1994	84.3	.8	636.6	(1,910.9)	(97.2)	(1,370.7)
Net income				392.0		392.0
Exchange of preferred stock for common stock	2.0		37.9	58.9		96.8
Shares earned by employees including shares issued to employee benefit plans	3.4		280.3			280.3
Accrued cumulative dividends on Series A and B Preferred Stock				(50.3)		(50.3)
Accretion of discount on Series C Preferred Stock				(7.7)		(7.7)
Tax benefit related to stock issued to employees			2.1			2.1
Translation adjustments, net of income taxes					1.7	1.7
Pension liability adjustment, net of income taxes					(179.1)	(179.1)
Series C Preferred Stock converted to common stock	.5		8.1			8.1
Other	1.1	.1	5.7	.2	2.0	8.0
Balance December 31, 1995	91.3	$ .9	$ 970.7	$ (1,517.8)	$ (272.6)	$ (818.8)

The accompanying notes are an integral part of these consolidated financial statements.

Northwest Airlines Corporation

Note A — Summary of Significant Accounting Policies

Basis Of Presentation: Northwest Airlines Corporation ("NWA Corp.") is a holding company whose principal operating indirect subsidiary is Northwest Airlines, Inc. ("Northwest"). The consolidated financial statements include the accounts of NWA Corp. and all subsidiaries (collectively, the "Company"). All significant intercompany transactions have been eliminated. Investments in 20% to 50% owned companies are accounted for by the equity method. Other investments are accounted for by the cost method.

Certain amounts for 1994 and 1993 have been reclassified to conform with the 1995 financial statement presentation.

Operations: Northwest's operations comprise more than 96% of the Company's consolidated operating revenues and expenses. Northwest is a major air carrier engaged principally in the commercial transportation of passengers and cargo, directly serving more than 150 cities in 18 countries in North America, Asia and Europe. Northwest's global airline network includes domestic hubs at Detroit, Minneapolis/St. Paul and Memphis, an extensive Pacific route system with a hub at Tokyo, and a transatlantic alliance with KLM Royal Dutch Airlines. Operating revenues from foreign operations, primarily in the Pacific region, totaled approximately $3.17 billion, $2.83 billion and $2.81 billion in 1995, 1994 and 1993, respectively.

Flight Equipment Spare Parts: Flight equipment spare parts are carried at average cost. An allowance for depreciation is provided at rates which depreciate cost, less residual value, over the estimated useful lives of the related aircraft.

Property, Equipment And Depreciation: Owned property and equipment are stated at cost. Property and equipment acquired under capital leases are stated at the lower of the present value of minimum lease payments or fair market value at the inception of the lease. Property and equipment are depreciated to residual values using the straight-line method over the estimated useful lives of the assets. Estimated useful lives generally range from 4 to 25 years for flight equipment and 3 to 32 years for other property and equipment. Leasehold improvements are amortized over the remaining period of the lease or the estimated service life of the related asset, whichever is less. Property and equipment under capital leases are amortized over the lease terms or the estimated useful lives of the assets. Effective January 1, 1994, the Company revised estimated salvage values and depreciable lives for certain aircraft to better reflect current estimates, principally as a result of its DC-9-30 enhancement program. The net effect was to reduce depreciation expense for the twelve months ended December 31, 1994, by $49.7 million ($31.1 million net of tax or $.38 per share).

Airframe And Engine Maintenance: Routine maintenance and airframe and engine overhauls are charged to expense as incurred. Modifications that enhance the operating performance or extend the useful lives of airframes or engines are capitalized and amortized over the remaining useful life of the asset.

International Routes: International routes are amortized on a straight-line basis, generally over 40 years.

Frequent Flyer Program: The estimated incremental cost of providing travel awards earned under Northwest's WorldPerks frequent flyer program is accrued. The Company sells mileage credits to participating companies in its frequent flyer program. A portion of such revenue is deferred and amortized as transportation is provided.

Postretirement Health Care Benefits: The Company provides medical, dental and life insurance benefits to certain eligible retirees and their dependents. The expected future cost of providing such postretirement benefits is accrued over the service life of active employees.

Foreign Currency: Assets and liabilities denominated in foreign currency are remeasured at current exchange rates with resulting gains and losses generally included in net income.

The Preferred Security (see Note E) and other assets and liabilities of certain properties located outside of the United States ("U.S.") whose cash flows are primarily in the local functional currency are translated at current exchange rates, and translation gains and losses are recorded directly to common stockholders' equity deficit. The cumulative foreign translation loss net of tax was $39.3 million as of December 31, 1995.

Operating Revenues: Passenger and cargo revenues are recognized when the transportation is provided. The air traffic liability represents the estimated value of sold but unused tickets which is regularly evaluated by the Company.

Effective with the first quarter of 1995, certain air transportation discounts to customers, previously classified as commissions, are classified as reductions to passenger revenue. The reclassifications have no impact on either operating income or net income and conform the Company's financial reporting with the reporting practices of other U.S. airlines. The commission reclassifications were $818 million and $784 million for the twelve months ended December 31, 1994 and 1993, respectively.

Advertising: Advertising costs, included in other operating expenses, are expensed as incurred and were $119.4 million, $120.4 million and $95.2 million in 1995, 1994 and 1993, respectively.

Other Income (Expense): The 1993 financial results included $94.3 million of nonrecurring special charges, of which $74.3 million was classified as other income (expense) and $20.0 million was classified as salaries, wages and benefits. These charges included aircraft order cancellations of $48.7 million, financing fees of $13.7 million, write-downs of other assets of $11.9 million and early retirement pension benefits of $20.0 million.

Income Taxes: The Company accounts for income taxes utilizing the liability method. Deferred income taxes are primarily recorded to reflect the tax consequences of differences between the tax and financial reporting bases of assets and liabilities.

Earnings (Loss) Per Share: Primary earnings per share is based on the weighted average number of common and common stock equivalent shares outstanding and includes the common stock shares earned by employees. Common stock equivalents include the dilutive effect of the assumed exercise of stock options using the treasury stock method. Primary earnings per share in 1995 and 1994 is based on 94,302,528 shares and 80,888,543 shares, respectively. For fully diluted earnings per share, both net income applicable to common stockholders and weighted average shares outstanding are adjusted as if the Series C Preferred Stock earned by employees was converted to common stock. Fully diluted earnings per share in 1995 and 1994 is based on 102,241,106 shares and 84,492,067 shares, respectively.

Pursuant to Securities and Exchange Commission rules, common shares and stock options issued by the Company and the Series C Preferred Stock and common shares earned by employees within one year prior to an initial public offering have been included in the earnings per share calculation as if they were outstanding for all prior periods using the treasury stock method. Weighted average shares were 65,494,013 in 1993.

Use of Estimates: The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in its consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

New Accounting Standard: Effective January 1, 1996, the Company will adopt Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" ("SFAS 121"). The Company does not expect the adoption of SFAS 121 to have a material effect on its consolidated financial statements.

Note B — Labor Cost Savings Agreements

The Company's employee unions ratified amended labor agreements which provide for wage and other compensation savings (the "Actual Savings") by domestic employees, including management, and other cost reductions aggregating approximately $886 million over a 36 to 39 month period (depending on the labor group) (the "Wage Savings Period") commencing August 1993. As part of an overall revised compensation plan provided by the amended labor agreements, the Company agreed, among other things, to issue to trusts for the benefit of participating employees 18,214,419 shares of a new class of Series C cumulative, voting, convertible, redeemable preferred stock (the "Series C Preferred Stock") and to provide the union groups with three positions on the Board of Directors. The Company has authorized 25,000,000 shares of Series C Preferred Stock, par value $.01 per share. Although these shares will be issued to trusts for the benefit of employees in seven installments, the holders have the right to vote as if all shares were issued.

Pursuant to a one-time special conversion right exercised in February 1994, the Company will issue to certain of such trusts approximately 17.8 million shares of common stock (in lieu of approximately 9.3 million of the shares of Series C Preferred Stock that would have otherwise been issued). Information with respect to the shares issued to trusts for the benefits of employees is as follows (in millions):

	Series C Preferred Stock				Common Stock			
	Shares to be Issued	Shares Out-standing	Shares Earned	Financial Statement Amount	Shares to be Issued	Shares Out-standing	Shares Earned	Financial Statement Amount
Balance January 1, 1993	–	–	–	$ –	–	–	–	$ –
Stock to be issued to trusts for the benefit of employees	18.2	–	–	–	–	–	–	–
Shares earned by employees	–	–	2.5	93.1	–	–	–	–
Accretion and other	–	–	–	6.2	–	–	–	–
Balance December 31, 1993	18.2	–	2.5	99.3	–	–	–	–
Exercise of special conversion option	(9.3)	–	(1.4)	(62.7)	17.8	–	2.8	62.7
Shares earned by employees	–	–	2.9	48.5	–	–	5.0	58.7
Shares issued to trusts	(3.0)	3.0	–	–	(5.8)	5.8	–	–
Accretion and other	–	–	–	6.2	–	–	–	–
Balance December 31, 1994	5.9	3.0	4.0	91.3	12.0	5.8	7.8	121.4
Shares earned by employees	–	–	2.9	197.7	–	–	5.5	280.3
Shares issued to trusts	(1.8)	1.8	–	–	(3.4)	3.4	–	–
Series C Preferred Stock converted to common stock	–	(.4)	–	(8.1)	–	.5	–	8.1
Withdrawals from trusts	–	–	–	–	–	(2.0)	–	–
Accretion	–	–	–	7.7	–	–	–	–
Balance December 31, 1995	4.1	4.4	6.9	$ 288.6	8.6	7.7	13.3	$ 409.8

The Series C Preferred Stock ranks junior to Series A and B Preferred Stock and senior to common stock with respect to liquidation and certain dividend rights. As long as the Class A Common Stock is publicly traded, no dividends accrue on the Series C Preferred Stock. Each share of the Series C Preferred Stock is convertible at any time into 1.364 shares of common stock. Consequently, at December 31, 1995 the aggregate 8.5 million shares of Series C Preferred Stock outstanding and to be issued are convertible into approximately 11.6 million shares of common stock.

Series C Preferred Stock is redeemable in 2003 for a pro rata share of Actual Savings (projected to approximate $404 million in total for the Series C Preferred Stock which has not yet been converted, including shares which have not yet been earned). The financial statement carrying value of the Series C Preferred Stock is being accreted over ten years commencing August 1993 to the ultimate redemption amount for the Series C Preferred Stock. The Company has the option to redeem in cash, issue additional common stock, or use a combination thereof, to satisfy the redemption requirements. A decision to issue only additional common stock must be approved by a majority of the three directors elected by the holders of the Series C Preferred Stock. If the Company fails to redeem the Series C Preferred Stock, dividends accrue at the higher of (i) 12% or (ii) the highest penalty rate on any then outstanding series of preferred stock, and the employee unions receive three additional Board of Directors positions. Commencing at the end of the Wage Savings Period in 1996, the Actual Savings cease and the Company at its option may redeem in whole or in part the Series C Preferred Stock. The consent of the holders of the Series A and B Preferred Stock, if still outstanding, must be received in order to redeem the Series C Preferred Stock.

Because of applicable accounting requirements, the Company must recognize compensation expense for each year based on the values at the measurement date of the Series C Preferred Stock and the common stock earned by employees. The final measurement date for 1995 and 1994 was December 31, 1995 and 1994, respectively, and the final measurement date for 1996 will be November 30, 1996. Such non-cash stock-based compensation expense is calculated each month by (1) determining the aggregate current value of all Series C Preferred Stock and common stock earned by employees since the previous January 1 using current per share values as of the balance sheet date and then (2) subtracting the non-cash compensation previously recognized since January 1. Any increase (decrease) in share value will increase (decrease) non-cash compensation expense and the recorded effect in any month of a change in share prices will be a function of all shares earned since the previous January 1. Such changes in share values may be unrelated to the period's performance or cash flows.

Note C — Long-Term Debt and Short-Term Borrowings

Long-term debt consisted of the following (in millions, with interest rates as of December 31, 1995):

	December 31	
	1995	1994
Term loan due through 1999, 7.1% (a)	**$ 300.0**	$ –
Term loans due through 2000 (a)	–	964.8
Land mortgages due 2000 (b)	–	695.9
Secured notes due through 2000, 8.3% weighted average rate (c)	**348.9**	435.3
NWA Trust No. 2 aircraft notes due through 2012, 10.6% weighted average rate (d)	**345.0**	352.0
Equipment pledge notes due through 2013, 9.8% weighted average rate	**307.9**	326.6
Sale-leaseback financing obligations due through 2020, 9.9% imputed rate (e)	**263.0**	263.5
NWA Trust No. 1 aircraft notes due through 2006, 8.6% weighted average rate (f)	**230.4**	239.1
8.625% unsecured notes due 1996, net of discount (1995—$3.8; 1994—$9.7)	**196.2**	190.3
Term certificates due 1999, 6.7% (g)	**175.0**	175.0
Unsecured notes due through 1999, 12.1%	**89.0**	140.0
Hushkit financing due through 2001, 7.6% (h)	**12.3**	12.3
Other	**199.4**	218.7
Total long-term debt	**2,467.1**	4,013.5
Less current maturities	**329.7**	334.2
	$ 2,137.4	$ 3,679.3

(a) In December 1995, the Company entered into a new credit agreement (the "Credit Agreement") that provided an unsecured $300 million floating rate term loan. The principal under the term loan is payable in semiannual installments through December 1999. The proceeds of the term loan, together with other funds of the Company, were used to prepay the remaining $837 million of outstanding indebtedness under the Company's 1989 bank credit facility which financed the original leveraged buy-out of the Company.

The Credit Agreement also provides an unsecured $200 million revolving credit facility scheduled to expire in December 1998. A commitment fee (.25% at December 31, 1995) is payable by the Company on the unused portion of the revolving credit facility at a floating rate per annum determined with reference to the Company's unsecured debt rating. At December 31, 1995, $187.6 million remained available to be borrowed, as a result of the issuance on behalf of the Company of $12.4 million of letters of credit.

(b) In October 1995, the Company restructured the non-recourse financing arrangement related to certain property it owns in Japan. The restructured obligation is reflected on the Company's Consolidated Balance Sheet as "Mandatorily Redeemable Preferred Security of Subsidiary which holds solely non-recourse obligation of Company." See Note E.

(c) In 1990 the Company issued floating rate notes to certain manufacturers. Principal repayments are due quarterly through 2000.

(d) In December 1994, the Company completed a structured aircraft financing transaction in which 13 Airbus A320 aircraft were transferred from Northwest (subject to existing indebtedness) to an owner trust (NWA Trust No. 2). A limited partnership of which Northwest is the limited partner and Norbus, Inc. (an affiliate of Airbus Industrie A.I.E.) is the general partner, is the sole equity participant in the owner trust. All proceeds from the transaction were used to repay equipment pledge notes which had previously been issued to finance the acquisition of these aircraft by Northwest. The aircraft were simultaneously leased back to Northwest.

Financing of $352 million was obtained through the issuance of $176 million of 9.25% Class A Senior Aircraft Notes, $66 million of 10.23% Class B Mezzanine Aircraft Notes, $44 million of 11.30% Class C Mezzanine Aircraft Notes and $66 million of 13.875% Class D Subordinated Aircraft Notes. The notes are payable semiannually from rental payments made by Northwest under the lease and are secured by the aircraft subject to the lease as well as the lease itself.

(e) In March 1992, the Company completed agreements with the Minneapolis-St. Paul Metropolitan Airports Commission ("MAC") for the sale and leaseback of various corporate assets. The sale-leaseback agreements, which are accounted for as debt, call for increasing quarterly payments over a 30-year term and include a provision which gives the Company the option to repurchase the assets.

The agreements with the MAC are part of a group of financing arrangements with the State of Minnesota and other government agencies. In December 1994, the Company and the State of Minnesota entered into agreements whereby the Company will build and operate a reservations center in Chisholm, Minnesota, and a maintenance facility in Duluth, Minnesota. Both facilities were under construction at December 31, 1995 and are expected to become operational in April 1996 and October 1996, respectively. The state of Minnesota and other government entities have agreed to provide debt and lease financing of approximately $52 million related to these facilities.

(f) In March 1994, Northwest consummated a financing transaction in which six Boeing 747-200 and four Boeing 757-200 aircraft were sold to an owner trust (NWA Trust No. 1) of which NWA Aircraft Finance, Inc., an indirect subsidiary of the Company, is the sole equity participant. A portion of the purchase price was financed through the issuance of $177 million of 8.26% Class A Senior Aircraft Notes and $66 million of 9.36% Class B Subordinated Aircraft Notes. The aircraft were simultaneously leased back to Northwest. The notes are payable semiannually from rental payments made by Northwest under the lease and are secured by the aircraft subject to the lease as well as the lease itself.

(g) In March 1994, Northwest agreed to sell certain receivables on an ongoing basis to Northwest Capital Funding Corp., an indirect subsidiary of the Company, which has issued through a master trust $175 million of floating rate Term Certificates. These privately placed certificates require payment of interest only during their term with the principal due in 1999 and are secured by the purchased receivables and restricted cash.

(h) In August 1994, the Company entered into a credit agreement to finance engine hushkit shipsets for DC-9 aircraft. The credit facility allows for borrowings up to $225 million prior to December 31, 1998. Interest is payable quarterly. Generally, amounts borrowed during each annual period through 1998 are payable in quarterly installments over the six years following each such annual period.

In February 1996, the Company entered into memoranda of understanding ("MOU") providing for, among other things, the rescheduling of certain debt maturities. The consummation of the transactions set forth in the MOU is subject to the satisfaction of certain conditions. Maturities of long-term debt for the five years subsequent to December 31, 1995, and the revised maturities as impacted by the MOU are as follows (in millions):

As of December 31, 1995		Adjusted for MOU	
1996	$ 329.7	1996	$ 279.7
1997	218.7	1997	143.7
1998	397.1	1998	211.7
1999	455.2	1999	350.2
2000	102.1	2000	60.5

The debt and lease agreements of the Company contain certain restrictive covenants, including limitations on indebtedness, capital expenditures, equity redemptions and the declaration of dividends, as well as requirements to maintain certain financial ratios, including collateral coverage ratios. At December 31, 1995, the Company was in compliance with the covenants of all of its debt and lease agreements. Various assets, principally aircraft, having an aggregate book value of $2.2 billion at December 31, 1995, were pledged under various loan agreements.

Cash payments of interest, net of capitalized interest, aggregated $365.6 million in 1995, $332.7 million in 1994, and $322.9 million in 1993.

The maximum and average outstanding balances of short-term borrowings, used primarily for financing fuel hedging activities and aircraft insurance premiums, and the weighted average interest rates during 1995, 1994 and 1993 were as follows (dollars in millions):

	1995	1994	1993
Maximum amount of borrowings outstanding during period	**$50.5**	$46.4	$10.0
Average daily borrowings during period	**$23.1**	$17.8	$ 4.8
Weighted average interest rate on borrowings during period	**5.81%**	5.95%	4.18%

Note D — Leases

The Company leases certain aircraft; space in airport terminals; land and buildings at airports; ticket, sales and reservations offices; and other property and equipment under noncancelable operating leases which expire in various years through 2025. Portions of certain facilities are subleased under noncancelable operating leases expiring in various years through 2020.

At December 31, 1995, the Company leased 142 of the 380 aircraft it operates. Of these, 34 were capital leases and 108 were operating leases. Expiration dates range from 1997 to 2008 for aircraft under capital leases, and from 1996 to 2016 for aircraft under operating leases. The Company's aircraft leases can generally be renewed for terms ranging from one to three years at rates based on the aircraft's fair market value at the end of the lease term. Eighty-three of the 142 aircraft lease agreements provide the Company with purchase options at the end of the lease term which approximate fair market value.

Rental expense for all operating leases consisted of (in millions):

	Year Ended December 31		
	1995	1994	1993
Gross rental expense	**$ 601.9**	$ 578.8	$ 583.3
Sublease rental income	**(57.6)**	(57.2)	(57.9)
Net rental expense	**$ 544.3**	$ 521.6	$ 525.4

At December 31, 1995, future minimum lease payments under capital leases and noncancelable operating leases with initial or remaining terms of more than one year were as follows (in millions):

	Capital Leases	Operating Leases
1996	$ 122.0	$ 469.1
1997	124.6	466.0
1998	115.1	422.9
1999	106.2	385.5
2000	104.1	372.9
Thereafter	697.6	4,361.5
	1,269.6	6,477.9
Less sublease rental income		53.5
Total minimum operating lease payments		$ 6,424.4
Less amounts representing interest	428.4	
Present value of future minimum capital lease payments	841.2	
Less current obligations under capital leases	62.1	
Long-term obligations under capital leases	$ 779.1	

Note E — Mandatorily Redeemable Preferred Security of Subsidiary Which Holds Solely Non-Recourse Obligation of Company

In October 1995, the Company completed a restructuring of its yen-denominated non-recourse obligation due in full in 2000 and secured by land and buildings the Company owns in Tokyo. A newly formed consolidated subsidiary of the Company (the "Subsidiary") entered into a Japanese business arrangement designated under Japanese law as a tokumei kumiai ("TK"). Pursuant to the TK arrangement, the holder of the non-recourse obligation restructured such obligation and then assigned title to and ownership of such obligation to the Subsidiary as operator under the TK arrangement in exchange for a preferred interest in the profits and returns of capital from the business of the Subsidiary (the "Preferred Security"). The restructured non-recourse obligation is the sole asset of the Subsidiary. As a result of this restructuring, the original holder of such non-recourse obligation is no longer a direct creditor of the Company and the Company's obligation is reflected in the Consolidated Balance Sheet as "Mandatorily Redeemable Preferred Security of Subsidiary which holds solely non-recourse obligation of Company." NWA Corp. has guaranteed the obligation of the Subsidiary to distribute payments on the Preferred Security pursuant to the TK arrangement if and to the extent payments are received by the Subsidiary.

The maturity of the restructured obligation has been extended to three approximately equal annual installments each due in 2005, 2006 and 2007. In addition to these installments, cash payments on the restructured obligation will be payable semiannually at the rate of 4% per annum until March 31, 2000 and at a rate based upon a floating long-term Japanese prime rate (capped at 6%) thereafter. During the first three years, one-fourth of the cash payments will be applied to reduce the obligation. The obligation remains non-recourse to the Company. In addition, the Company retains the ability (exercisable at any time after September 30, 2001) to transfer the property in full satisfaction of all Company obligation related to the financing.

The initial financial statement carrying value of the Preferred Security reflects the fair value as of the closing date of the transaction and is being accreted over 12 years to the ultimate maturity value of 73.1 billion yen ($710.1 million based on the December 31, 1995 exchange rate). Such accretion is included in the Consolidated Statements of Operations as "Interest of preferred security holder." The excess of the financial statement carrying value of the original non-recourse obligation over the fair value of the Preferred Security under the TK arrangement at the date of the restructuring resulted in a gain of $62 million net of tax. This gain, together with losses on other debt extinguishments, is shown as an extraordinary item.

Note F — Series A and Series B Redeemable Preferred Stock

Series A and Series B Preferred Stock issued and outstanding consisted of the following (dollars in millions):

	Series A		Series B		Accrued Cumulative	
	Shares	Amount	Shares	Amount	Dividends	Total
Balance January 1, 1993	5,000	$ 250.0	6,321	$ 316.1	$ –	$ 566.1
Stock dividends	–	–	532	26.6	–	26.6
Accrued dividends	–	–	–	–	57.9	57.9
Balance December 31, 1993	5,000	250.0	6,853	342.7	57.9	650.6
Accrued dividends	–	–	–	–	53.1	53.1
Balance December 31, 1994	5,000	250.0	6,853	342.7	111.0	703.7
Exchange of preferred stock for common stock	–	–	(1,727)	(86.4)	(10.7)	(97.1)
Accrued dividends	–	–	–	–	50.3	50.3
Balance December 31, 1995	5,000	$ 250.0	5,126	$ 256.3	$ 150.6	$ 656.9

For each of the above series of preferred stock, 10,000 shares are authorized, par value is $.01 per share and the stated value is $50,000 per share. Both series are entitled to a preference in voluntary and involuntary liquidation, in the amount of $50,000 per share, plus accrued and unpaid dividends. Holders of the Series A and Series B Preferred Stock have voting rights for the election of directors.

In 1993, the holders of Series A and Series B Preferred Stock agreed to extend the final mandatory redemption dates to August 1, 2002 for Series A and to August 1, 2003 for Series B Preferred Stock and reduce the dividend rates. The Series A and Series B Preferred Stock, including accrued and unpaid dividends, must be redeemed in three equal installments starting two years prior to the respective final redemption dates. The Company issued simultaneously 5,270,038 shares of common stock to the holders of the Series A and Series B Preferred Stock, which was accounted for at fair value as a transfer from accumulated deficit.

Commencing July 31, 1993, the Series A and Series B dividends accrue semiannually at 8% per year and for the next five years dividends are deferred until redemption and payable in cash thereafter. Dividends are cumulative if unpaid, and beginning August 1, 1998, to the extent cash dividends are not paid, the annual dividend rate will increase every six months by 1/2% up to a maximum of 10%.

The Series A Preferred Stock ranks senior to the Series B and Series C Preferred Stock and all classes of common stock with respect to liquidation and dividend rights. The Series B Preferred Stock ranks senior to the Series C Preferred Stock and all classes of common stock with respect to liquidation and dividend rights. At any time, at the option of the Company, the Series A (in whole) and Series B (in whole or in $50 million increments) Preferred Stock are redeemable. All outstanding shares of Series A Preferred Stock must have been previously redeemed before an optional redemption of any Series B Preferred Stock is permitted.

In January 1995, the Company consummated an agreement with Bankers Trust New York Corporation to exchange 1,727 shares of the Company's Series B Preferred Stock for 2,050,000 shares of newly issued Class B Common Stock. This transaction resulted in a transfer from redeemable preferred stock to common stockholders' equity deficit of $96.8 million, net of expenses, and an increase to net income applicable to common stockholders of $58.9 million.

Note G — Common Stockholders' Equity (Deficit)

The Company's classes of common stock consisted of (shares in millions):

	Class A voting Par value $.01	Class B non-voting Par value $.01	**Total**
Balance at January 1, 1993	38.6	14.1	52.7
Shares issued to Series A and B Preferred stockholders	1.1	4.2	5.3
Balance at December 31, 1993	39.7	18.3	58.0
Issuance of common stock	20.4	–	20.4
Shares issued to employee trusts	5.1	.7	5.8
Conversion of Class B to Class A	11.8	(11.8)	–
Other	.1	–	.1
Balance at December 31, 1994	77.1	7.2	84.3
Exchange of preferred stock for common stock	–	2.0	2.0
Shares issued to employee trusts	3.0	.4	3.4
Conversion of Class B to Class A	6.2	(6.2)	–
Conversion of Series C Preferred Stock	.4	.1	.5
Other	1.1	–	1.1
Balance at December 31, 1995	87.8	3.5	91.3

All classes of common stock rank junior to all classes of preferred stock with respect to liquidation rights. Shares of Class B Common Stock are convertible at any time into an equal number of shares of Class A Common Stock and vice versa. The Company is effectively precluded from declaring a dividend on or repurchasing for cash its common stock by the terms of the Series A and Series B Preferred Stock. Authorized shares are 250.0 million and 65.0 million of Class A and Class B Common Stock, respectively.

In November 1995, the Company adopted a Stockholder Rights Plan (the "Rights Plan") pursuant to which the Company distributed one preferred share purchase right as a dividend for each share of common stock outstanding. As a result, each share of common stock has attached thereto a right and, until the rights expire or are redeemed, each new share of common stock issued by the Company, including the shares of common stock into which the Series C Preferred Stock is convertible, will include one right. Upon the occurrence of certain events, each right entitles the holder to purchase one one-hundredth of a share of Series D Junior Participating Preferred Stock at an exercise price of $150, subject to adjustment. The rights become exercisable only after any person or group (other than the trusts holding common stock for the benefit of employees) acquires beneficial ownership of 19% or more of the Company's "outstanding" common stock (as defined in the Rights Plan) or commences a tender or exchange offer that would result in such person or group acquiring beneficial ownership of 19% or more of the Company's outstanding common stock. If any person or group acquires beneficial ownership of 19% or more of the Company's outstanding common stock, the holders of the rights (other than the acquiring person or group) will be entitled to receive upon exercise of the rights, Class A Common Stock of the Company having a market value of two times the exercise price of the right. In addition, if after the rights become exercisable the Company is involved in a merger or other business combination or sells more than 50% of its assets or earning power, each right will entitle its holder (other than the acquiring person or group) to

receive common stock of the acquiring company having a market value of two times the exercise price of the rights. The rights expire on November 16, 2005 and may be redeemed by the Company at a price of $.01 per right prior to the time they become exercisable.

The Company has stock option plans for officers and key employees. At December 31, 1995 and 1994, the Company had 4,947,927 shares of Class A Common Stock reserved for issuance under the plans. There were 204,730 and 245,647 shares available for future grants at December 31, 1995 and 1994, respectively. The Company follows Accounting Principles Board Opinion No. 25 , "Accounting for Stock Issued to Employees" ("APB 25") in accounting for its employee stock options. Under APB 25, compensation expense is recognized to the extent that the market price of the common stock exceeds the option price on the date of grant. It is generally the Company's policy to grant options with the exercise price equal to the market price of the common stock on the date of grant. To the extent that options are granted with an exercise price less than the market price of the common stock, compensation expense is recognized over the vesting period of the grant, which is generally four years. All stock options expire ten years after their grant date. Following is activity with respect to stock options (in thousands, except per share amounts):

	Shares	Price Per Share
Outstanding at January 1, 1994, of which 1,135 were exercisable	2,891	$4.74 - $28.46
Granted	1,852	
Forfeited	(61)	
Cancelled	(19)	
Exercised	(138)	$4.74
Outstanding at December 31, 1994, of which 1,835 were exercisable	4,525	$4.74 - $28.46
Granted	206	
Forfeited	(165)	
Exercised	(1,057)	$4.74 - $28.46
Outstanding at December 31, 1995, of which 1,594 were exercisable	3,509	$4.74 - $39.50

Note H — Income Taxes

Income tax expense (benefit) consisted of the following (in millions):

	Year Ended December 31		
	1995	1994	1993
Current:			
Federal	**$ 89.1**	$ 11.9	$ .1
Foreign	**3.9**	5.3	3.8
State	**13.0**	5.3	.7
	106.0	22.5	4.6
Deferred:			
Federal	**93.8**	168.1	(6.4)
Foreign	**.7**	(5.3)	(3.8)
State	**3.5**	17.5	(2.3)
	98.0	180.3	(12.5)
Total income tax expense (benefit)	**$204.0**	$ 202.8	$ (7.9)

Reconciliation of the statutory rate to the Company's income tax expense (benefit) is as follows (in millions):

	Year Ended December 31		
	1995	1994	1993
Statutory rate applied to income (loss) before income taxes, interest of preferred security holder and extraordinary item	**$192.7**	$174.4	$(43.1)
Add (deduct):			
State income tax net of federal benefit	**13.6**	16.0	(1.2)
Non-deductible meals and entertainment	**9.0**	8.9	3.5
Effect of federal rate increase on deferred tax balances	**–**	–	12.0
Adjustment to valuation allowance and other income tax accruals	**(12.3)**	3.0	20.8
Other	**1.0**	.5	.1
Total income tax expense (benefit)	**$204.0**	$202.8	$ (7.9)

The net deferred tax liabilities listed below include a current net deferred tax asset of $82.8 million and $88.0 million and a long-term net deferred tax liability of $772.5 million and $768.5 million as of December 31, 1995 and 1994, respectively.

Significant components of the Company's net deferred tax liability were as follows (in millions):

	December 31	
	1995	1994
Deferred tax liabilities:		
Financial accounting basis of assets in excess of tax basis	**$ 1,362.2**	$ 1,327.3
Expenses other than depreciation accelerated for tax purposes	**275.1**	264.7
Other	**14.2**	55.3
Total deferred tax liabilities	**1,651.5**	1,647.3
Deferred tax assets:		
Pension and postretirement benefits	**281.4**	229.6
Expenses accelerated for financial reporting purposes	**344.2**	213.5
Leases capitalized for financial reporting purposes	**132.1**	155.1
Net operating loss carryforwards	**38.2**	304.3
Alternative minimum tax credit carryforwards	**148.9**	36.7
Investment tax credit carryforwards	**–**	24.1
Foreign tax credit carryforwards	**17.0**	16.0
Total deferred tax assets	**961.8**	979.3
Valuation allowance for deferred tax assets	**–**	(12.5)
Net deferred tax assets	**961.8**	966.8
Net deferred tax liability	**$ 689.7**	$ 680.5

As of December 31, 1995, the Company has regular net operating loss carryforwards ("NOLs") of $102.8 million available for carryforward to future years' returns, which will expire in 2008. For tax purposes, the Company utilized NOLs of $711.1 million and $394.4 million in 1995 and 1994, respectively, and utilized alternative minimum tax net operating losses ("AMTNOLs") of $105.1 million, $446.7 million and $35.8 million in 1995, 1994 and 1993, respectively. The Company has alternative minimum tax and regular foreign tax credits of $148.9 million and $17.0 million, respectively, available for carryforward to future years' tax returns. The alternative minimum tax credit has an unlimited carryforward period while the regular foreign tax credits expire through 2000. The Company utilized its remaining AMTNOL carryforwards in 1995, as well as its remaining investment credit carryforward and its remaining foreign tax credits available for alternative minimum tax purposes.

Sections 382 and 383 of the Internal Revenue Code of 1986 (the "Code") and the regulations thereunder impose limitations on the carryforward amounts of NOLs, AMTNOLs and credits that can be used to offset taxable income (or used as a credit) in any single year if the corporation experiences more than a 50% ownership change, as defined therein, over a three-year testing period ending on any testing date. The annual limitation on the amount of such NOLs, AMTNOLs and credits is calculated in part based on the value of the Company's stock. Management believes that the offering of outstanding common stock by existing stockholders in November 1995 triggered an ownership change, but that no ownership change occurred prior to the offering. If such an ownership change in fact occurred as a result of the November 1995 offering, management believes that even as limited by Sections 382 and 383 of the Code, the NOLs, AMTNOLs and credits would be used significantly earlier than their expiration, and the annual limitations would not have an adverse impact on the Company. However, if the Internal Revenue Service (the "IRS") were to successfully assert that an ownership change had occurred on any prior date, including August 1, 1993 (the date of the labor cost savings agreements), the impairment of the Company's

ability to use its NOLs, AMTNOLs and credit carryforwards would be significant because the value of the Company's stock on certain prior testing dates (which adversely affects the annual limitation described above) was relatively low.

In November 1995, the IRS issued proposed adjustments to the tax returns of the Company for the 1988 through 1991 tax years. Certain of these proposed adjustments result from a disagreement between the Company and the IRS as to the timing of the recognition of approximately $385 million of taxable income. The IRS has also proposed that the Company recognize additional taxable income of approximately $375 million. The Company disagrees with the IRS' proposals. The Company will vigorously contest all of the proposed adjustments and believes its positions are correct. To the extent the IRS were to prevail on any of these issues, the Company would recognize taxable income and utilize net operating loss carryforwards sooner than otherwise scheduled. For financial reporting purposes, any adjustments to taxable income would largely be accounted for as temporary differences and would not result in a material charge to income tax expense.

Note I — Commitments

The Company's aircraft orders as of December 31, 1995 included commitments to acquire 38 Boeing 757-200 aircraft, 13 in 1996 and 25 in 2003 through 2005, and 16 Airbus A330 aircraft, eight each in 1999 and 2000. In February 1996, the Company has entered into memoranda of understanding which provide for the purchase and financing of 20 Airbus A320 aircraft (ten in each of 1998 and 1999). The MOU also provide for the rescheduling of deliveries of the 16 Airbus A330 aircraft (eight in each of 2004 and 2005) and gives the Company substitution rights with respect to these aircraft. The MOU are subject to the satisfaction of certain conditions. Committed expenditures for these aircraft and related equipment, including estimated amounts for contractual predelivery deposits and price escalations will be approximately (in millions):

	As of December 31, 1995	Adjusted for MOU[1]
1996	$ 663	$ 672
1997	156	87
1998	95	406
1999	811	384
2000	847	–
Thereafter	1,889	3,911
Total	$ 4,461	$ 5,460

[1] Assumes no conversion of A330 aircraft into other Airbus products.

In addition to the above, the Company has ordered four Boeing 747-400 aircraft at an aggregate cost, including related equipment and contractual price escalations, of approximately $750 million. The Company may elect to take delivery of these aircraft as early as 1998 or as late as 2002 and 2003.

Financing has been arranged for all 1996 aircraft deliveries. Deposits, primarily related to Boeing 757 aircraft to be delivered in 1996, of $103.5 million at December 31, 1995 have been made toward the purchase of all aircraft on order. Consistent with prior practice, the Company intends to finance its aircraft deliveries through a combination of debt and lease financing.

Note J — Litigation

The Company is involved in a variety of legal actions relating to antitrust, contract, trade practice, environmental and other legal matters relating to the Company's business. While the Company is unable to predict the ultimate outcome of these legal actions, it is the opinion of management that the disposition of these matters will not have a material adverse effect on the Company's Consolidated Financial Statements taken as a whole.

Note K — Pension Benefits

The Company has several noncontributory pension plans covering substantially all of its employees. The benefits for these plans are based primarily on years of service and/or employee compensation. It is the Company's policy to annually fund at least the minimum contribution as required by the Employee Retirement Income Security Act of 1974.

The net periodic pension cost of defined benefit pension plans included the following (in millions):

	Year Ended December 31		
	1995	1994	1993
Service cost – benefits earned during the period	**$ 77.3**	$ 89.0	$ 90.0
Interest cost on projected benefit obligations	**237.0**	216.9	207.7
Actual loss (gain) on plan assets	**(564.8)**	23.4	(197.9)
Net amortization and deferral	**361.8**	(188.6)	42.3
Net periodic pension cost	**$ 111.3**	$ 140.7	$ 142.1

The following table sets forth the defined benefit pension plans' funded status and amounts recognized in the Company's Consolidated Balance Sheets as of December 31 (in millions):

	1995		1994	
	Assets Exceed Accumulated Benefits	**Accumulated Benefits Exceed Assets**	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets
Actuarial present value of:				
Vested benefit obligations	**$ 221.9**	**$ 2,702.8**	$ 175.8	$ 1,960.2
Nonvested benefit obligations	**30.0**	**277.9**	12.1	110.5
Accumulated benefit obligations	**251.9**	**2,980.7**	187.9	2,070.7
Effect of projected future salary increases	**35.5**	**435.9**	20.6	353.0
Projected benefit obligations	**$ 287.4**	**$ 3,416.6**	$ 208.5	$ 2,423.7
Plan assets at fair value	**$ 268.5**	**$ 2,285.1**	$ 220.4	$ 1,667.8
Less projected benefit obligations	**287.4**	**3,416.6**	208.5	2,423.7
Projected benefit obligations (in excess of) less than plan assets	**(18.9)**	**(1,131.5)**	11.9	(755.9)
Unrecognized prior service cost	**4.9**	**218.6**	4.6	233.6
Unrecognized net loss	**39.7**	**727.7**	9.2	229.0
Adjustment required to recognize minimum liability	**–**	**(528.5)**	–	(138.6)
Prepaid (accrued) pension cost at December 31	**$ 25.7**	**$ (713.7)**	$ 25.7	$ (431.9)

As of December 31, 1995 and 1994, plan assets were invested primarily in equity and debt securities.

Assumptions used in the accounting for the defined benefit plans as of December 31 were as follows:

	1995	1994	1993
Weighted average discount rate	**7.10%**	9.15%	7.75%
Rate of increase in future compensation levels	**3.50%**	3.75%	3.10%
Expected long-term rate of return on plan assets	**10.50%**	10.50%	10.50%

The projected and accumulated benefit obligations increased substantially between December 31, 1994 and December 31, 1995 in large part because of the decrease in the weighted average discount rate which is attributable to a decline in long-term interest rates. An additional minimum liability is required to be recorded to the extent that a plan's accumulated benefit obligation less the accrued pension liability exceeds plan assets. The minimum liability is recorded as a long-term liability with a corresponding intangible asset (to the extent of unrecognized prior service cost) with the difference between the minimum liability and the intangible asset recorded as a reduction to equity (net of tax). The cumulative minimum pension liability adjustment of $528.5 million has resulted in a $161.2 million intangible asset included in other assets and a $231.0 million net of tax adjustment to common stockholders' equity deficit at December 31, 1995.

Note L — Postretirement Health Care Benefits

The Company sponsors various contributory and noncontributory medical, dental and life insurance benefit plans covering certain eligible retirees and their dependents. Retired employees are not offered Company-paid medical and dental benefits after age 64, with the exception of certain employees who retired prior to 1987 and receive lifetime Company-paid medical and dental benefits. Prior to age 65, the retiree share of the cost of medical and dental coverage is based on a combination of years of service and age at retirement. Medical and dental benefit plans are unfunded and costs are paid as incurred. The pilot group is provided Company-paid life insurance coverage in amounts which decrease based on age at retirement and age at time of death.

Net periodic postretirement benefit cost included the following components (in millions):

	Year Ended December 31		
	1995	1994	1993
Service cost	**$ 7.3**	$ 6.8	$ 6.1
Interest cost	**20.8**	15.1	16.3
Actual gain on plan assets	**(.2)**	(.4)	(.4)
Net periodic postretirement benefit cost	**$ 27.9**	$ 21.5	$ 22.0

The following table sets forth the plans' combined funded status and amounts recognized in the Company's Consolidated Balance Sheets as of December 31 (in millions):

	1995	1994
Accumulated postretirement benefit obligation:		
Retirees	**$ 116.8**	$ 81.7
Fully eligible active plan participants	**52.7**	13.4
Other active plan participants	**116.6**	102.2
	286.1	197.3
Plan assets at fair value	**5.1**	5.0
Accumulated postretirement benefit obligation in excess of plan assets	**281.0**	192.3
Unrecognized net gain (loss)	**(65.7)**	10.7
Accrued postretirement benefit cost	**$ 215.3**	$ 203.0

At December 31, 1995, the weighted average annual assumed rate of increase in the per capita cost of covered benefits (i.e., health care cost trend rate) is 7.5% for 1996 and is assumed to decrease gradually to 4.5% for 2002 and remain at that level thereafter (a rate of 8.0% was assumed for 1995). This health care cost trend assumption has a significant impact on the amounts reported. For example, increasing the assumed health care cost trend rates by one percentage point would increase the accumulated postretirement benefit obligation as of December 31, 1995, by $32.5 million and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for 1995 by $3.6 million. The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 7.10% at December 31, 1995, and 9.15% at December 31, 1994.

Note M — Related Party Transactions

KLM Royal Dutch Airlines ("KLM") owns 21,684,099 shares of Class A Common Stock of the Company at December 31, 1995. During 1992, Northwest and KLM signed a Commercial Cooperation and Integration Agreement. The intent of the agreement is to enhance the joint presence of each airline in the U.S., Europe and other destinations by integrating the systems and services of each carrier. Northwest and KLM have been granted antitrust immunity by the Department of Transportation, enabling them to coordinate pricing, scheduling, product development and marketing. Northwest and KLM have implemented code-sharing (the joint designation of flights under the Northwest "NW" code and the KLM "KL" code) on flights to certain European, Middle Eastern, African and U.S. cities, with additional cities planned for 1996. In addition, Northwest and KLM jointly operate their transatlantic routes. Net settlements, other than normal interline ticket settlements, related to the joint transatlantic operations have not been material in any period. The Company recorded net expenses related to engine maintenance, airport handling and other transportation-related services provided by KLM of $12.3 million, $28.8 million and $33.6 million in 1995, 1994 and 1993, respectively.

The Company has an investment in WORLDSPAN, an affiliate that provides computer reservations services, which it accounts for using the equity method. The Company recorded expenses for certain reservation system services provided by this affiliate totaling $87.7 million, $86.4 million and $63.6 million in 1995, 1994 and 1993, respectively.

In August 1995, the Company increased its ownership to 29.7% of the common stock of Mesaba Holdings, Inc., the holding company of Mesaba Aviation, Inc. ("Mesaba"), which operates as a Northwest Airlink. Northwest has a marketing agreement with Mesaba under which Northwest determines Mesaba's scheduling and aircraft routing. In return, Northwest has agreed to guarantee Mesaba certain pre-tax profit levels for the years ending March 31, 1996 and 1997.

Note N — Financial Instruments and Risk Management

Fair Values of Financial Instruments. The financial statement carrying values and estimated fair values of the Company's financial instruments, including current maturities, as of December 31 were (in millions):

	1995		1994	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Cash and Cash Equivalents:				
Held-to-maturity debt securities:				
Commercial paper	**$ 604.7**	**$ 604.7**	$ 436.2	$ 436.2
Other	**161.7**	**161.7**	.3	.3
Available-for-sale debt securities	**70.1**	**70.1**	20.5	20.5
Cash	**14.4**	**14.4**	11.0	11.0
	$ 850.9	**$ 850.9**	$ 468.0	$ 468.0
Short-term Investments				
Held-to-maturity debt securities:				
Commercial paper	**$ 1.0**	**$ 1.0**	$ 490.3	$ 490.3
Other	**259.7**	**259.7**	111.6	111.6
	$ 260.7	**$ 260.7**	$ 601.9	$ 601.9
Long-term Debt	**$ 2,467.1**	**$ 2,738.8**	$ 4,013.5	$ 3,827.0
Mandatorily Redeemable Preferred Security of Subsidiary	**618.4**	**611.4**	–	–
Series A and B Preferred Stock	**656.9**	**522.9**	703.7	520.0
Series C Preferred Stock	**288.6**	**309.3**	91.3	87.0

The Company considers all unrestricted investments with an original maturity of three months or less on their acquisition date to be cash equivalents. The Company classifies investments with an original maturity of more than three months that are expected to be sold or called by the issuer within the next year, and those temporarily restricted, as short-term investments. At December 31, 1995 and 1994, short-term investments included $140.7 and $101.6 million, respectively, of temporarily restricted investments. The temporarily restricted investments were pledged as collateral under various agreements.

The fair values of the Company's long-term debt were estimated using quoted market prices, where available. For long-term debt and preferred securities, other than Series C Preferred Stock, not actively traded, fair values were estimated using discounted cash flow analyses, based on the Company's current incremental borrowing rates for similar types of securities. The fair value of the Series C Preferred Stock is based on the assumed conversion to common stock for the shares earned through December 31, 1995, and valuing such shares at the closing quoted market price for Class A Common Stock.

Foreign Exchange Risk Management. The Company is exposed to the effect of foreign exchange rate fluctuations on the value of foreign currency-denominated operating revenues and expenses. The Company's largest exposure to foreign currency fluctuations comes from Japanese yen representing approximately 57% of foreign currency-denominated net cash flow. In 1994, the Company began periodically using a collar option strategy to hedge its anticipated yen-denominated net cash flows. The collars involve the purchase of Japanese yen put options coupled with the simultaneous sale of Japanese call options with

identical expiration dates and notional yen amounts. Realized and unrealized gains and losses on Japanese yen collar option contracts are recognized currently in net income. Open contracts are marked to market based on current forward rates since they do not qualify as hedges for financial accounting purposes. As of December 31, 1995, there were no outstanding yen collar option contracts.

Fuel Price Risk Management. The Company manages the price risk of fuel costs utilizing both regulated exchange traded futures contracts and fuel swap agreements. Gains or losses on hedge contracts are deferred until the related fuel inventory is expensed. As of December 31, 1995, the Company had no material hedges for future fuel requirements.

Note O — Quarterly Financial Data (Unaudited)

Unaudited quarterly results of operations for the years ended December 31, 1995 and 1994, are summarized below (in millions, except per share amounts):

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
1995:				
Operating revenues	$ 2,043.0	$ 2,279.4	$ 2,561.0	$ 2,201.5
Operating income	135.1	247.6	427.0	92.5
Income before extraordinary item	2.6	104.8	231.1	3.6
Net gain on extinguishment of debt	–	–	–	49.9
Net income	$ 2.6	$ 104.8	$ 231.1	$ 53.5
Primary:				
Before effects of extraordinary item and exchange of preferred stock	$ (.13)	$ .96	$ 2.27	$ (.10)
Net gain on extinguishment of debt	–	–	–	.51
Exchange of preferred stock	.65	–	–	–
Earnings per common share	$ .52	$ .96	$ 2.27	$ .41
Fully diluted:				
Before effects of extraordinary item and exchange of preferred stock	$ (.10)	$ .92	$ 2.11	$ (.09)
Net gain on extinguishment of debt	–	–	–	.47
Exchange of preferred stock	.61	–	–	–
Earnings per common share	$ .51	$ .92	$ 2.11	$ .38
1994:				
Operating revenues	$ 1,918.4	$ 2,095.9	$ 2,298.4	$ 2,012.2
Operating income	120.5	207.8	359.2	142.9
Net income	$ 18.3	$ 71.3	$ 170.0	$ 35.9
Earnings per common share:				
Primary	$ .05	$ .68	$ 1.80	$ .23
Fully diluted	$ .05	$ .67	$ 1.73	$ .23

The sum of the quarterly earnings per share amounts does not equal the annual amount reported since per share amounts are computed independently for each quarter and for the full year based on respective weighted average common share equivalents outstanding.

Note P — Condensed Consolidated Financial Information of Northwest Airlines, Inc.

Northwest Airlines Corp. (formerly Wings Holdings Inc.) and its wholly owned subsidiary, Wings Acquisition Corp., were formed and incorporated by a group of investors in order to acquire all of the outstanding stock of NWA Inc. (the "Acquisition"), the parent company of Northwest Airlines, Inc. In 1989, Wings Acquisition Corp. was merged with and into NWA Inc., with NWA Inc. being the surviving entity. The Acquisition was recorded using the purchase method of accounting and, accordingly, the purchase price was allocated to the assets and liabilities acquired based on their estimated fair market value at the date of Acquisition, determined primarily by independent appraisals. The estimated fair market value of net assets acquired was in excess of the purchase price, which resulted in noncurrent assets being recorded at 65% of the estimated fair market value on the date of Acquisition.

After reflecting these new values and the related Acquisition indebtedness of NWA Inc. in the financial statements of Northwest, condensed financial information of Northwest consists of the following (in millions):

Condensed Consolidated Statements Of Operations

	Year Ended December 31		
	1995	1994	1993
Operating revenues	**$ 8,806.6**	$ 8,057.0	$ 7,631.6
Operating expenses	**7,948.2**	7,266.9	7,374.6
Operating income	**858.4**	790.1	257.0
Other income (expense)	**(298.1)**	(288.9)	(265.2)
Nonrecurring special charges	–	–	(71.9)
Income (loss) before income taxes, interest of preferred security holder and extraordinary item	**560.3**	501.2	(80.1)
Income tax expense (benefit)	**218.5**	198.2	(25.6)
Interest of preferred security holder	**4.5**	–	–
Income (loss) before extraordinary item	**337.3**	303.0	(54.5)
Net gain on extinguishment of debt	**50.4**	–	–
Net income (loss)	**$ 387.7**	$ 303.0	$ (54.5)

Condensed Consolidated Balance Sheet Data

	December 31	
	1995	1994
Current assets	**$ 1,861.1**	$ 1,752.4
Noncurrent assets	**5,460.9**	5,242.1
Current liabilities	**2,535.6**	2,511.5
Long-term debt and obligations under capital leases	**2,351.8**	3,751.7
Deferred credits and other liabilities	**1,277.3**	967.6
Mandatorily redeemable preferred security of subsidiary	**618.4**	–

Report of Ernst & Young LLP, Independent Auditors

To the Stockholders and Board of Directors
Northwest Airlines Corporation

We have audited the accompanying consolidated balance sheets of Northwest Airlines Corporation as of December 31, 1995 and 1994, and the related consolidated statements of operations, common stockholders' equity (deficit), and cash flows for each of the three years in the period ended December 31, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Northwest Airlines Corporation at December 31, 1995 and 1994, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1995, in conformity with generally accepted accounting principles.

Ernst + Young LLP

Minneapolis, Minnesota
February 23, 1996

Five-Year Summary

Northwest Airlines Corporation

	Year Ended December 31				
	1995	1994	1993	1992	1991
Statement Of Operations					
(in millions, except per share data)					
Operating revenues					
Passenger	**$ 7,762.0**	$ 7,010.1	$ 6,619.6	$ 6,277.3	$ 5,861.8
Cargo	**751.2**	755.8	734.8	736.2	696.8
Other	**571.7**	559.0	510.5	446.5	465.8
Total revenue	**9,084.9**	8,324.9	7,864.9	7,460.0	7,024.4
Operating expenses	**8,182.7**	7,494.5	7,592.5	7,836.2	7,134.3
Operating income (loss)	**902.2**	830.4	272.4	(376.2)	(109.9)
Amounts before 1995 extraordinary item and 1992 cumulative effect of accounting change[1]:					
Income (loss)	**$ 342.1**	$ 295.5	$ (115.3)	$ (970.7)	$ (320.2)
Earnings (loss) per common share:					
Primary	**$ 3.02**[2]	$ 2.92	$ (2.82)	$ (16.11)	$ (5.97)
Fully diluted	**$ 2.85**[2]	$ 2.87	$ (2.82)	$ (16.11)	$ (5.97)
Balance Sheet (in millions)					
Cash, cash equivalents & unrestricted short-term investments	**$ 970.9**	$ 968.3	$ 139.6	$ 244.7	$ 16.7
Total assets	**8,412.3**	8,070.1	7,571.3	7,545.4	7,956.7
Long-term debt, including current maturities	**2,467.1**	4,013.5	4,437.9	4,271.4	3,252.6
Long-term obligations under capital leases, including current obligations	**841.2**	890.3	928.1	966.0	1,004.3
Mandatorily redeemable preferred security of subsidiary	**618.4**	–	–	–	–
Redeemable preferred stock	**945.5**	795.0	749.9	566.1	519.8
Common stockholders' equity (deficit)[3]	**(818.8)**	(1,370.7)	(2,030.5)	(1,732.5)	(545.7)
Operating Statistics					
Scheduled service:					
Available seat miles (ASM) (millions)	**87,472.0**	85,015.6	87,212.5	89,647.3	80,937.7
Revenue passenger miles (millions)	**62,515.2**	57,873.2	58,130.1	58,624.9	53,283.3
Passenger load factor	**71.5%**	68.1%	66.7%	65.4%	65.8%
Revenue passengers (millions)	**49.3**	45.5	44.1	43.5	41.1
Revenue yield per passenger mile	**12.42¢**	12.11¢	11.39¢	10.71¢	11.00¢
Passenger revenue per scheduled ASM	**8.87¢**	8.25¢	7.59¢	7.00¢	7.24¢
Operating revenue per total ASM[4]	**9.58¢**	8.93¢	8.23¢	7.59¢	7.86¢
Operating expense per total ASM[4]	**8.66¢**	8.08¢	8.00¢	8.10¢	8.13¢
Operating expense excluding stock-based compensation per total ASM[4]	**8.11¢**	7.95¢	7.89¢	8.10¢	8.13¢
Cargo ton miles (millions)	**2,246.3**	2,322.3	2,188.0	2,106.9	1,925.8
Average fuel cost per gallon	**55.66¢**	56.23¢	62.09¢	64.48¢	69.75¢
Number of operating aircraft at year end	**380**	361	358	366	340
Full-time equivalent employees at year end	**45,124**	43,673	43,358	45,455	45,620

[1] The 1995 extraordinary item was $49.9 million ($.53 per primary share and $.49 per fully diluted share) and the 1992 cumulative effect of accounting change was $108.8 million ($1.67 per share).

[2] Excludes effect of the gain on exchange of preferred stock of $.62 per primary share and $.58 per fully diluted share.

[3] No dividends have been paid on common stock for any period presented.

[4] Excludes the estimated revenues and expenses associated with the operation of Northwest's fleet of eight 747 freighter aircraft and MLT Inc.

Stockholders' Information

Common Stock Prices

	1995		1994	
Quarter	**High**	**Low**	High	Low
1st	**28 1/2**	**15 7/8**	13 1/2	11 7/8
2nd	**35 3/4**	**24 3/4**	16 1/2	11 1/2
3rd	**42 7/8**	**33 1/4**	20 1/8	13 3/8
4th	**52 1/2**	**39 3/8**	21 3/8	14 3/8

No dividends were declared during the years ended 1995 or 1994.

Stock Listing
The Company's common stock is quoted on the Nasdaq National Market under symbol NWAC. There were approximately 5,335 stockholders of record as of February 29, 1996.

Registrar and Transfer Agent
Norwest Bank Minnesota, N.A.
Post Office Box 738
South St. Paul, Minnesota 55075-0738
(800) 468-9716

Annual Meeting
The 1996 Annual Meeting of Stockholders will be held at the Equitable Life Building
New York, New York on Friday, April 26, 1996
at 9:30 AM

Independent Auditors
Ernst & Young LLP
1400 Pillsbury Center
200 South Sixth Street
Minneapolis, Minnesota 55402

Financial Information
A copy of the Company's Annual Report on Form 10-K, without exhibits, will be provided without charge by directing inquiries to:
Northwest Airlines Distribution Center
Phone (800) 358-3100
Fax (612) 885-8851

Direct all other inquiries to:
Investor Relations
Department A4110
5101 Northwest Drive
St. Paul, Minnesota 55111
(612) 726-2111

Board of Directors

Alfred A. Checchi
Co-chairman

Gary L. Wilson
Co-chairman

Richard C. Blum
Chairman & President
Richard C. Blum & Associates, Inc.

John H. Dasburg
President & Chief Executive Officer
Northwest Airlines Corporation

Thomas Ducy
Retired General Secretary & Treasurer
International Association of Machinists and Aerospace Workers

Marvin L. Griswold
Retired International Director
Teamsters Airline Division
International Brotherhood of Teamsters

Thomas L. Kempner
Chairman & Chief Executive Officer
Loeb Partners Corporation

Frederic V. Malek
Chairman
Thayer Capital Partners

V. A. Ravindran
President
Paracor Finance Inc.

George J. Vojta
Vice Chairman
Bankers Trust New York Corporation

Duane E. Woerth
First Vice President
Air Line Pilots Association

Melvin R. Laird
Director Emeritus

Senior Officers

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President & Chief Executive Officer

Mickey Foret
Executive Vice President – Chief Financial Officer

Michael E. Levine
Executive Vice President – Marketing & International

William D. Slattery
Executive Vice President
President – Northwest Cargo & Charter

Donald A. Washburn
Executive Vice President – Customer Service & Operations

Richard H. Anderson
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Senior Vice President – Communications, Advertising & Human Resources

Joseph E. Francht, Jr.
Senior Vice President – Finance & Treasurer

J. Timothy Griffin
Senior Vice President – Market Planning & Systems

Philip C. Haan
Senior Vice President – International

Richard B. Hirst
Senior Vice President – Corporate Affairs

Ruthie M. McKee
Senior Vice President – Customer Service & Line Maintenance

Douglas M. Steenland
Senior Vice President – General Counsel & Secretary

Richard D. Zella
Senior Vice President – Technical Operations

John S. Kern
Vice President – Aircraft Operations
Chief Safety Officer

Northwest Airlines International Route System

- Northwest Airlines service (operated or code-shared)
- Operated by KLM
- Operated by Asiana
- Northwest Cargo routes

Fairbanks
Anchorage
Edmonton
Saskatoon
Calgary
Regina
Winnipeg
Vancouver
Seattle
Minneapolis/St. Paul
Ottawa
Montréal
Toronto
Detroit
Boston
Chicago
New York
Columbus
Washington
San Francisco
Los Angeles
Memphis
Atlanta
Houston
Tampa
Miami
Havana
Puerto Vallarta
Mexico City
Cozumel
Cancun
Montego Bay
San Juan
Ixtapa/Zihuatanejo
Grand Cayman
St. Maarten
Acapulco
Guatemala City
Aruba
Curacao
Bonaire
San Jose
Panama City
Caracas
Paramaribo
Bogota
Quito
Guayaquil
Lima
Sao Paolo
Rio de Janeiro
Santiago
Buenos Aires
Beijing
Seoul
Tokyo
Osaka
Nagoya
Fukuoka
Shanghai
Taipei
Hong Kong
Honolulu
Saipan
Guam
Manila
Bangkok
Ho Chi Minh City
Kuala Lumpur
Singapore
Surabaya
Jakarta
Denpasar
Sydney
Oslo
Stockholm
Helsinki
St. Petersburg
Stavanger
Gothenburg
Moscow
Glasgow
Edinburgh
Copenhagen
Amsterdam
London
Berlin
Warsaw
Frankfurt
Kiev
Munich
Vienna
Paris
Zurich
Budapest
Madrid
Lisbon
Rome
Istanbul
Athens
Casablanca
Tehran
Almaty
Beirut
Damascus
Tel Aviv
Amman
Cairo
Kuwait
Delhi
Dhahran
Bahrain
Dubai
Karachi
Dhaka
Abu Dhabi
Muscat
Jeddah
Calcutta
Khartoum
Sana'a
Bombay
Conakry
Freetown
Kano
Accra
Lagos
Lome
Colombo
Nairobi
Kilimanjaro
Dar Es Salaam
Lilongwe
Harare
Johannesburg
Cape Town

The Guiding Principles of Northwest Airlines

Never compromise safety.

Always emphasize cleanliness.

Always put customers first.
Learn what makes a difference to each customer and deliver it.
Resolve customer problems on the spot whenever possible.
Obtain the training and tools we need to serve our customers.

Always support and inspire each other.
Work together to achieve common goals.
Recognize the good work of others.
Recruit and promote to the highest standards of
performance and professionalism.
Build self-esteem and pride in each other.

Always strive to improve.
Measure against the best.
Solicit and offer ideas for improvement.
Search out and break down barriers that get in the way.

The Values of Northwest Airlines

Safety First...
in all the services we provide to each other and to our customers

Honesty and Integrity...
in all we say and do

Trustworthiness...
honoring our commitments and doing all that we say we're going to do

Respect for Self, Others, and Property...
in our behavior toward each other and for company or personal property

Caring...
for our customers, for each other, and for the communities we serve

Resourcefulness and Innovation...
in the quality of our services, processes and technology to increase productivity
and revenue, and control costs

Commitment to Profitability...
to ensure financial stability and our careers

Enthusiasm and Camaraderie...
in our contributions to the success of each other and Northwest Airlines

Our Values are — Beliefs we share that guide our behavior,
Standards we are expected to uphold,
The foundation for our global business strategy.

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This report was produced by the Corporate Communications and Finance departments of Northwest Airlines Corporation, using recycled paper to preserve our environment.
Northwest recycles enough paper products in one year to fill 43 747s.