



NORTHWEST AIRLINES, INC.

Annual Report

1 9 5 3

NORTHWEST AIRLINES, INC., *Annual Report*

19  53

PROGRESS FOR THE LATEST 10 YEARS

Calendar Year	Total Operating Revenue	Passenger Revenue	Express and Freight Revenue	Revenue Passenger Miles	Mail Ton Miles	Total Plane Miles Flown
1953	\$66,140,027	\$48,652,465	\$4,890,153	851,174,754	5,002,605	27,816,827
1952	61,552,380	41,962,758	4,781,081	720,046,264	5,017,993	23,210,634
1951	54,685,060	35,192,765	4,371,533	602,220,853	4,571,276	19,531,632
1950	52,456,700	33,148,395	4,122,222	613,446,244	4,987,561	26,868,177
1949	39,970,747	27,873,942	3,163,278	495,114,870	4,722,800	25,908,552
1948	34,369,835	24,074,778	2,072,362	386,509,809	4,026,074	22,288,002
1947	26,800,428	20,520,631	1,019,497	382,544,382	2,736,938	20,824,912
1946	19,976,204	18,062,492	553,875	385,858,473	2,049,659	19,304,234
1945	12,196,652	10,060,619	409,613	218,469,773	2,698,378	12,870,714
1944	7,923,865	6,073,967	246,030	120,475,305	2,450,401	7,523,146

TO SHAREOWNERS OF NORTHWEST AIRLINES, INC.

The report of the independent auditors and the financial statements for 1953 are presented herewith.

EARNINGS

Net income from operations after taxes and before property disposals amounted in 1953 to \$1,339,503 and represents a substantial gain over \$554,990 in 1952.

Net income from property disposals, after taxes, amounted to \$605,190 in 1953. Such profits were \$1,234,347 in 1952.

Thus the total net income for 1953 was \$1,944,693. Preferred dividends amounted to \$434,211, leaving \$1,510,482 or \$1.84 per share for the 820,933 outstanding shares of common stock. In 1952, the total net income was \$1,789,337 of which \$1,349,106 or \$1.64 per share was applicable to the common stock.

While the operating results in 1953 reflect an improvement over 1952, it should be pointed out that all of the gain was recorded in the first eight months. Earnings in the last four months were below 1952 levels. The strike in November 1953 adversely affected operating results but the trend of reduced earnings had set in before November.

The company had been operating an airlift over the Pacific for the United States Government. The arrangement was terminated November 1 following the truce in Korea. It was not possible to eliminate immediately all expenses formerly absorbed by the airlift operations and this contributed to the adverse earnings trend in the last quarter. Considerable progress in eliminating such expenses has been made.

A comprehensive effort to reduce expenses generally has been undertaken.

NET WORTH

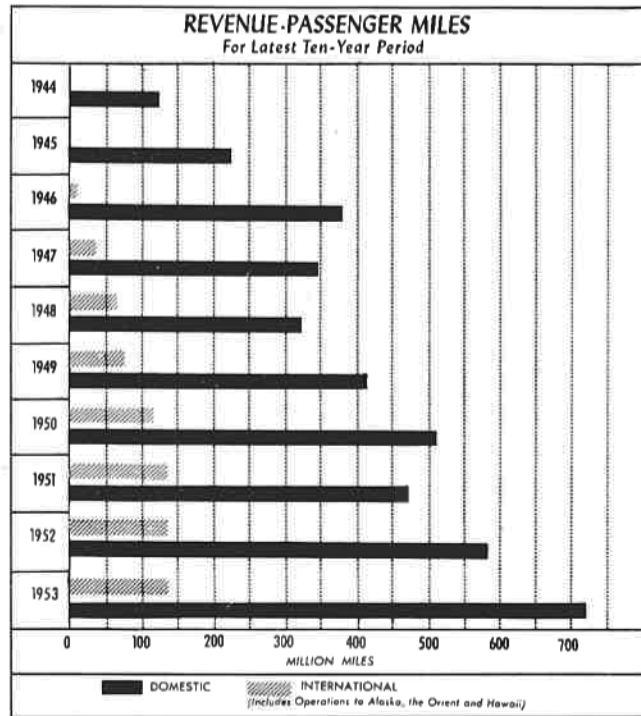
The net worth of the company at the end of 1953 was \$24,736,702, of which \$15,359,827 or \$18.71 per share was applicable to the common stock. This repre-

sents a satisfactory improvement during 1953 as shown by the following summary:

	December 31,	
	1953	1952
Aircraft, buildings and other property (net)	\$22,023,386	\$24,265,629
Current assets less current liabilities but not including the bank loans	6,147,673	4,743,309
Investments in Special Funds	247,790	587,631
Miscellaneous assets less miscellaneous liabilities	612,853	557,099
Total	\$29,031,702	\$30,153,668
Bank loans*	4,295,000	6,800,363
Balance applicable to all stock	\$24,736,702	\$23,353,305
Preference Stock	9,376,875	9,525,625
Balance applicable to Common Stock	\$15,359,827	\$13,827,680
Per Share	\$ 18.71	\$ 16.85
Represented by		
Par value of Common Stock....	\$ 8,209,330	\$ 8,208,580
Capital Surplus.....	2,860,578	2,839,663
Earned Surplus.....	4,289,919	2,779,437
Total	\$15,359,827	\$13,827,680

*Of which \$835,000 has since been paid. The balance is due as follows: \$835,000 on the last day of June, September and December 1954 and March 1955, and \$120,000 on June 30, 1955.

Dividends accrued on Preference Stock as of December 31, 1953 amounted to \$71,900.



PREFERRED DIVIDENDS

The Board of Directors decided to withhold payment of the quarterly dividends due February 1, 1954 and May 1, 1954 on our 4.60% Cumulative Preference stock. In the light of the operating results for the last four months of 1953 and, with respect to the May 1, 1954 dividend, the operating results of the first two months of 1954, it was felt desirable to conserve the company's capital in view of the termination of its participation in the Pacific airlift, the reduction of domestic mail pay and the need for capital in connection with its equipment acquisition program. As soon as circumstances permit, the Board of Directors will resume the payment of the dividends on preference shares. Since these dividends are cumulative they must be paid before any dividend can be paid on common shares.

SIGNIFICANT DEVELOPMENTS

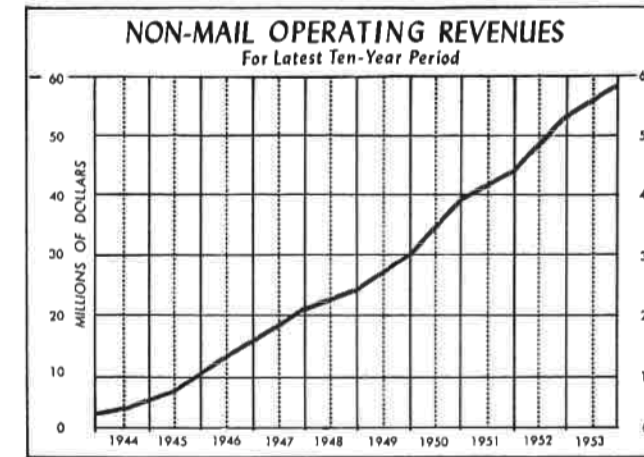
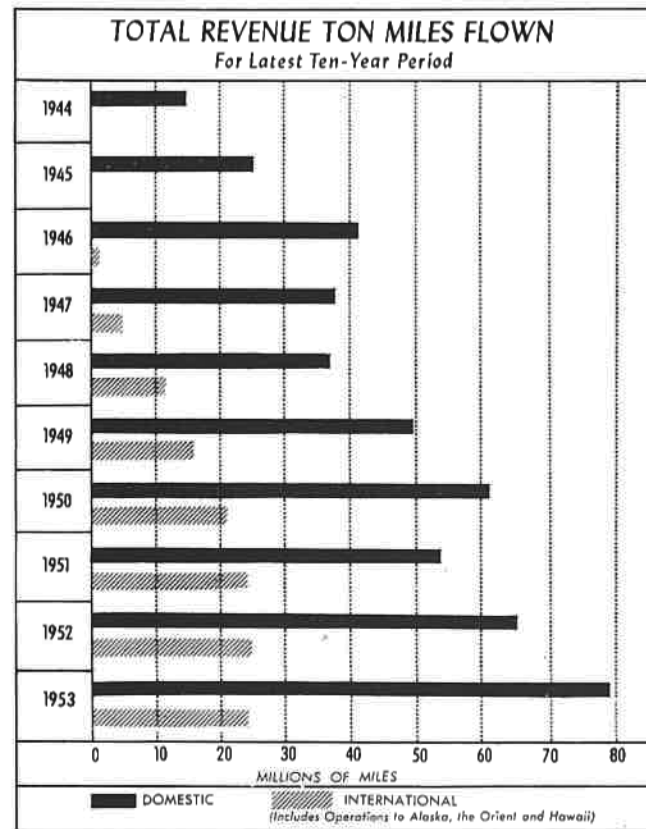
Four new Douglas DC-6B aircraft were leased from The Flying Tiger Line, Inc. under a seven year con-

tract. DC-6B tourist service to Honolulu was started on December 1, 1953. Additional tourist service with these aircraft was commenced between New York, Tokyo and Manila, P. I. and between Seattle and Anchorage, Alaska on April 1, 1954.

Boeing Stratocruiser service between Tokyo and Manila was commenced April 26, 1953.

We are expecting delivery of six model 1049G-Super Constellation aircraft during the period November 1954 to February 1955 under our agreement with the Lockheed Aircraft Corporation. The purchase of these aircraft will be financed by term bank loans of \$15,000,000 already arranged for.

No new aircraft were purchased during the year. One Douglas DC-4 was disposed of and new DC-6B parts in the value of \$650,000 were taken in payment. Five



Douglas C-54G aircraft previously leased from the United States Government and used principally in international operations have been returned to the Government.

MAIL RATES

During the entire year 1953 your company operated under permanent mail rates established by the Civil Aeronautics Board. As of January 1, 1954, however, pay for carrying domestic mail was reduced from 53c per ton mile to 45c per ton mile. This rate is referred to as a "service" or subsidy-free rate for airlines of the largest classification. Domestic rates for all carriers have been reopened by the Board as of April 1, 1954. Also as of January 1, 1954 our international mail rate was opened by the Civil Aeronautics Board and preliminary discussions regarding a settlement of that rate have started. Our mail rates, both international and domestic, for the calendar year 1951 are still open and, therefore, are subject to settlement with the Civil Aeronautics Board. Rates for the years 1952 and 1953 and for all years prior to 1951 are closed.

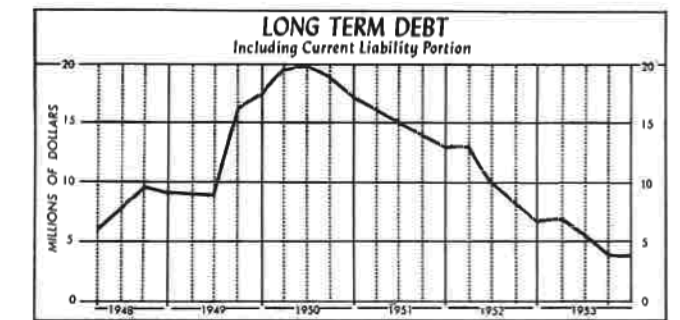
ROUTES AND SERVICE

During 1953 the Civil Aeronautics Board granted your company authority to provide service between the west coast terminals of Seattle/Tacoma and Portland

on the same domestic flights, and this service was inaugurated on September 27.

The Chicago-New York service case was heard in November. Your company is seeking a route between Chicago and New York and between Chicago and Detroit, as well as authority to operate local flights between Detroit and New York. Hearing on the company's long standing Cleveland-New York application had been held earlier in the year.

Hearings were also conducted on the renewal of temporary certificates held by your company for its international operation. Northwest requested the permanent renewal of its international route certificate from the United States to the Orient. The hearing examiner has recommended renewal of the company's temporary certificate for its Orient route via Anchorage and the North Pacific for a period of five years. In this connection, he has recommended that the certificate be amended to include Taipei, Formosa, as an intermediate point between Okinawa and Manila and that the exemption by which your company serves Pusan, Korea, be continued indefinitely subject to termination by the Board on sixty days' notice. The examiner further recommended that your company's route to Anchorage via Edmonton not be renewed as part of the Orient route but that Northwest be permitted to continue to operate the segment until decision in the States-Alaska case. The examiner also recommended that Pan American World Airways, Inc. be permitted to use bases on the Great Circle route for fueling stops but without authority to pick up or discharge passengers at those points.



The case involving service between Seattle/Tacoma/Portland and Honolulu was also heard. Your company requested permanent renewal of the Hawaiian route without the competition that has existed. The examiner has recommended that Pan American be certificated to furnish exclusive service over this route.

The report of the examiner constitutes a recommendation to be considered by the Civil Aeronautics Board. The Board in turn will consider the report, together with exceptions and briefs filed by the parties, and will then make a recommendation to the President of the United States. Ultimate decision in matters involving international routes rests in the President. Your company is filing exceptions to the examiner's report in accordance with Civil Aeronautics Board practice.

In the Alaska route case your company has requested that its existing routes to Alaska be renewed on a permanent basis.

Service during the summer between Minneapolis/St. Paul and Chicago was increased with flights "every hour on the hour".

Special tariffs were introduced including baseball excursion fares; off-season Alaska-mainland reduced first class fares; tourist class fares between Minneapolis/St. Paul and Anchorage via Edmonton, as well as emigrant fares from Hong Kong and Tokyo to Canada, United States and South America.

PERSONNEL

The management is very grateful for the co-operation of its 5,000 trained, experienced flight and ground employees located at 40 stations from New York to Manila. Of these employees, 4,500 are represented by labor organizations with which your company has nego-

tiated 16 collective bargaining contracts during 1953 and 1954. These negotiations were conducted for the most part in a friendly businesslike atmosphere.

The management is proud of the interest and understanding existing among its employees. Through their ready acceptance of new procedures and work practices, important efficiencies and economies have been achieved.

MANAGEMENT CHANGES

Mr. Harold R. Harris resigned as President and Director of the company on March 4, 1954. His resignation was unanimously accepted by the Board of Directors and Mr. Malcolm S. Mackay, Executive Vice President, was assigned the duties of Chief Executive Officer of the company. Mr. Mackay had been in charge of your company's continental division and will continue to act as the Chief Executive Officer until the position of President has been filled.

Mr. E. I. Whyatt, Vice President and Comptroller, who had been with the company since 1932, resigned as of December 31, 1953 to assume a new position. In a general realignment of duties, Mr. Leonard S. Holstad, former Treasurer, was elected Comptroller, and Mr. William J. Eiden, former Assistant Vice President of Budgets, was elected Treasurer on February 23, 1954.

It is with regret that we record that Mr. William Tudor Gardiner, who had served as a Director since October 2, 1945, died in an accident August 2, 1953. He had been an interested and faithful Director, and his loss will be keenly felt.

By authority of the Board of Directors


Chairman of the Board


Executive Vice President

March 31, 1954
Saint Paul, Minnesota

FIVE YEAR STATEMENT OF INCOME

(Amounts shown in thousands)

NORTHWEST AIRLINES, INC.

Five years ended December 31, 1953

	1953	Per cent Increase (Decrease) 1953 to 1952	1952	1951	1950	1949
OPERATING REVENUES						
Passenger	\$48,652	15.9%	\$41,963	\$35,193	\$33,148	\$27,874
U. S. mail.....	6,869	1.5	6,767	7,789	9,938	8,098
Foreign mail	496	(29.7)	706	620	532	411
Express, freight, and excess baggage.....	5,373	5.0	5,116	4,648	4,388	3,426
Charter and other transportation.....	180	(82.9)	1,055	305	227	75
Pacific airlift for U. S. Government.....	4,185	(23.4)	5,464	5,724	3,970	
Repair and service income, rents, etc., net.....	385	(20.0)	481	406	254	87
	\$66,140	7.5	\$61,552	\$54,685	\$52,457	\$39,971
OPERATING EXPENSES						
Flying and ground operations.....	\$31,801	12.1	\$28,371	\$25,226	\$24,944	\$19,102
Maintenance and repairs.....	13,886	(7.8)	15,061	11,837	12,025	7,971
Provision for depreciation and amortization.....	5,731	(1.5)	5,816	5,429	5,873	3,982
Traffic, sales, and advertising.....	7,324	12.6	6,504	5,482	5,426	4,961
Administrative and general, payroll taxes, property taxes, etc.	4,255	(.9)	4,294	3,651	3,386	2,963
	\$62,997	4.9	\$60,046	\$51,625	\$51,654	\$38,979
	\$ 3,143	108.7	\$ 1,506	\$ 3,060	\$ 803	\$ 992
OTHER DEDUCTIONS, NET.....	338	8.7	311	667	735	355
INCOME FROM OPERATIONS BEFORE INCOME TAXES.....	\$ 2,805	134.7	\$ 1,195	\$ 2,393	\$ 68	\$ 637
INCOME TAXES, on income from operations.....	1,465	128.9	640	601 (A)	(A)	(A)
NET INCOME FROM OPERATIONS.....	\$ 1,340	141.4	\$ 555	\$ 1,792	\$ 68	\$ 637
INCOME FROM DISPOSALS OF PROPERTY.....	\$ 815	(52.3)	\$ 1,709	\$ 592	\$ 199	\$ 140
Less applicable income taxes.....	210	(55.8)	475	599 (A)	(A)	(A)
NET INCOME (LOSS) FROM DISPOSALS OF PROPERTY.....	\$ 605	(51.0)	\$ 1,234 (\$ 7)	\$ 199	\$ 140	
NET INCOME FOR THE YEAR.....	\$ 1,945	8.7	\$ 1,789	\$ 1,785	\$ 267	\$ 777

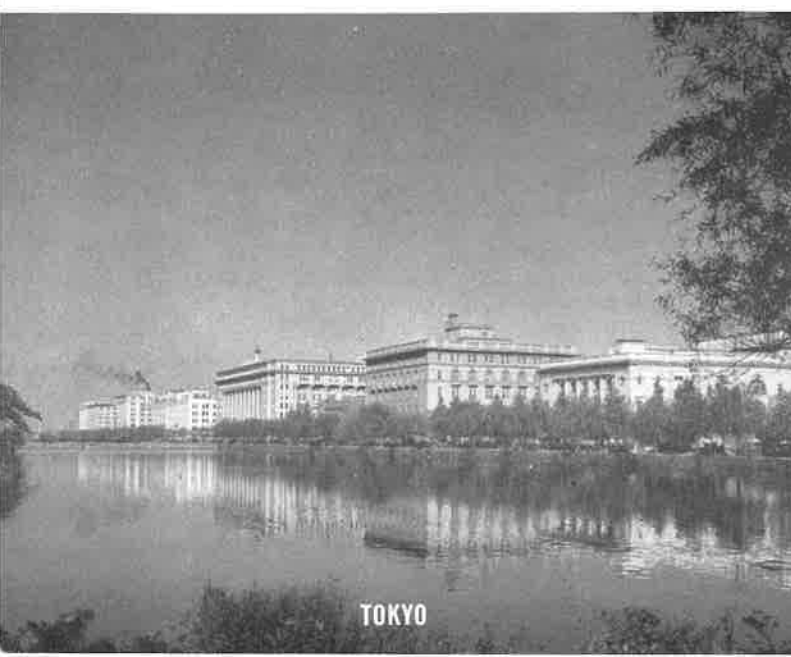
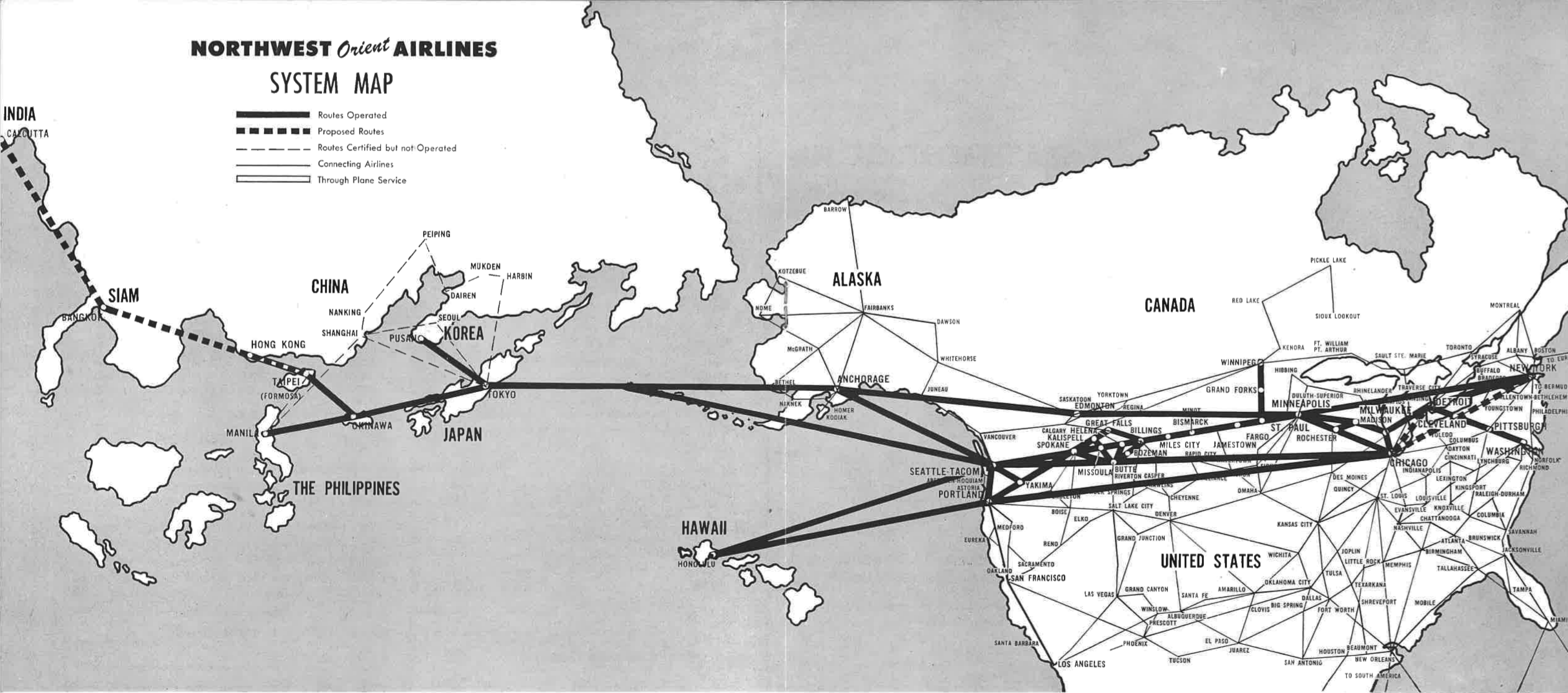
NOTE A—Taxes on income were reduced as a result of the carry-forward of the 1948 operating loss: \$225,000—1951, \$135,000—1950, \$310,000—1949.

Income from the disposals of property during the years 1948 through 1950 reduced the balance of the operating loss carry-forward to 1951 by \$836,487 resulting in additional income taxes of \$429,000 in 1951 applicable to income from disposals of property for the prior years.

NORTHWEST Orient AIRLINES

SYSTEM MAP

- Routes Operated
- - - Proposed Routes
- · - · - Routes Certified but not Operated
- Connecting Airlines
- ▭ Through Plane Service



STATEMENT OF FINANCIAL POSITION

NORTHWEST AIRLINES, INC.

December 31, 1953

ASSETS

	1953	1952
CURRENT ASSETS		
Cash	\$11,212,100	\$ 5,998,051
Accounts receivable, less allowance of \$70,000—1953, \$40,000—1952.....	4,764,141	6,334,294
Maintenance and operating supplies, at average cost.....	1,249,084	1,333,199
Prepaid insurance, rent, taxes, etc.....	499,557	850,667
TOTAL CURRENT ASSETS	\$17,724,882	\$14,516,211
 INVESTMENTS AND OTHER ASSETS		
Related industry investments and advances, at cost.....	\$ 247,790	\$ 325,741
Cash Collateral Account, security to long-term debt.....	261,890	261,890
	\$ 247,790	\$ 587,631
 FLIGHT EQUIPMENT at cost—Note A.....		
	\$37,642,757	\$38,858,586
(Including fully amortized amounts \$7,939,935—1953, \$8,493,552—1952)		
Less allowances for depreciation and obsolescence.....	21,727,967	19,700,440
	\$15,914,790	\$19,158,146
Advances on purchase contracts—Note E.....	1,066,710	1,066,710
	\$16,981,500	\$19,158,146
 OTHER EQUIPMENT, BUILDINGS, AND LAND at cost.....		
	\$11,304,038	\$10,739,049
(Including fully amortized amounts \$2,974,370—1953, \$2,686,982—1952)		
Less allowances for depreciation and amortization.....	6,262,152	5,631,566
	\$ 5,041,886	\$ 5,107,483
 DEFERRED CHARGES		
Training and other costs in connection with aircraft fleets, less amortiza- tion of \$485,098—1953, \$369,626—1952.....	\$ 478,098	\$ 427,498
Other	134,755	129,601
	\$ 612,853	\$ 557,099
	\$40,608,911	\$39,926,570

See accompanying Notes to Financial Statements.

LIABILITIES AND STOCKHOLDERS' EQUITY

	1953	1952
CURRENT LIABILITIES —Note B		
Accounts payable.....	\$ 4,277,826	\$ 3,439,263
Salaries, wages, and vacation compensation.....	2,584,142	2,460,623
Collections as agent—taxes, pay roll deductions, etc.....	1,079,832	987,246
Air travel card deposits.....	811,325	705,500
Accrued local and pay roll taxes.....	377,449	339,607
Unredeemed ticket liability.....	660,785	639,739
Income taxes—estimated.....	1,785,850	1,200,924
Current maturities of long-term debt.....	3,340,000	1,670,000
TOTAL CURRENT LIABILITIES	\$14,917,209	\$11,442,902
 LONG-TERM DEBT —secured—Note A		
4% Notes payable to banks, less amounts maturing within one year.....	955,000	5,130,363
 STOCKHOLDERS' EQUITY —Note C		
Cumulative Preference Stock, \$25 par value; authorized 600,000 shares issuable in series:		
4.6% Series; authorized and issued 390,000 shares; outstanding shares 375,075—1953, 381,025—1952—Note B.....	9,376,875	9,525,625
Common Stock, \$10 par value; authorized 3,000,000 shares; issued and outstanding shares 820,933—1953, 820,858—1952—Note D.....	8,209,330	8,208,580
Capital surplus, after deduction of \$560,625 in prior years for part of dividends paid on 4.6% Cumulative Preference Stock.....	2,860,578	2,839,663
Earned surplus.....	4,289,919	2,779,437
COMMITMENTS —Note E		
	\$40,608,911	\$39,926,570

See accompanying Notes to Financial Statements.

STATEMENT OF INCOME

NORTHWEST AIRLINES, INC.

Year ended December 31, 1953

	1953	1952
OPERATING REVENUES		
Passengers	\$48,652,465	\$41,962,758
U. S. mail—Note F.....	6,869,219	6,767,020
Foreign mail	495,843	705,712
Express, freight, and excess baggage.....	5,373,113	5,116,171
Charter and other transportation.....	179,947	1,055,368
Pacific airlift for U. S. Government—Note G.....	4,184,589	5,463,614
Repair and service income, rents, etc., net.....	384,851	481,737
	<u>\$66,140,027</u>	<u>\$61,552,380</u>
OPERATING EXPENSES		
Flying and ground operations.....	\$31,801,108	\$28,371,119
Maintenance and repairs.....	13,885,447	15,061,044
Provision for depreciation and amortization.....	5,730,820	5,815,495
Traffic, sales, and advertising.....	7,324,210	6,504,399
Administrative and general, payroll taxes, property taxes, etc.....	3,811,411	3,955,864
Employees' retirement plan.....	444,000	338,777
	<u>\$62,996,996</u>	<u>\$60,046,698</u>
	<u>\$ 3,143,031</u>	<u>\$ 1,505,682</u>
OTHER DEDUCTIONS (INCOME), NET		
Interest on long-term debt.....	\$ 282,229	\$ 412,814
Other long-term debt expense.....	59,651	13,867
Recovery on World War II contract costs.....		(100,000)
Other, net	(3,352)	(15,989)
	<u>\$ 338,528</u>	<u>\$ 310,692</u>
INCOME FROM OPERATIONS BEFORE INCOME TAXES	<u>\$ 2,804,503</u>	<u>\$ 1,194,990</u>
INCOME TAXES , estimated federal and other taxes on income from operations. (no excess profits tax).....	1,465,000	640,000
NET INCOME FROM OPERATIONS	<u>\$ 1,339,503</u>	<u>\$ 554,990</u>
INCOME FROM DISPOSALS OF PROPERTY	\$ 815,190	\$ 1,709,347
Less applicable income taxes.....	210,000	475,000
NET INCOME FROM DISPOSALS OF PROPERTY	<u>\$ 605,190</u>	<u>\$ 1,234,347</u>
NET INCOME FOR THE YEAR	<u>\$ 1,944,693</u>	<u>\$ 1,789,337</u>

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

NORTHWEST AIRLINES, INC.

December 31, 1953

Note A—Bank Credit Agreement

The long-term loan was made under a Bank Credit Agreement and was secured by chattel mortgages on certain aircraft and flight equipment. Under certain conditions, Cash Collateral Accounts must be maintained; however, none were required at December 31, 1953.

Under the Agreement, the Company may borrow additional funds, not exceeding \$15,000,000, on or before May 1, 1955, subject to certain conditions, including supplemental chattel mortgages on six Lockheed Super Constellation aircraft and certain related flight equipment to be acquired (Note E). The Company has agreed to pay a commitment fee of ½ of 1% on the average daily unused portion of such total commitment.

The Agreement requires payments on monies borrowed and to be borrowed as follows: \$3,340,000 during 1954, \$3,955,000 during 1955, and \$3,000,000 during each year 1956 through 1959. Additional payments, indeterminate in amount and contingent upon disposal of mortgaged property and recovery thereon, also may be required.

The Company has covenanted that, among other things, without first having obtained the written consent of the representative of the lending banks, (a) it will not permit the excess of current assets over current liabilities (exclusive of current maturities of the loan under the Agreement) at any time to be less than \$4,000,000; and (b) it will not permit its capital stock and surplus at any time prior to June 30, 1955, to be less than \$19,000,000, and at any time thereafter to be less than 135% of the sum of all indebtedness for borrowed money.

Note B—4.6% Cumulative Preference Stock Series

This Stock Series is entitled upon liquidation (voluntary) or redemption to \$25.25 per share, plus accumulated unpaid dividends; is convertible per share into one and one half shares of Common Stock to January 1, 1957; and is subject to retirement through market or sinking fund provisions. At December 31, 1953, 14,925 shares had been permanently retired through market fund purchases or conversion.

So long as any of this Stock Series is outstanding, the Company is required to set aside on or before March 31 in each year to and including 1957 a non-cumulative fund for the purchase of shares of such Stock on the market at not exceeding \$25 per share exclusive of brokerage charges and taxes. On or before March 31, 1954, \$138,340 will be required to be set aside for this purpose. After 1957, other, and cumulative, sinking fund provisions become applicable.

During any period while the Company is in default with respect to payment of dividends on the Cumulative Preference Stock, the Company may not purchase any of such Stock except pursuant to an offer to all holders thereof and may not redeem less than all of such Stock then outstanding. The dividend accruing for the quarter ended February 1, 1954, had not been declared or paid up to March 8, 1954.

Note C—Restrictions on Dividends and Earned Surplus

Under provisions of the Bank Credit Agreement (Note A), \$1,155,023 of the earned surplus at December 31, 1953, was free for dividends on 4.6% Cumulative Preference Stock. Without prior written consent of the lending banks, dividends (other than dividends payable in capital stock) could not be declared or paid or other distributions made, on the Common Stock out of earned surplus at December 31, 1953.

The terms of the Cumulative Preference Stock also contain restrictions relative to dividends on and repurchase of Common Stock which are less limiting than those provided in the Bank Credit Agreement at December 31, 1953.

Note D—Common Stock Reservations and Options

Of the 2,179,067 shares of unissued Common Stock at December 31, 1953: (a) 562,612½ shares were reserved for conversion of the 4.6% Cumulative Preference Stock; (b) 40,147 shares were subject to outstanding options at prices which approximated, or were higher than, market at the time of grant. Options for 30,147 shares were exercisable at December 31, 1953. Options for 5,147 shares (at \$10 per share) expired January 10, 1954; for 10,000 shares (at \$11.25 per share) will expire in October, 1955; and for 25,000 shares (at \$14.37½ per share), including 10,000 shares which will become exercisable during 1954 and 1955, will expire in March, 1955; and (c) 50,000 shares were reserved for options which may be granted in the future to officers and employees.

Note E—Commitments

The Company had on order six Lockheed Super Constellation aircraft to be delivered beginning November, 1954. These aircraft and related flight equipment will cost approximately \$16,200,000. Advance payments of \$1,066,710 had been made to December 31, 1953. Future payments of approximately \$8,393,290 will be required in 1954, \$6,500,000 in 1955, and \$240,000 in 1956. Reference is made to the Bank Credit Agreement (Note A) with respect to borrowings to finance the transaction.

Note F—Mail Transportation Compensation

The Company's mail rates for all years through 1953, except 1951, have been settled and made permanent. The effect of the Civil Aeronautics Board's ultimate determination for 1951 is not known at this time.

Note G—Renegotiation of Profits

Operations of the Company for 1951, 1952, and 1953 included transactions under fixed price contracts with the U. S. Government which provide for renegotiation of profits. It is anticipated that no refund will be required upon completion of proceedings.

STATEMENT OF SURPLUS

NORTHWEST AIRLINES, INC.

Year ended December 31, 1953

	1953	1952
CAPITAL SURPLUS (after deduction of \$560,625 in prior years for part of dividends paid on 4.6% Cumulative Preference Stock)		
Balance at beginning of year.....	\$ 2,839,663	\$ 2,821,033
Add:		
Excess of par value over cost of 4.6% Cumulative Preference Stock permanently retired through market fund purchases.....	20,415	18,630
Excess of par value of 4.6% Cumulative Preference Stock, upon conversion, over par value of Common Stock.....	500	
Balance at end of year.....	<u>\$ 2,860,578</u>	<u>\$ 2,839,663</u>
EARNED SURPLUS		
Balance at beginning of year.....	\$ 2,779,437	\$ 1,320,787
Add:		
Net income from operations.....	\$ 1,339,503	\$ 554,990
Net income from disposals of property.....	605,190	1,234,347
Net income for the year.....	<u>\$ 1,944,693</u>	<u>\$ 1,789,337</u>
	<u>\$ 4,724,130</u>	<u>\$ 3,110,124</u>
Deduct dividends on 4.6% Cumulative Preference Stock:		
Year ended November 1, 1953—\$1.15 per share.....	434,211	
Three quarters ended November 1, 1952—86¼ cents per share.....		330,687
Balance at end of year.....	<u>\$ 4,289,919</u>	<u>\$ 2,779,437</u>

See accompanying Notes to Financial Statements.

ACCOUNTANTS' REPORT

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

We have examined the statement of financial position of NORTHWEST AIRLINES, INC. as of December 31, 1953, and the related statements of income and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. It was not possible to confirm by communication accounts receivable from certain U. S. Government departments and agencies, as to which accounts we satisfied ourselves by other auditing procedures.

In our opinion, the accompanying statement of financial position and statements of income and surplus present fairly the financial position of NORTHWEST AIRLINES, INC. at December 31, 1953, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Saint Paul, Minnesota
March 8, 1954

ERNST & ERNST
Certified Public Accountants

OFFICERS

CROIL HUNTER, *Chairman, Board of Directors*
MALCOLM S. MACKAY, *Executive Vice President*
FRANK C. JUDD, *Vice President—Operations*
LINUS C. GLOTZBACH, *Vice President—Personnel*
JAMES W. MARINER, *Vice President—Sales*
LAWRENCE B. KINPORTS, *Vice President—Orient Region*
A. E. FLOAN, *Vice President and Secretary*
LEONARD S. HOLSTAD, *Comptroller*
WM. J. EIDEN, *Treasurer*
ALROY D. PIEPGRAS, *Assistant Comptroller*
DONALD H. HARDESTY, *Assistant Treasurer*
FRANK J. SCOTT, *Assistant Secretary*
DALE MERRICK, *Assistant Vice President—Properties*
C. L. STEWART, *Assistant Vice President—Plans*

DIRECTORS

CROIL HUNTER—*Chairman, Board of Directors, Northwest Airlines, Inc.*
JAMES H. BINGER—*Vice President, Minneapolis-Honeywell Regulator Co., Minneapolis, Minn.***
MORTON H. FRY—*Partner, Riter and Company, New York City*
ROBERT M. HARDY—*President, Sunshine Mining Co., Yakima, Wash.*
L. G. JACQUES—*President and General Manager, Motor Products Corporation, Detroit, Mich.*
JOSEPH T. JOHNSON—*President, The Milwaukee Co., Milwaukee, Wis.*
MALCOLM S. MACKAY—*Executive Vice President, Northwest Airlines, Inc.*
ALONZO PETTEYS—*Vice President and Director, Farmers State Bank, Brush, Colo.*
C. FRANK REAVIS—*Partner, Hodges, Reavis, McGrath, Pantaleoni & Downey, New York City*
ALBERT G. REDPATH—*Partner, Auchincloss, Parker & Redpath, New York City*
WILLIAM STERN—*President, Dakota National Bank, Fargo, N. D.*
ALBERT F. TEGEN—*President, General Public Utilities Corporation, New York City*
LYMAN E. WAKEFIELD, JR.—*Vice President, First National Bank of Minneapolis, Minneapolis, Minn.*
ALBERT J. WEATHERHEAD, JR.—*President, The Weatherhead Company, Cleveland, Ohio*
WHELOCK WHITNEY—*Director and Member of Executive Committee, Truax-Traer Coal Company, Chicago, Ill.*

Registrar THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK, N. Y.
Transfer Agent BANKERS TRUST COMPANY, NEW YORK, N. Y.

*As of March 31, 1954

**Subject to approval of Civil Aeronautics Board

GENERAL OFFICES: 1885 UNIVERSITY AVENUE, ST. PAUL 1, MINNESOTA



NORTHWEST AIRLINES, INC.