NORTHWEST ORIENT AIRLINES
1969 ANNUAL REPORT

FINANCIAL HIGHLIGHTS OF 1969

	1969	1968
Total Operating Revenues	$ 467,937,999	$ 416,289,742
Operating Income	82,126,009	97,943,632
Net Earnings for the Year	51,465,531	50,051,005
Per Common Share	2.55	2.74
Stockholders' Equity	426,796,925	306,717,107
Per Common Share	20.41	16.76
Dividends Paid	9,117,379	7,319,702
Operating Expenses—		
Per Available Ton-Mile	15.2¢	14.6¢
Per Revenue Ton-Mile	34.5¢	30.8¢
Revenue Traffic—		
Passengers Carried	7,517,780	7,173,805
Passenger-Miles Flown	6,208,725,000	5,458,128,000
Ton-Miles, Mail, Freight and Express	341,584,000	308,988,000
Common Shares at Year End	20,914,272	18,299,256
Employees at Year End	12,695	11,354

TABLE OF CONTENTS

43rd Annual Report to the Stockholders

From the President:

Earnings Leadership

For the second consecutive year, your company led all U.S. air carriers in net earnings with an after-tax profit of $51,465,531. Achieving this in a troubled year for the industry is gratifying to your management.

For 1969, record revenues of $467,937,999 were generated. This is a 12.4 per cent increase over the $416,289,742 revenues of 1968. The 1969 net earnings of $51,465,531 is a 2.8 per cent increase over the 1968 figure of $50,051,005.

Fare Increases Granted

Two fare increases were approved in 1969 by the Civil Aeronautics Board (CAB) that contributed to revenue growth and helped offset the impact of rapidly rising costs.

The first increase in fares became effective February 20, 1969 and was estimated by the CAB to be 3.8 per cent for the industry.

Effective October 1, 1969, the CAB permitted carriers to revise domestic fares using a cost-oriented formula. Thus, for the first time, passengers traveling similar distances now pay correspondingly similar fares. Fares in many of Northwest Orient's key markets have been historically underpriced when compared to fares of other carriers in markets of like distance. Application of the fare formula, therefore, resulted in a somewhat greater revenue increase for Northwest Orient than for other domestic carriers.

Coincident with this fare adjustment, the CAB also permitted carriers to reduce discounts on certain domestic promotional fares. These adjustments helped arrest the sharply increasing revenue dilution which the industry was experiencing due to growing use of promotional fares.

Rising Expenses

Total operating expenses rose from the 1968 level of $318,346,110 to the 1969 figure of $385,811,990. The inflationary trends were evident in payroll, rents, landing fees and in increased costs of other supplies and services. The impact is evident in landing fees, for example, which rose from $7,760,478 in 1968 to $10,520,892 this past year—a 35.6 per cent increase.

Offsetting Savings

Helping to partially offset rapid increases in expenses are the savings generated by effective cost controls, better utilization of people and operating efficiencies which characterize your company.

One example of cost savings is the decision to install heavy duty wheels and brakes on the entire fleet of 32 B-727-100 aircraft. The increased brake life results in a projected saving of an estimated $180,000 annually.

The application of standardization wherever possible has a 'domino effect' that contributes greatly to Northwest Orient's operating efficiency—best in the industry. Use of the same seats in both the B-727's and B-707's provides savings in initial purchase and in reupholstery costs. Standardization in our aircraft fleet reduces the number of spare engines needed—a significant item because of the $330,000 cost for each JT8D engine, as an example.

Financial Strength

The need for financial strength and stability has never been greater in the industry.

Capital requirements for the new generation aircraft are truly impressive. Your company, as an example, has commitments of $216 million for 15 Boeing 747's and of $262 million for 14 McDonnell Douglas DC-10's over the next 48 months.

Because of our prior concern and planning, your company can approach this commitment with confidence.

As of February 28, 1970, Northwest Orient has advance deposits of $131,951,439 on the 747's and DC-10's it has ordered.

With a long-term debt-to-equity ratio of .26, lowest in the industry, Northwest Orient is also in an excellent position to obtain additional lines of credit should the need arise at some future date.

Route Expansion

In 1969, Northwest Orient's route structure was improved in two important areas.

After 4 years of proceedings, the trans-Pacific service investigation was concluded. In the domestic phase, we were given authority to Hawaii from a number of new co-terminal points: New York-Newark, Philadelphia, Washington, Cleveland, Detroit, Chicago and the Twin Cities.

The international phase decision awarded us central Pacific routes from San Francisco/Oakland/San Jose and from Los Angeles/Ontario/Long Beach to the Orient via the intermediate point of Hawaii. Service was inaugurated from San Francisco on August 1, 1969, and from Los Angeles on January 6, 1970.

The important link from the Twin Cities to California was forged with new authority granted us to both San Francisco and Los Angeles on a non-stop basis. After just three months operation, Northwest Orient had obtained a substantial share of traffic in these major markets.

We are also hopeful of receiving new non-stop authority from Seattle-Portland to San Francisco/Oakland and Los Angeles in the Pacific Northwest-California Service Investigation. This would permit much more efficient use of our aircraft because of improved scheduling patterns. The CAB examiner has recommended Northwest Orient be given this authority in his Initial Decision.

Labor Accord

The settlement of major labor agreements in 1969 without interruption of our services was a noteworthy accomplishment. Contracts, fair to our employees but within the pattern of our competitors, were negotiated successfully with our pilots, mechanics, flight kitchen employees, plant protection men, meteorologists, flight engineers, Japanese and Philippine personnel.

Proposed Merger

The success of your management in dealing with these various areas contributed to our continuing financial success.

This, in turn, placed us in the position of being able to tender a merger offer to Northeast Airlines in November, 1969.

Under basic terms of the merger agreement, which has been approved by the Boards of Directors of Storer Broadcasting, Northeast Airlines and Northwest Airlines as of this writing:

1. Northwest Orient Airlines (NWA) will be the surviving company and the stockholders of Northeast Airlines (NEA) will receive one share of NWA common stock for each five shares of NEA stock held.
2. The stock to be received by Storer Broadcasting, 86.1 per cent stockholder of NEA, will be reduced at the rate of $35.50 per share in accordance with the formula in the agreement based upon Northeast losses as defined, and will not be entitled to receive dividends for a period of three years from the date of merger consummation.
3. The stock to be received by the minority NEA stockholders will be NWA common stock entitled to regular dividends.
4. An existing $10 million indebtedness owed by NEA to Storer for interim loan advances will be repaid by NWA at the consummation of the merger with interest. NWA will have the option to repay this debt either in cash or in NWA common dividend paying stock at the rate of $35.50 per share.
5. Storer has advanced and will be obligated to advance additional funds as required by Northeast during the pendency of the consummation of the merger and NWA will cause repayment of such additional loans in cash on consummation.

The combination of route structures and the operating economies that could be made by joint operation make this proposed merger a sound one in the considered opinion of your management and Board of Directors.

There is no question but that much hard work and dedication will be required to realize fully the benefits of such a merger, but the potential reward is also great.

Dividends Increased

As a stockholder, you have several prime interests in the company—financial stability, growth and income.

A key indicator in any company's growth is its dividend record.

Your management was pleased that the company's performance in 1969 warranted continued payment of quarterly dividends. The rate of quarterly dividend was increased from 10¢ per share to 11¼¢ per share, an increase of 12.5 per cent. Your company's record of quarterly dividends has now reached 59 consecutive payments.

Since 1969 was a year in which 4 of the 12 trunk air carriers omitted one or more quarterly dividends, we feel this is a significant indicator of Northwest Orient's continued vitality and strength.

We are confident that 1970, although a year of relative uncertainty, will again justify your continued faith and support as a stockholder.

Sincerely,

Donald W. Nyrop
President

Preparations for 747 delivery has priority in '69 planning; new routes await new aircraft

Much of 1969's planning and work was devoted to the impending delivery of Northwest Orient's fleet of 15 Boeing 747s. Activity centering on this new generation jet was found in nearly every department of your company.

Special Needs

Purchasing of completely new equipment for terminal and ground handling was required in many instances. New items committed for include specially designed food service trucks, tow tractors, baggage containers and a host of other ground support equipment. Total planned investment in this material to date is $8,930,000.

Provisioning of spare parts for the 747 that began in 1968 continued through 1969 and commitments currently total $20,500,000. This represents approximately 65 per cent of the total spares requirement as planned.

In-Flight Entertainment

A contract was signed with In-Flight Motion Pictures, Inc. for the exhibition of in-flight motion pictures aboard all of the 747 fleet and the DC-10 fleet. The contract includes provision for stereophonic audio entertainment as well as motion pictures.

Facilities Expansion

In addition to special requirements for ground support equipment for the 747, new and different facilities are also required for passenger terminals, overhaul and maintenance.

A new $5 million expansion of our facilities at Seattle/Tacoma International Airport includes the first 747 hangar and is scheduled for April 15, 1970 completion.

Completion of the $18 million expansion at Twin Cities International Airport, Northwest Orient's home base, is set for 1971. Included in this project are two new 747 hangars and a major expansion of shop facilities.

Overhaul of the 747 will be centered at the Twin Cities base while maintenance will be performed both at the Twin Cities and Seattle.

Specially designed jetways for boarding passengers on the 747 are also a requirement. These installations have already been completed in the Twin Cities, Seattle and Anchorage; programs are underway in New York, Chicago, Tokyo, Hong Kong, Seoul, Honolulu, Los Angeles, San Francisco and Miami.

Pilot Training

The first group of 747 instructor pilots attended ground school at the Boeing Company facility in Seattle in 1969.

Orders for many new pilot training devices for the 747 were placed, including a cockpit procedures trainer, navigation and instrument procedures trainers and back lighted systems training boards.

A new $3 million flight services building, now under construction at Twin Cities International Airport, will house the $3 million 747 flight simulator now being built by the Link General Precision Division of Singer Corporation.

Present plans call for 747 training flights to center at Salina, Kansas and possible use of Moses Lake, Washington. Both are former Air Force facilities.

New Routes Ideal

Important new routes were granted Northwest Orient in 1969. Several of these new routes are ideal for efficient 747 operation.

The new central Pacific routes, for example, from San Francisco or Los Angeles to Tokyo with the intermediate stop in Honolulu represent a very economic use of the 747 because of its long haul characteristics. Another such route is the non-stop flight from Chicago to Honolulu.

Many of Northwest Orient's existing routes fit nicely with the 747's capabilities —Seattle to Tokyo being an excellent example.

Initial Schedule

First scheduled service of Northwest Orient's 747s will be between the Twin Cities and New York with one flight daily in each direction initially. This service is tentatively scheduled to begin in June, 1970. Present plans call for a second flight daily in each direction on this same route segment some two weeks later.

Introduction on this route segment will permit maximum attention to be devoted to this new airplane and the special operating procedures it requires. Location of the general offices and the overhaul and maintenance main base in the Twin Cities will provide proximity to both support personnel and equipment.

First trans-Pacific scheduling of our 747 will be from the Seattle/Tacoma gateway to Tokyo on July 1, 1970. This flight will operate New York-Chicago-Seattle-Tokyo.

All planning for Northwest Orient's introduction of 747 service has been focussed on the need to make that introduction a pleasant and rewarding experience for our passengers.

In-flight motion pictures will be shown on all Northwest Orient 747 trans-Pacific flights.

Stewardesses find food service easier, quicker with new galley arrangements on the 747.

Wider aisles on the 747.

The first class lounge in the upper deck of the 747 boasts real comfort, elegance.

Overhead compartments above 747 seats permit carry-on of luggage and other bulky items.

Two abreast doorways provide easier, faster boarding and deplaning.

Financial review of 1969

Revenues

Northwest Airlines' operating revenues established a new high of $467,937,999, for an increase of 12.4 per cent over the previous record set in 1968.

Passenger revenues increased to a record $350,504,331, up 16.3 per cent over the previous high of $301,276,511 in 1968. The system passenger-mile yield increased to 5.65¢, or 2.4 per cent over 1968. This improved yield is the result of the fare increases approved by the Civil Aeronautics Board and placed into effect in February and October of 1969. The system passenger-mile yield in the fourth quarter 1969 increased 6.6 per cent to 5.97¢ primarily as a result of the domestic fare increases which were in effect in this quarter.

This year's increase in passenger yield is the first since the yield started declining in 1963. The passenger-mile yield was partially offset by the continued increase in the use of promotional and discount fares and the increasing utilization of coach services. Coach services amounted to 89.1 per cent of the total passenger-miles, up from 85.4 per cent in 1968.

Revenues from freight, express and excess baggage were at a new high of $51,006,242, up 16.2 per cent from 1968. This growth reflects the increased services Northwest is offering in the cargo market and was attained despite a drop in the revenue ton-mile yield from 25.70¢ to 25.53¢.

Mail revenue increased 2.7 per cent to $29,386,081. Mail revenue ton-miles flown were 143,089,205 or an increase of 2.5 per cent over 1968.

Revenues from charter operations declined to $35,089,363 in 1969, compared with $41,059,963 in 1968. This reduction in revenue was due to decreased military charter operations, which amounted to $30,059,792, or a decrease of 21 per cent from $38,066,115 in 1968. The Military Airlift Command contract extends to June 30, 1970, and we will seek a renewal contract for the Government's fiscal year 1971.

Expenses

Operating expenses in 1969 totaled $385,811,990, representing an increase of 21.2 per cent compared with 1968. This increase is, in part, the result of increased capacity offered in 1969.

Available ton-miles increased 16.0 per cent over 1968. Depreciation and amortization amounted to $60,833,257 in 1969, an increase of 22.1 per cent over 1968.

The continued inflationary trend has increased costs substantially in wages, materials, services, and fuel and oil prices. Continued attention to cost control by your Company has held the unit cost performance to a modest increase to 15.2¢ per available ton-mile, or only six tenths of a cent over the 1968 level of 14.6¢.

Net Earnings

Net earnings in 1969 were $51,465,531, or $2.55 per average share of common stock outstanding, compared with $50,051,005, or $2.74 per share in 1968. The 1968 earnings per share are adjusted to reflect the two-for-one stock split in 1969.

Operating income amounted to $82,126,009, down from $97,943,632 in 1968. Pretax non-operating costs included $2,334,634 interest expense, down from $3,893,613 in 1968, and income of $751,506 from the disposals of property.

Beginning January 1, 1969, a change in accounting practice was adopted by the Company under which the flow-through method of accounting for investment tax credit was used with respect to all new asset deliveries. This credit against federal income taxes, amounting to $9,040,500, has been taken into current year's earnings.

The deferred investment tax credit amounting to $24,383,400 at December 31, 1968, continued to be amortized in accordance with past practice and amounted to a credit in net earnings of $4,525,700 in 1969, compared with $3,975,100 in 1968. All investment tax credit available to Northwest to date, as a result of equipment purchases, has been used to reduce current income taxes.

Cash Flow

Cash flow from operations in 1969 included generation of $124,706,388 from net earnings, depreciation and amortization, deferred income taxes, and investment tax credit. Other sources of funds included proceeds from the sale of common stock of $77,731,666 and disposals of operating property amounting to $2,000,971.

The major application of funds included fleet and property additions and advance deposits for aircraft on order amounting to $174,006,206 and a reduction in long-term debt of $48,000,000. Cash dividends of $9,117,379 were paid to stockholders in quarterly payments during 1969 at an annual dividend rate of 45¢ per common share (adjusted for the two-for-one stock split in 1969).

Your Company has made consecutive dividend payments on its common stock for 15 years.

Traffic

Northwest's traffic results in 1969 reflected record growth in all areas. Revenue plane-miles in scheduled services increased by 15.2 per cent, while available ton-miles increased 19.5 per cent. Revenue passenger-miles in scheduled services increased to 6,208,725,219 for a 13.8 per cent increase over 1968.

System passengers carried increased 4.8 per cent over the prior year. The system passenger load factor declined from 50.35 per cent in 1968 to 45.98 per cent in 1969. During 1969 system freight, express and excess baggage revenue ton-miles increased 16.9 per cent and mail revenue ton-miles increased 2.5 per cent over 1968.

Financing Arrangements

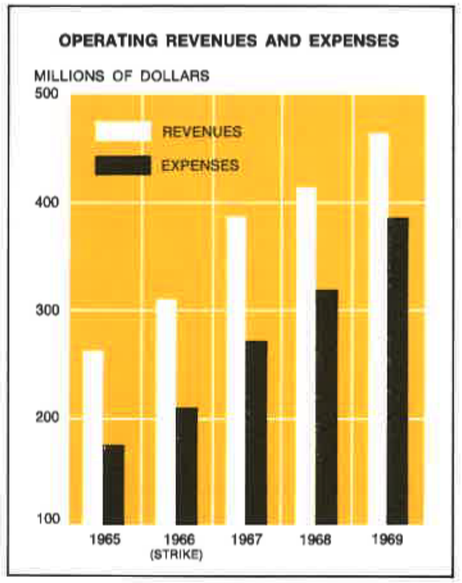
Northwest Airlines' financial condition is one of the strongest in the airline industry. Stockholders' equity at year end amounted to $426,796,925, up 39.2 per cent from $306,717,107 at the close of 1968. Book value per common share increased to $20.41 at the end of 1969, compared to $16.76 per share last year after adjusting for the two-for-one stock split in May 1969.

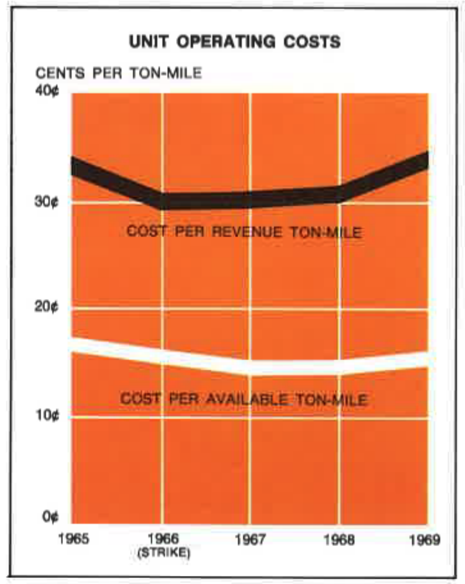
Outstanding debt at year end amounted to $130,000,000. Under a credit agreement with 15 banks, the Company has outstanding $35,000,000, which is the maximum revolving credit remaining under this agreement. The revolving credit maximum continues to reduce by $5,000,000 quarterly from April 1, 1970 and terminates October 1, 1971.

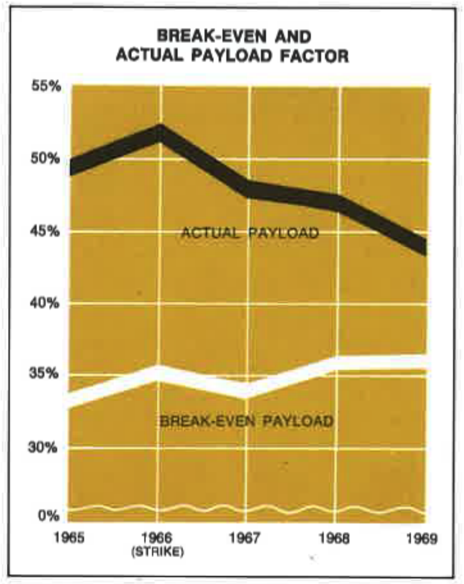
Under a separate credit agreement with 24 banks, an additional maximum revolving credit of $250,000,000 is provided, of which the Company has borrowed $67,000,000. This agreement reduces to $230,000,000 by October 1, 1972, to $210,000,000 by October 1, 1973, to $90,000,000 by October 1, 1974 and terminates July 1, 1975. As of December 31, 1969, the agreement makes available, at any time, $183,000,000 for working capital and other purposes.

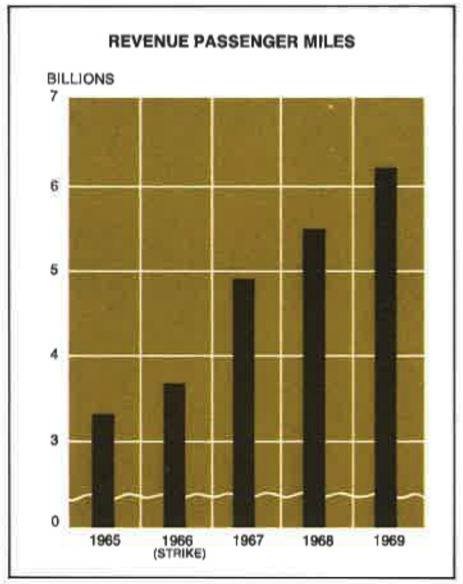
Under a Note Purchase Agreement with 12 insurance companies, the Company has outstanding debt of $28,000,000. This agreement is payable $3,000,000 annually, with a final payment of $4,000,000 on October 1, 1978.

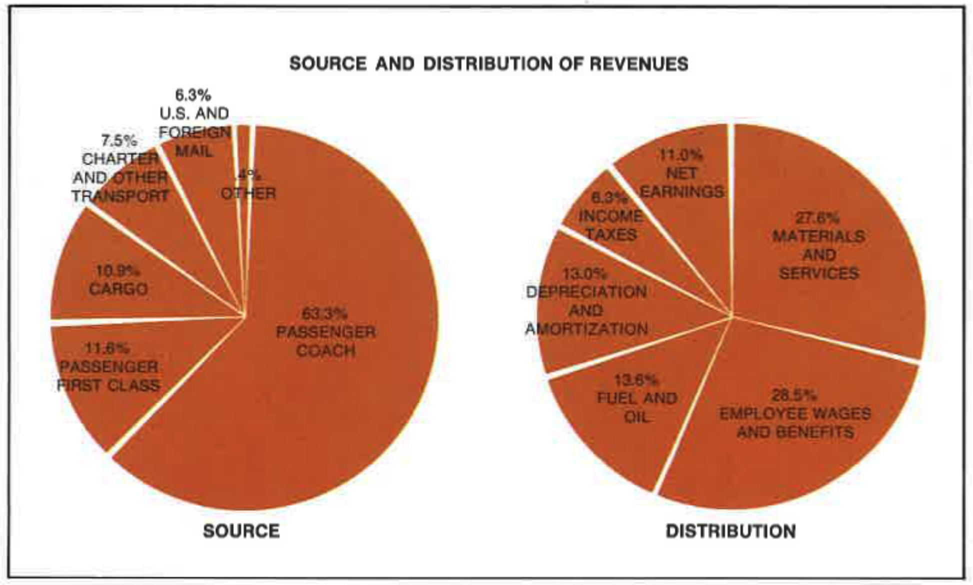
The Company has on order from the McDonnell Douglas Corporation and from the Boeing Company, 29 additional jet aircraft which, with spare engines, will require expenditures of $597,446,000. These aircraft are scheduled for delivery in 1970 through 1973.











Northwest Orient jet fleet grew 21% in '69; now numbers 108 aircraft

Delivery of 19 Boeing 727-200 jet aircraft in 1969 brought Northwest Orient's Jet fleet from a total of 89 to 108 aircraft. This represented an increase of 21 per cent in number of aircraft; an increase of 21 per cent in terms of additional lift capacity.

Balanced Fleet

With its mix of short, medium and long range aircraft, Northwest Orient has one of the finest fleets in the world today.

Standardization on an all-Boeing fleet has provided many significant benefits to the company.

Today, only two types of engines are needed for the four types of aircraft. The Pratt & Whitney JT3D engine is used in both the Boeing 720B and in the Boeing 707-320; the JT8D engine in both the Boeing 727-100 and 727-200.

Standardization Important

This standardization in aircraft and engines results in many substantial savings:

1. Fewer spare engines and spare parts required; each JT8D engine costing $330,000 today.
2. Training of mechanics is speeded and their productivity is greater because they need only work on two types of engines.
3. Pilot transition training is more rapid because of the similarity in aircraft and engines.

The benefits obtained from this management approach have been obvious in the past. This was a prime reason for insisting that McDonald Douglas provide us with the Pratt & Whitney JT9D engine rather than the General Electric engine, in the DC-10 aircraft before we placed our order.

This decision insured commonality with the engine used in the Boeing 747 and the continuance of the savings benefits achieved through standardization.

Future Deliveries

The first of 15 Boeing 747's ordered by Northwest Orient will be delivered in May, 1970. By year end, ten 747's will be delivered with the remaining five to be delivered in 1971. With spare engines and parts, these 15 aircraft represent an investment of $350 million.

Fourteen DC-10's have been ordered with initial delivery expected to be made in late 1972. Total investment in these aircraft, with spares, is $280 million. An additional 14 DC-10's are on option.

Delivery positions for six Boeing 2707 SSTs have been reserved by Northwest Orient, and secured by deposits on and payments for research and development costs totaling $6,300,000.

Aircraft Sale

We have been successful in selling six of our Lockheed Electra L-188 aircraft. The remaining six aircraft will be sold after certain airport improvements have been completed later this year on our route system so that pure jet service can be initiated.

Fourteen DC-10's have been ordered; 14 are on option.

Northwest Orient has reserved six positions for the SST.

STATEMENT OF EARNINGS

NORTHWEST AIRLINES, INC. AND SUBSIDIARIES

	Year Ended December 31	
	1969	**1968**
Operating Revenues		
Passenger	$350,504,331	$301,276,511
Cargo	51,006,242	43,902,321
Mail	29,386,081	28,604,486
Charter and other transportation	35,089,363	41,059,963
Nontransport	1,951,982	1,446,461
	467,937,999	416,289,742
Operating Expenses		
Flying operations	117,876,029	98,870,867
Maintenance	52,362,726	44,222,599
Passenger service	41,074,486	34,787,990
Aircraft and traffic servicing	59,009,092	46,030,034
Reservations, sales and advertising	42,735,394	34,351,091
Administrative and general	11,921,006	10,266,682
Depreciation and amortization—Note F	60,833,257	49,816,847
	385,811,990	318,346,110
	82,126,009	97,943,632
Other Income and (Deductions)		
Interest on long-term debt	(2,334,634)	(3,893,613)
Disposals of property	751,506	183,816
Other income	429,850	489,970
	(1,153,278)	(3,219,827)
Earnings Before Taxes	80,972,731	94,723,805
Taxes on Earnings, including deferred taxes and investment credit—Note D	29,507,200	44,672,800
Net Earnings for the Year	$ 51,465,531	$ 50,051,005
Earnings per share of Common Stock—Note D	$2.55	$2.74

See notes to financial statements.

STATEMENT OF FINANCIAL POSITION

NORTHWEST AIRLINES, INC. AND SUBSIDIARIES

ASSETS

	December 31 1969	December 31 1968
Current Assets		
Cash	$ 26,819,462	$ 29,940,240
Accounts receivable	44,587,468	36,231,208
Flight equipment spare parts, at average cost, less allowances for depreciation (1969—$5,267,576; 1968—$4,430,479)	10,885,810	13,707,079
Maintenance and operating supplies at average cost	3,744,291	3,210,903
Prepaid expenses	1,686,939	1,409,690
Total Current Assets	87,723,970	84,499,120
Property and Equipment		
Flight equipment at cost	697,937,880	582,646,236
Less allowances for depreciation	205,696,727	158,124,438
	492,241,153	424,521,798
Advance payments on new flight equipment—Note C	120,654,204	82,860,068
	612,895,357	507,381,866
Other property and equipment at cost	56,189,979	45,341,561
Less allowances for depreciation	22,268,715	19,362,555
	33,921,264	25,979,006
	646,816,621	533,360,872
Deferred Charges and Other Assets		
Aircraft (SST) development costs—Note F	3,300,000	4,700,000
Rentals	2,420,845	2,300,875
Other	2,470,217	2,677,069
	8,191,062	9,677,944
	$742,731,653	$627,537,936

LIABILITIES AND STOCKHOLDERS' EQUITY

	December 31 1969	December 31 1968
Current Liabilities		
Accounts payable	$ 48,649,676	$ 37,850,144
Employee compensation	13,619,054	12,239,025
Air travel card deposits	1,130,925	1,142,825
Unredeemed ticket liability	5,843,370	4,820,273
Income taxes	7,581,603	5,066,062
Current maturities of long-term debt	18,000,000	3,000,000
Total Current Liabilities	94,824,628	64,118,329
Long-Term Debt—Note A	112,000,000	160,000,000
Deferred Credits—Note D		
Income taxes—arising principally from accelerated depreciation methods	89,252,400	72,319,100
Investment credit	19,857,700	24,383,400
	109,110,100	96,702,500
Stockholders' Equity—Note B		
Common Stock (after giving effect to two-for-one stock split in 1969) $1.25 par value; authorized 40,000,000 shares; issued and outstanding 1969—20,914,272 shares; 1968—18,299,256 shares	26,142,840	22,874,070
Capital surplus	113,843,996	39,381,100
Retained earnings	286,810,089	244,461,937
	426,796,925	306,717,107
Commitments—Note C		
	$742,731,653	$627,537,936

See notes to financial statements.

STATEMENT OF STOCKHOLDERS' EQUITY

NORTHWEST AIRLINES, INC. AND SUBSIDIARIES

Two Years Ended December 31, 1969

	Common Stock Shares	Common Stock Amount	Capital Surplus	Retained Earnings
Balance January 1, 1968	9,149,626	$22,874,065	$ 39,381,745	$201,730,634
Net earnings for the year				50,051,005
Cash dividends—$.40* a share				(7,319,702)
Miscellaneous	2	5	(645)	
Balance December 31, 1968	9,149,628	22,874,070	39,381,100	244,461,937
Sale of shares, less expenses	1,307,508	3,268,770	74,462,896	
Two-for-one stock split	10,457,136			
Net earnings for the year				51,465,531
Cash dividends—$.45 a share				(9,117,379)
Balance December 31, 1969	20,914,272	$26,142,840	$113,843,996	$286,810,089

*Based upon two-for-one split in 1969.
See notes to financial statements.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

NORTHWEST AIRLINES, INC. AND SUBSIDIARIES

	Year Ended December 31 1969	1968
Source of Funds		
Net earnings	$ 51,465,531	$ 50,051,005
Depreciation and amortization	60,833,257	49,816,847
Deferred income taxes	16,933,300	14,510,800
Deferred investment credit	(4,525,700)	4,488,700
Total from Operations	124,706,388	118,867,352
Proceeds from sale of Common Stock, less expenses	77,731,666	—
Increase in long-term debt	—	75,000,000
Disposals of operating property	2,000,971	536,169
Total of Sources	204,439,025	194,403,521
Application of Funds		
Flight equipment and other property additions	117,340,010	109,509,921
Advance deposits on aircraft	56,666,196	69,919,222
SST development costs	—	5,500,000
Decrease in long-term debt	48,000,000	—
Cash dividends	9,117,379	7,319,702
Other	796,889	2,036,825
Total of Applications	231,920,474	194,285,670
Increase (Decrease) in Working Capital—Note A	($ 27,481,449)	$ 117,851

See notes to financial statements.

ACCOUNTANTS' REPORT

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

We have examined the statement of financial position of Northwest Airlines, Inc. and subsidiaries as of December 31, 1969 and the related statements of earnings, stockholders' equity and source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously made a similar examination of the financial statements for the preceding year.

In our opinion, the accompanying statements of financial position, earnings, stockholders' equity and source and application of funds present fairly the consolidated financial position of Northwest Airlines, Inc. and subsidiaries at December 31, 1969 and 1968 and the consolidated results of their operations, the changes in stockholders' equity, and source and application of funds for years ended those dates, in conformity with generally accepted accounting principles consistently applied, except for the change (which we approve) in practice for 1969 to an accepted alternative method of accounting for the investment credit as described in Note D to the financial statements.

Ernst & Ernst
Certified Public Accountants

Saint Paul, Minnesota
February 14, 1970

APPLICATION OF INVESTMENT TAX CREDIT

Period	Available and Utilized*	Reflected in Net Earnings†
1962-1968	$35,945,000	$11,561,600
1969	9,040,500	13,566,200
Total	$44,985,500	$25,127,800
To Net Earnings	25,127,800	
To Be Amortized	$19,857,700	

*All investment credit amounts generated 1962-1968 have been utilized to reduce income taxes.
†Income benefits of investment credit generated in 1962-1968 amortized over eight year period. The flow-through method of accounting was adopted for investment credit generated after 1968.
See notes to financial statements.

NORTHWEST AIRLINES FLEET

Aircraft Type	December 31 1968	1969	On Order
JET:			
707-320B & 320C	36	36	—
720B	16	16	—
727 & 727C-100	32	32	—
727-200	5	24	—
747	—	—	15
DC-10	—	—	14
Total Jet	89	108	29
PROP-JET: Electra	12	9	—
Total Fleet	101	117	29

10 YEAR SUMMARY

NORTHWEST AIRLINES, INC. AND SUBSIDIARIES

(Dollars in thousands except per share figures)

	1969	1968	1967	1966†	1965	1964	1963	1962	1961†	1960
Operating Revenues										
Passenger	$ 350,504	$ 301,277	$ 275,873	$ 216,239	$ 198,457	$ 163,807	$ 135,222	$ 121,781	$ 85,971	$ 97,680
Cargo	51,006	43,902	38,118	29,515	24,779	18,402	13,745	11,828	8,443	11,368
Mail	29,386	28,605	26,898	22,557	17,421	15,313	14,233	14,228	11,701	10,711
Charter and Other Transportation	35,090	41,060	41,799	39,205	21,851	12,965	6,442	2,646	1,482	823
Nontransport	1,952	1,446	1,291	3,803	490	1,123	(854)	(30)	3,456	2,780
Total Operating Revenues	$ 467,938	$ 416,290	$ 383,979	$ 311,319	$ 262,998	$ 211,610	$ 168,788	$ 150,453	$ 111,053	$ 123,362
Operating Expenses										
Depreciation and Amortization	$ 60,833	$ 49,817	$ 41,252	$ 33,195	$ 24,011	$ 22,852	$ 19,159	$ 18,445	$ 17,118	$ 14,413
Other	324,979	268,529	229,969	177,469	153,140	135,627	123,713	112,802	84,213	104,455
Total Operating Expenses	$ 385,812	$ 318,346	$ 271,221	$ 210,664	$ 177,151	$ 158,479	$ 142,872	$ 131,247	$ 101,331	$ 118,868
Operating Income	$ 82,126	$ 97,944	$ 112,758	$ 100,655	$ 85,847	$ 53,131	$ 25,916	$ 19,206	$ 9,722	$ 4,494
Other Income and (Deductions)—Net	(1,153)	(3,220)	(2,391)	(1,243)	224	(1,125)	(4,166)	(4,578)	(2,828)	(1,882)
Earnings Before Taxes	$ 80,973	$ 94,724	$ 110,367	$ 99,412	$ 86,071	$ 52,006	$ 21,750	$ 14,628	$ 6,894	$ 2,612
Income Taxes	29,507	44,673	51,651	46,276	40,377	25,220	11,297	7,398	3,233	986
Net Earnings	$ 51,466	$ 50,051	$ 58,716	$ 53,136	$ 45,694	$ 26,786	$ 10,453	$ 7,230	$ 3,661	$ 1,626
Earnings per Average Share As Reported Each Year[1]	$ 2.55	$ 5.47	$ 6.42	$ 5.81	$ 9.99	$ 5.86	$ 5.73	$ 3.97	$ 2.01	$ .89
Cash Dividends	9,117	7,320	6,405	5,490	3,657	2,602	1,823	1,702	1,701	1,700
Dividends per Share As Paid Each Year	.45	.80	.70	.60	.80	.60	1.00	.80	.80	.80
Stockholders' Equity	426,797	306,717	263,986	212,727	165,081	122,960	68,436	59,712	54,177	52,193
Number of Shares Outstanding at End of Year	20,914,272	9,149,628	9,149,626	9,149,626	4,574,813	4,568,634	1,824,452	1,820,714	1,820,214	1,818,715
Book Value per Share at End of Year[1]	$ 20.41	$ 33.52	$ 28.85	$ 23.25	$ 36.08	$ 26.91	$ 37.51	$ 32.80	$ 29.76	$ 28.70
Recomputed per Share Figures After Stock Splits:[2]										
Earnings per Average Share[2]	2.55	2.74	3.21	2.90	2.50	1.47	.72	.50	.25	.11
Dividends per Share[2]	.45	.40	.35	.30	.20	.15	.12	.10	.10	.10
Book Value per Share at End of Year[2]	20.41	16.76	14.43	11.62	9.02	6.73	4.69	4.10	3.72	3.59
Assets and Long-Term Debt										
Flight Property at Cost	$ 697,938	$ 582,646	$ 467,859	$ 401,476	$ 304,072	$ 219,523	$ 176,655	$ 169,413	$ 170,772	$ 121,441
Flight Property at Net Book Value	492,241	424,522	346,029	311,803	233,858	160,925	127,074	122,980	133,485	86,957
Total Assets	742,732	627,538	481,206	422,040	333,311	237,226	196,765	186,887	189,103	148,698
Long-Term Debt	112,000	160,000	85,000	96,000	72,000	45,000	64,996	74,968	90,286	68,500
Unit Expenses										
Per Available Ton-Mile	15.2¢	14.6¢	14.5¢	15.6¢	16.4¢	18.5¢	21.7¢	23.9¢	27.6¢	27.8¢
Per Revenue Ton-Mile	34.5¢	30.8¢	30.3¢	30.1¢	33.0¢	39.7¢	46.8¢	50.2¢	54.2¢	54.2¢
Per Cent of Operating Revenues	82.4%	76.5%	70.6%	67.7%	67.4%	74.9%	84.6%	87.2%	91.2%	96.4%
Statistics—Scheduled Services										
Revenue Plane Miles (000)	123,966	107,646	93,395	67,780	61,653	52,157	45,356	41,821	31,143	46,671
Available Seat Miles (000)	13,504,111	10,840,758	9,198,150	6,773,257	6,140,717	5,129,944	4,305,147	3,697,796	2,611,840	3,073,400
Revenue Passenger Miles (000)	6,208,725	5,458,128	4,901,520	3,699,851	3,303,809	2,668,812	2,179,208	1,904,112	1,361,790	1,653,966
Passenger Load Factor	46.0%	50.3%	53.3%	54.6%	53.8%	52.0%	50.6%	51.5%	52.1%	53.8%
Revenue Passengers Carried	7,517,780	7,173,805	6,489,295	4,963,275	4,593,462	3,663,077	2,911,914	2,437,342	1,723,667	2,139,547
Freight and Express Ton-Miles (000)	198,494	169,416	141,175	108,914	82,715	55,100	39,417	35,179	23,035	32,480
Total Revenue Ton-Miles (000)	942,050	836,085	709,165	533,556	452,553	351,886	284,732	254,033	182,704	217,722
Statistics—Total Operations										
Revenue Plane Miles (000)	135,563	121,077	106,197	77,715	67,125	55,477	47,207	42,718	31,658	46,963
Available Ton-Miles (000)	2,535,137	2,186,234	1,864,128	1,348,983	1,079,832	856,612	657,761	548,159	367,301	428,782

†Affected by major strikes in 1961 and 1966.

(1) Per share figures reflect the increase in outstanding shares resulting from stock issues in 1964 and 1969 and from the conversion of preferred stock as applicable in years prior to 1963.

(2) The stock was split "two-for-one" in 1964, 1966 and 1969. The recomputations in this section are shown to provide comparability on an adjusted basis and follow the form recommended by the Accounting Principles Board. These figures, of course, do not reflect the way the corporation was operated.

NOTES TO FINANCIAL STATEMENTS

NORTHWEST AIRLINES, INC. AND SUBSIDIARIES

December 31, 1969

Note A—Long-Term Debt

Under Note Purchase Agreements with twelve insurance companies the Company has borrowed $28,000,000 at 6% payable $3,000,000 annually and $4,000,000 on October 1, 1978. Certain optional prepayments at par are permitted. The Agreements contain certain other provisions with respect to redemption as a whole, but not from borrowed funds, at premiums ranging from 5% to 1%.

Under the Fourth Amendatory Credit Agreement with fifteen banks the Company has outstanding $35,000,000 which is the maximum amount of the revolving credit provided in the Agreement and which credit reduces $5,000,000 quarterly beginning April 1, 1970 and terminates October 1, 1971. Interest on funds borrowed is at 4¾%.

Under a credit agreement with twenty-four banks the Company has borrowed $67,000,000. This agreement provides for a revolving credit of $250,000,000 reducing to $230,000,000 by October 1, 1972, to $210,000,000 by October 1, 1973, to $90,000,000 by October 1, 1974 and terminating July 1, 1975. Interest on funds borrowed is at the prime commercial loan rate to December 31, 1970 and at ¼% above the prime commercial loan rate thereafter. As of December 31, 1969 the agreement makes available at any time $183,000,000 for working capital and other purposes.

At December 31, 1969 the Company had complied with the covenants of the debt agreements.

The aggregate repayment of long-term debt outstanding at December 31, 1969 over the years 1970 through 1975 is $18,000,000, $23,000,000, $3,000,000, $3,000,000, $3,000,000 and $70,000,000, respectively.

Note B—Stockholders' Equity

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

At December 31, 1969 options were outstanding for the purchase of 71,768 shares of Common Stock by Company officers and employees at prices not less than 100% of the market at date of grant. Options for 19,866 shares became exercisable during 1969 and options for 19,134 shares were exercisable at December 31, 1969.

The Northwest Airlines 1968 Employee Stock Purchase Plan provides for the sale of Common Stock to eligible employees through payroll deductions of up to 10% of their salary not to exceed $3,000 a year. The sales price is 90% of the highest price of the Stock on the New York Stock Exchange on specified annual dates.

At December 31, 1969 there were 1,028,232 shares of Common Stock reserved for additional stock options and/or the Employee Stock Purchase Plan described above.

Note C—Commitments

At December 31, 1969, the Company has contracted to purchase jet aircraft for delivery in 1970 through 1973, which with spare engines, will require expenditures of $597,446,000. Of this amount, $119,854,000 has been deposited with manufacturers at December 31, 1969 and approximately $160,608,000, $89,382,000, $67,408,000 and $160,194,000 become payable during the next four years, respectively.

Annual rental payments of approximately $5,500,000 are required under various lease agreements for periods up to forty years covering airport facilities, ticket offices, etc.

Note D—Taxes on Earnings

Effective January 1, 1969 the Company adopted the flow-through method of accounting for the investment credit. No change has been made in accounting for credits arising in prior years which will continue to be amortized over eight years from the dates the credits arose. The investment credit for 1969 was $9,040,000 and the change to the flow-through method decreased taxes on earnings and increased net earnings for 1969 by $8,492,700 or $.42 per common share.

The provision for taxes on earnings consists of the following:

	Year Ended December 31	
	1969	1968
Current provision	$17,099,600	$25,673,300
Deferred taxes	16,933,300	14,510,800
Deferred investment credit	—	8,463,800
	34,032,900	48,647,900
Less amortization of deferred investment credit over eight years	4,525,700	3,975,100
Total	$29,507,200	$44,672,800

Note E—Pension Plans

The Company has several pension plans covering substantially all of their employees. The plans' assets are sufficient to cover the vested benefits for all plans at December 31, 1969 and all past service costs have been funded. Total Company contributions to the plans were $6,360,218 for 1969 and $5,078,348 for 1968.

Note F—Depreciation Policy

Provision for depreciation of aircraft and related flight equipment approximated $55,473,000 for 1969 and $45,495,000 for 1968 and was computed on the straight line method assuming ten year lives and 15% residual values. $5,500,000 of SST development costs are being amortized over five years.

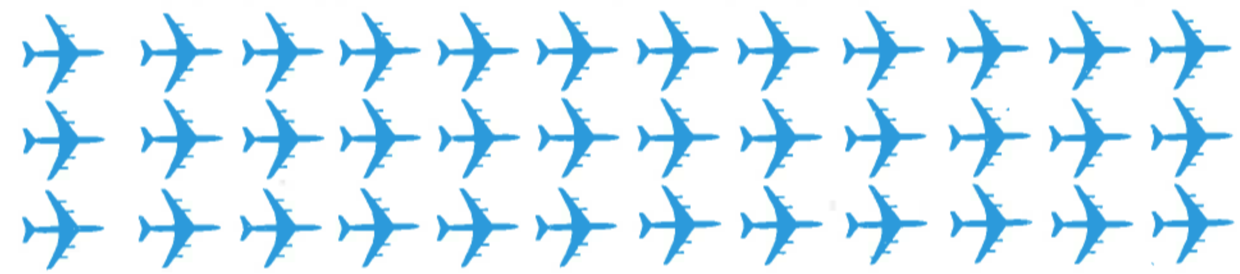
Note G—Proposed Merger

Under terms of an agreement which would merge Northeast Airlines, Inc. into the Company, Northeast stockholders would receive one share of Northwest stock for each five shares of Northeast held, an exchange for approximately 1,337,000 Northwest shares. The number of shares may be adjusted downward contingent on Northeast losses based on a formula contained in the merger agreement. At its option, Northwest may issue an additional 281,690 shares in payment of notes payable owed by Northeast. The merger is subject to approval by stockholders of the respective companies and the Civil Aeronautics Board. If accomplished it will be accounted for as a pooling of interests.

Northwest Orient's current fan jet-fleet

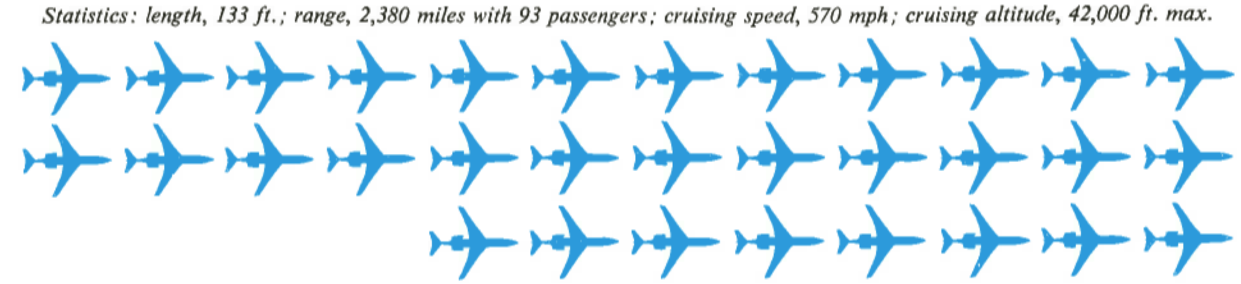
36 BOEING 707-320B/C FAN-JETS

Statistics: length, 153 ft.; range, 5,620 miles with 142 passengers; cruising speed, 550 mph; cruising altitude, 42,000 ft. max.



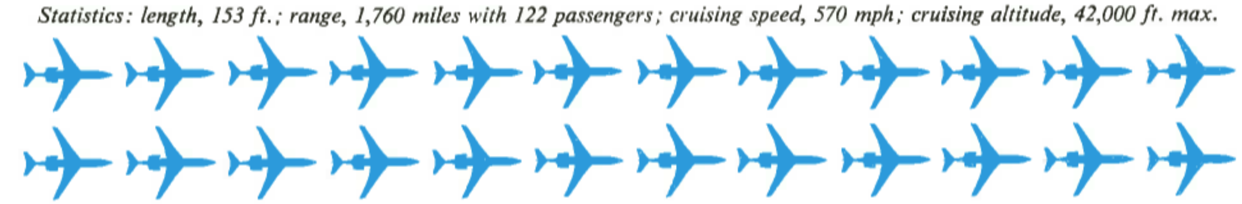
32 BOEING 727-100 FAN-JETS

Statistics: length, 133 ft.; range, 2,380 miles with 93 passengers; cruising speed, 570 mph; cruising altitude, 42,000 ft. max.



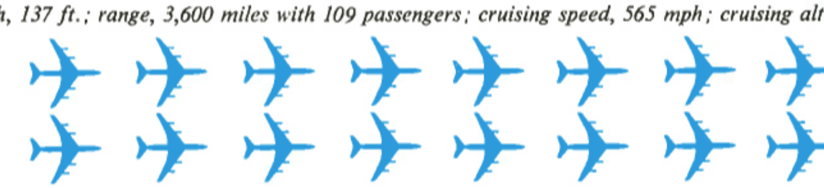
24 BOEING 727-200 FAN-JETS

Statistics: length, 153 ft.; range, 1,760 miles with 122 passengers; cruising speed, 570 mph; cruising altitude, 42,000 ft. max.



16 BOEING 720B FAN-JETS

Statistics: length, 137 ft.; range, 3,600 miles with 109 passengers; cruising speed, 565 mph; cruising altitude, 42,000 ft. max.



TOTAL 108 AS OF DECEMBER 31, 1969

Sales revenues hit $467.9 million in '69; marketing big factor

Total revenues set a new record in 1969 with a figure of $467.9 million, compared to $416.3 million revenues in 1968—an increase of 12.4 per cent.

Leading sales gains were registered in Hawaii passenger revenue, up 38.3 per cent, Alaska passenger revenue up 37.3 per cent and Orient passenger revenue up 25.3 per cent.

Fare Introductions

Helping achieve these higher revenues were several new innovative fares introduced by Northwest Orient to stimulate vacation travel.

Of particular significance were the new trans-Pacific excursion fares which became effective October 1. New excursion fares were also made available over certain of Northwest Orient's intra-Orient routes in 1969.

Agency and Tour Sales

The important relationship Northwest Orient enjoys with travel agents was demonstrated again in 1969 with revenues of $120.4 million derived from this source—a 23.5 per cent increase over 1968.

Seminars promoting Northwest Orient's new routes were held for 3,100 travel agents and commercial account personnel in Los Angeles, San Francisco, Oakland, San Diego, Honolulu, Twin Cities, Fargo, Madison and Winnipeg. An advanced multi-media film presentation featuring the new corporate image and the new routes late in 1969 will have been shown to over 10,000 travel agency employees by mid-1970.

Merchandising Program

After careful analysis and preparatory work, Northwest Orient's 'Sky Shop' merchandising program has been launched.

The program offers our passengers the opportunity to purchase exclusive merchandise ranging from glassware to golf balls and towels to TV sets through a mail order brochure found in every seat pocket of Northwest Orient aircraft.

The program is planned to be a self liquidating venture.

Advertising Highlights

Implementation of the new corporate identity proceeded extremely well in 1969. By year end, Northwest Orient's 'new look' was reflected in stationery and all printed material, uniforms of cabin attendants and ground personnel, in-flight service items, aircraft exteriors, city ticket offices, selected terminal departure lounges and in advertising.

The Advertising division also provided design guidance for the 747 and DC-10 interior decor.

'Mini-Vacations'

Northwest Orient became the first airline to introduce the 'Mini-Vacation' concept. Five different destinations were featured in full page black and white newspaper ads in ten major markets. Coupon response was excellent.

Emphasis Switched

Advertising emphasis in the westbound trans-Pacific campaign was switched from 'Not So Far East' to a broader appeal which encompasses North Pacific and mid-Pacific routes. The new campaign, based on Northwest Orient's expertise in the Orient, started in December.

'Corporate Look'

The new corporate 'look' was launched to the trade press in March and to consumers in April. A four-page, four-color insert was prepared for key trade publications and two-color newspaper ads were scheduled in all major and minor markets.

Two color newspaper spread introducing the new corporate image.

Examples of newspaper route and fare advertising.

Left and right, new stewardess winter and summer uniforms. Center, reservations agent uniform.

New look hold area at Cleveland terminal.

New look for ground equipment.

New Hawaii gate position at Seattle.

Florida color ad—Chicago newspaper.

New route newspaper ad.

Mini vacation ad.

New services inaugurated in 1969

Important new service was inaugurated by Northwest Orient to both Europe and Asia in 1969.

• First new service to be initiated during the year was daily service to and from London from the Twin Cities via the Northwest Orient—Pan American interchange. The first flight came on June 1.

• The long awaited inaugural flight to the Orient via the central Pacific route came on August 1. This new service operates once daily in each direction from San Francisco to Tokyo with an intermediate stop in Honolulu.

• Non-stop Chicago-Honolulu service was begun on September 1 under new authority obtained in the trans Pacific case.

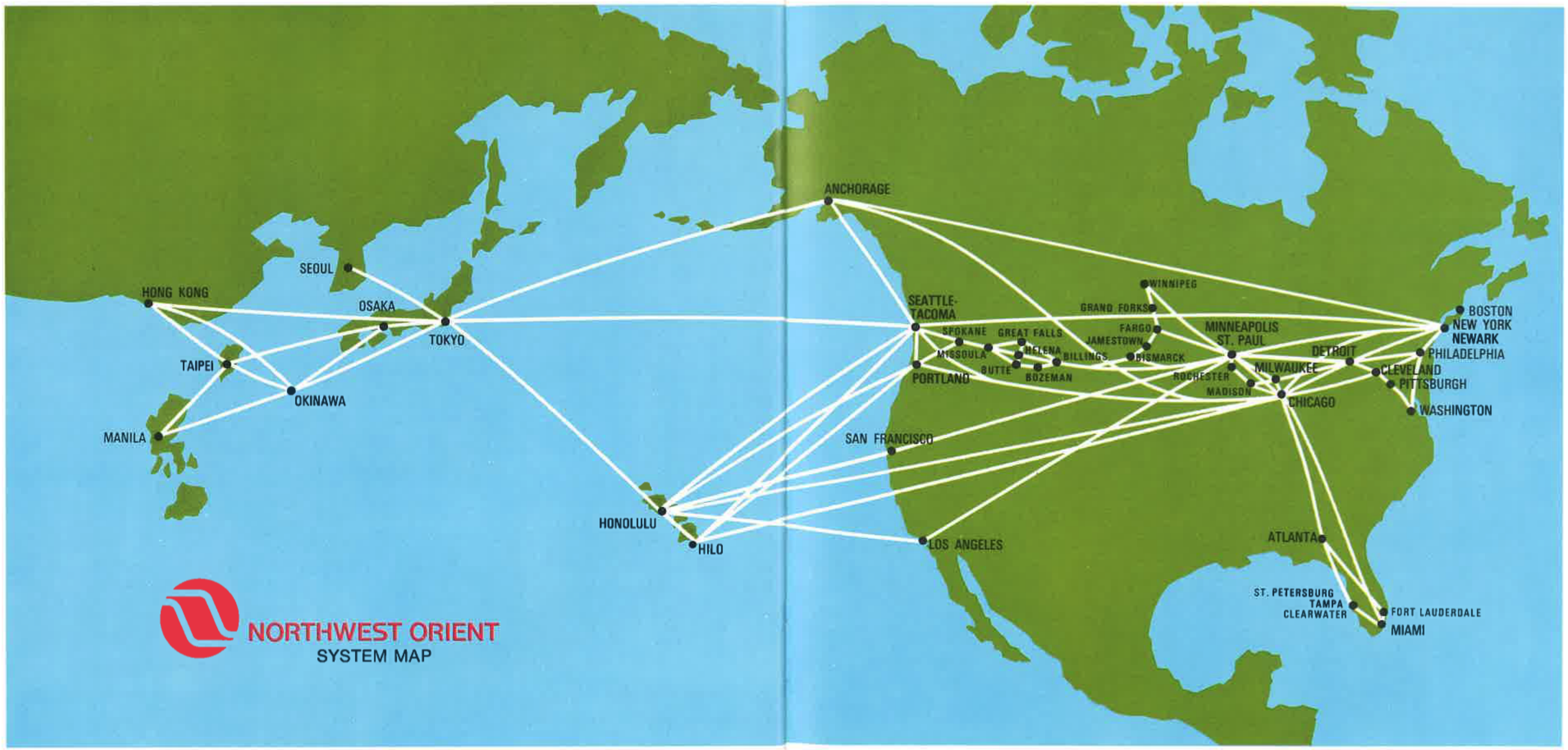
• Then, on October 4, the full pattern of service from the Twin Cities to California was begun. Four non-stop flights daily were initiated from the Twin Cities to Los Angeles and three non-stop flights daily to San Francisco. The same service pattern is operated eastbound.

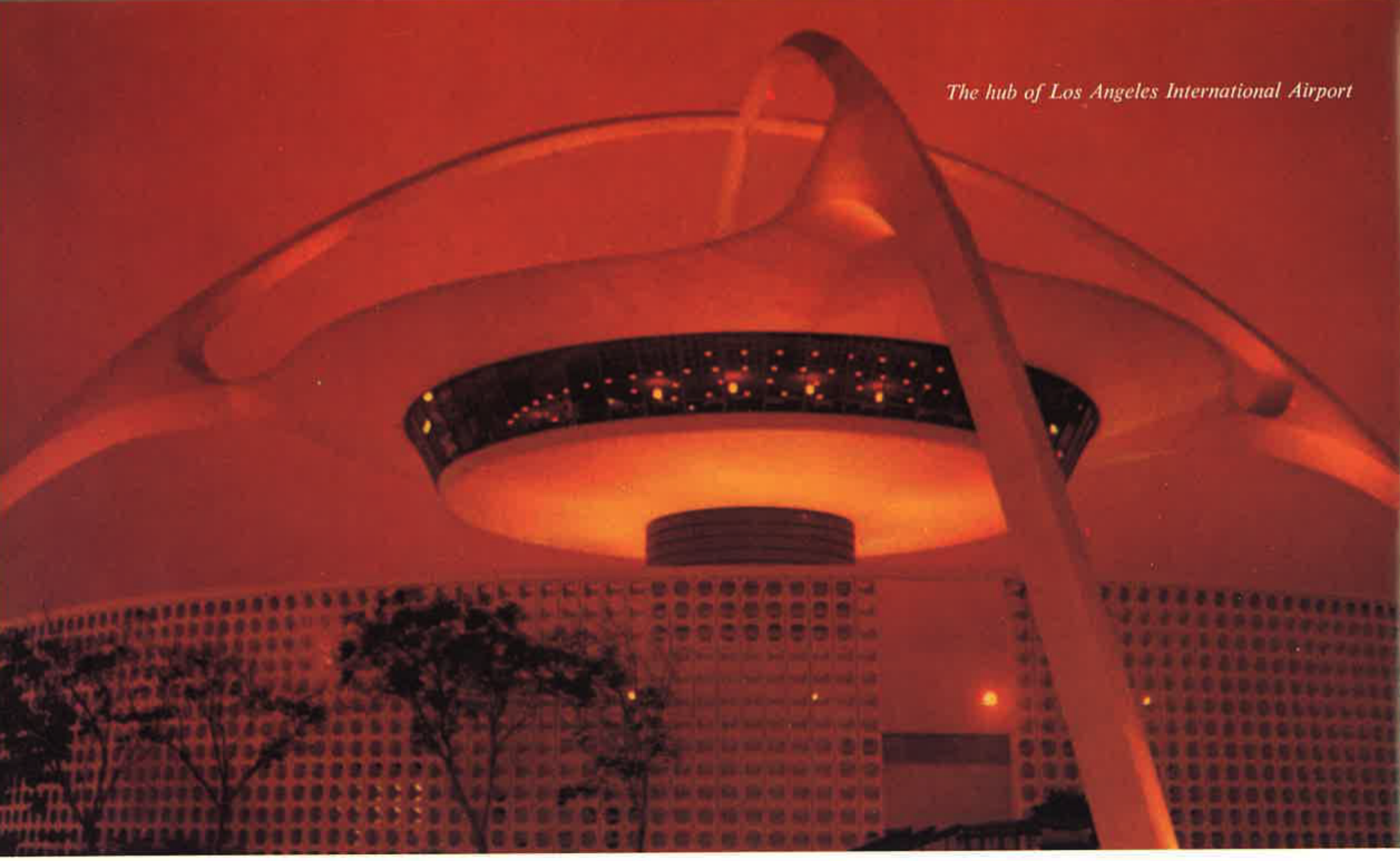
• The October 4 schedule also saw the inaugural of pure jet service to Helena, Montana and to Missoula, Montana, on October 26.

• Shortly before year end, Milwaukee received non-stop service to Miami as the climax to a busy year of route and service expansion.

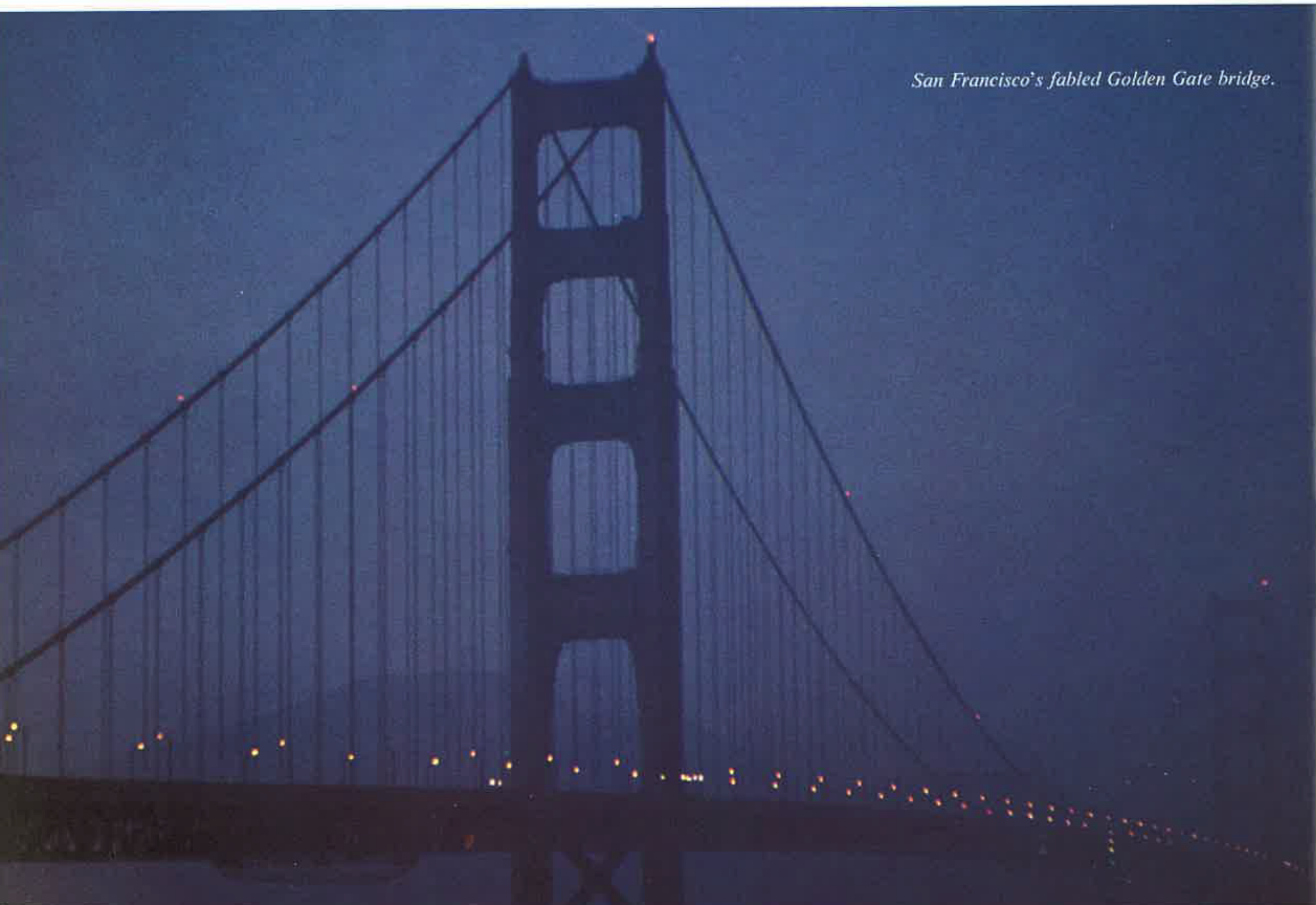
The 53 cities served by Northwest Orient:

Anchorage
Atlanta
Billings
Bismarck
Bozeman
Butte
Chicago
Clearwater
Cleveland
Detroit
Fargo
Ft. Lauderdale
Grand Forks
Great Falls
Helena
Hilo
Hollywood
Hong Kong
Honolulu
Jamestown
Long Beach
Los Angeles
Madison
Mandan
Manila
Miami
Milwaukee
Minneapolis
Missoula
Moorhead
New York
Newark
Oakland
Okinawa
Ontario
Osaka
Philadelphia
Pittsburgh
Portland
Rochester
San Francisco
San Jose
St. Paul
St. Petersburg
Seattle
Seoul
Spokane
Tacoma
Taipei
Tampa
Tokyo
Washington, D.C.
Winnipeg





The hub of Los Angeles International Airport



San Francisco's fabled Golden Gate bridge.

New trans-Pacific, California authority given Northwest Orient in 1969 route case awards

Two route case awards were made to Northwest Orient in 1969: a new central Pacific route from Los Angeles and San Francisco/Oakland to Tokyo via an intermediate stop in Honolulu, and Twin Cities non-stop authority to both Los Angeles and San Francisco/Oakland.

New trans-Pacific Routes
The addition of routes from California cities to Tokyo gave Northwest Orient a vital mid-Pacific link with the Orient. This authority provided new gateways from the continental U.S. and the opportunity to be more competitive with other U.S. air carriers.

On August 1, 1969—more than 20 years after its pioneering of service to Tokyo via Anchorage, Northwest Orient inaugurated service to Tokyo from San Francisco. On January 6, 1970, service was inaugurated from Los Angeles to Tokyo. Both flights operate daily both eastbound and westbound, making an intermediate stop at Honolulu.

This new route authority gives us the opportunity to offer the traveler an enlarged selection of routings to and from the Orient. Formerly, a number of one way trans-Pacific tickets were sold because of our inability to route via the Tokyo-Honolulu segment.

Implementation of these new services brought the number of Northwest Orient flights to the Orient to 46 flights weekly, including 11 cargo flights.

New Hawaii Service
In the domestic phase of the trans-Pacific case, Northwest Orient received both new competition and new authority.

A third carrier was added between Seattle-Portland and Hawaii despite the low prevailing load factors of incumbent carriers.

We were given rights to operate from a number of new co-terminals to Hawaii. Included were New York-Newark, Philadelphia, Washington, Cleveland, Detroit, Chicago and the Twin Cities.

The first new service under this authority was inaugurated on September 1, 1969, with non-stop service from Chicago to Honolulu.

California Authority
First access to the major markets of California came in 1969 with route authority given us in the Twin Cities-California Service Investigation.

On October 4, Northwest Orient began service with four non-stop flights daily to Los Angeles and three non-stop flights daily to San Francisco.

By year end we had obtained a very significant share of the market.

London Interchange
Through-plane service between the Twin Cities and London was inaugurated on June 1 upon receipt of Civil Aeronautics Board approval of the Northwest Orient-Pan American interchange agreement.

In summer months, the daily flight operates from the Twin Cities to London via Detroit. In the winter, Boston is added as an intermediate point to provide additional traffic.

Decisions yet to come in other route cases; Examiner recommends NWA

Northwest Orient is a participant in a number of other CAB proceedings which have not yet reached final decision. Principal investigations pending include:

Pacific Northwest-California
The company is seeking extension of its route from Seattle/Portland to San Francisco/Oakland, Los Angeles and San Diego.

An Examiner of the Civil Aeronautics Board has recommended that Northwest Orient's route be amended by adding a new segment between the terminal point Seattle/Tacoma, the intermediate points Portland and San Francisco/Oakland, and the terminal point Los Angeles/Ontario, California.

Omaha-Des Moines Investigation
Northwest is seeking new routes extending from Omaha and Des Moines to many of the principal terminals on the East and West Coast, to the Twin Cities, and to Kansas City.

Twin Cities-Milwaukee Long-Haul
Among the issues are the extension of Northwest's route from the Twin Cities and Milwaukee to Boston and the improvement of its existing authority to permit non-stop turnaround service between Philadelphia and Milwaukee or the Twin Cities. These route authority improvements have been recommended by an Examiner of the Civil Aeronautics Board for Northwest Orient.

Pacific Islands Local Service
Northwest is seeking an expansion of its existing Hawaii-Okinawa authority to include service to the Trust Territory of the United States and Guam.

Salt Lake City Case
This proceeding was instituted by the CAB in March, 1968 to examine the need for service between Salt Lake City and San Francisco, Chicago, New York and Washington/Baltimore.

Northwest Orient's application in this case seeks routes from its existing stations at Chicago, Washington, New York and San Francisco/Oakland to Salt Lake City.

All departments contributed to successful 1969; new ideas fight inflation

Financial success in 1969 was again due to the combination of effort by all personnel and new management approaches from every department in Northwest Orient.

The challenge of combatting greatly increased inflationary expenses was met to a considerable degree by innovative thinking and increased productivity.

Here are highlights from selected departments:

Purchasing & Stores

Direct savings to your company in excess of $199,000 resulted from a 'make or buy' program and a standard equivalents purchase project.

Arrangements with Heath-Tecna for repair of radomes used on our Boeing jet aircraft resulted in savings of $40,000 on the first 20 such units, as another example of savings.

Flight Operations

A total of 393 new pilots were hired and trained, bringing to 1,925 the number of pilots presently employed by Northwest Orient.

In addition to the 1,348 company pilots who were provided transition, ground and flight training, pilots from Union of Burma Airways and International Jet Air of Canada were also trained.

All training is centralized in the Twin Cities to provide maximum use of instructors, simulators and other equipment.

Maintenance & Engineering

Development of a new 'modular maintenance' program for the Boeing 707 and 720 aircraft engines has resulted in substantial economies for the company. This program recognizes that the level of maintenance on various sub-assemblies on the JT3D engine differs to the degree that many sub-assemblies remain idle in the shop while a sub-assembly that requires extensive maintenance is in work status.

The modular concept allows interchangeability of sub-assemblies between engines—shortening process time and cutting down on the spare parts requirement.

Communications Services

When operational, Northwest Orient's new computerized reservation system—INSTA-RES—will greatly speed and improve the accuracy of the reservations process.

In another effort, a computer program has been acquired and adapted to our system requirements which is used in developing more efficient flight crew schedules.

Personnel

Total employment of Northwest Orient at 53 stations throughout the system grew to 12,695 employees, an increase of 1,341 over the 11,354 employees of a year ago.

Total wages, salaries and related employee benefit expenses for such personnel rose 23 per cent to $133 million, equal to 28.5 cents of each revenue dollar.

Despite these escalating personnel costs, however, Northwest Orient retained its excellent record of productivity with a factor of 38,743 revenue dollars per average employee in 1969 compared with 38,667 in 1968.

Transportation Services

Consolidation of all North Dakota offices into the Twin Cities reservation office and of all Montana offices into the Seattle reservation office provided greatly improved customer service at reduced expense.

A new stacker structure for storage of freight at our John F. Kennedy airport facility in New York provided storage for five times as much cargo within existing floor space.

Two new, ultra-modern flight kitchens were constructed in 1969—a $1.5 million facility of 60,000 square feet in Seattle and a $1.3 million facility of 28,800 square feet in Anchorage. These facilities not only contributed to vastly increased capacity but also to more efficient methods of food preparation with attendant savings.

NORTHWEST ORIENT AIRLINES

General Offices
Minneapolis-St. Paul International Airport
St. Paul, Minnesota 55111
Area Code 612 726-2111

DIRECTORS*

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Chairman of the Board, Honeywell Inc.
Minneapolis, Minnesota

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

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

MORTON H. FRY
Senior Partner, Riter & Company
New York, New York

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

MALCOLM S. MACKAY
President, Foothills Company
Roscoe, Montana

DONALD G. McNEELY
President, Space Center, Inc.
St. Paul, Minnesota

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

C. FRANK REAVIS
Partner, Reavis and McGrath
New York, New York

ALBERT G. REDPATH
Partner, Auchincloss, Parker & Redpath
New York, New York

LYMAN E. WAKEFIELD, JR.
Partner, Piper, Jaffray and Hopwood
Minneapolis, Minnesota

REGISTRAR: The Chase Manhattan Bank, New York, New York

TRANSFER AGENT: Bankers Trust Company, New York, New York

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

OFFICERS*

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President

JAMES A. ABBOTT
Vice President-Orient Region

CLAYTON R. BRANDT
Vice President-Purchasing and Stores

ROBERT W. CAMPBELL
Vice President-Budgets

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Vice President-Regulatory Proceedings

ROLAND W. CHAMBERS
Assistant Vice President-Properties

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Vice President-Personnel

ROY K. ERICKSON
Vice President-Public Relations

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*As of March 1, 1970

NORTHWEST ORIENT AIRLINES

1969 ANNUAL REPORT