NORTHWEST ORIENT AIRLINES
1970 ANNUAL REPORT

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Front Cover: *A Northwest Orient 747 poised for take-off.*

Below: *Ground support equipment lined up at Tokyo International Airport to service one of Northwest Orient's ten 747's.*

HIGHLIGHTS OF 1970

	1970*	1969
Total Operating Revenues	$ 379,040,136	$ 467,937,999
Operating Income	51,082,622	82,126,009
Net Earnings for the Year	44,439,469	51,465,531
Per Common Share	2.11	2.55
Stockholders' Equity	465,210,190	426,796,925
Per Common Share	22.00	20.41
Dividends Paid	9,464,532	9,117,379
Operating Expenses—		
Per Available Ton-Mile	18.0¢	15.2¢
Per Revenue Ton-Mile	43.5¢	34.5¢
Revenue Traffic—		
Passengers Carried	4,682,812	7,517,780
Passenger-Miles Flown	4,506,256,000	6,208,725,000
Ton-Miles, Mail, Freight and Express	204,714,000	341,584,000
Common Shares at Year End	21,149,756	20,914,272

**Operating results in 1970 affected by a BRAC strike which extended from July 8 through December 14.*

44th Annual Report to the Stockholders

From the President:

Earnings Leadership

For the third consecutive year, your Company led all U. S. air carriers in net earnings with an after-tax profit of $44,439,469 in the calendar year 1970. Net earnings were down $7,026,062 from the prior year. However, your Management considers that the 1970 performance was effective in view of the five-month strike and the substantial reduction in the profit results of the U. S. airline industry.

Strike Cut Earnings

The strike from July 8 through December 14, 1970 by the Brotherhood of Railway and Airline Clerks union cut into gross revenue receipts and reduced earnings.

During the first six months of 1970 the net profit was $24,595,000—an increase over the same period a year earlier. During the third and fourth quarters profits declined from a year earlier.

The impact of the strike was reduced by the decision of your Company to continue flight operations to the extent possible with available employees and supervisors and with the funds derived from the Mutual Aid Agreement.

The initial July operation during the strike consisted of 22 daily long-haul flights and operations were expanded each month so that by December 14, 1970 the Company had 52 daily flights in operation.

The expansion was made possible by the decision of a number of employees represented by the BRAC to return to work and by extensive use of supervisory and management personnel.

Continuing operations provided several important benefits:

1. We continued service to a number of cities which were most dependent on us for air service — Fargo and Bismarck, North Dakota; Billings and Great Falls, Montana; and Winnipeg, Canada, as examples.
2. We continued to provide employment for nearly 4,000 of our employees—almost one-third of our total work force.
3. We maintained our identity as an airline in key markets like Chicago, New York, Seattle, Tokyo, Seoul, Hong Kong, Manila, Okinawa, Taipei, San Francisco and Honolulu.

The Boeing 747

Ten Boeing 747's were delivered during 1970 and placed into operation on both the domestic and international routes of the Company. The first of these remarkable new-generation airplanes was introduced into scheduled service on June 22, 1970. Northwest Boeing 747's now fly from New York, Chicago, Minneapolis/St. Paul, Miami, Seattle, Los Angeles, San Francisco, Hawaii, Tokyo, Taipei, Manila and Hong Kong. The capital expenditure for these 10 airplanes and spare engines and equipment in 1970 was approximately $245,000,000.

During 1971 the Company will take delivery of five Boeing 747B airplanes. The "B Model" will have an increased operating range of approximately 1,000 nautical miles.

New Ground Facilities

The arrival of the Boeing 747 into the aircraft fleet and the expansion of our freight and passenger business required the planning and construction of new facilities.

In Seattle and in Minneapolis/St. Paul new 747 hangars and maintenance shops have been built at a cost of $23,800,000. A new flight services building to handle air freight and provide space for pilot training has also been completed in Minneapolis/St. Paul at a cost of $3,500,000.

New facilities for the comfort and convenience of our passengers were completed in 1970. A sparkling new satellite terminal building constructed for us at the Washington National Airport gives Northwest Airlines a very real marketing advantage in this important market.

New Routes

Boston and Baltimore became cities on our route structure on August 10, 1970 under authority granted us by the Civil Aeronautics Board in the Twin Cities—Milwaukee Long-Haul-Investigation.

Inauguration of service to these cities from Minneapolis/St. Paul and Milwaukee has been delayed because of the BRAC strike and the necessity to first restore service to our existing route structure. Plans now call for introduction of Boston service on June 1, 1971.

Increased competition on Northwest's routes was evident in 1970 as two airlines began nonstop operations from Milwaukee to New York —Western Airlines began Minneapolis/St. Paul service to Seattle and Portland and United Airlines began nonstop service from Minneapolis/St. Paul to New York.

Merger Abandoned

Northwest Airlines announced on March 10, 1971 that the agreement of merger between Northwest and Northeast Airlines, Inc., had been terminated by the NWA Board of Directors.

The merger agreement filed with the Civil Aeronautics Board in January 1970 provided that the merger would not become effective if the CAB imposed conditions that would adversely and materially affect the surviving corporation, Northwest Airlines, Inc.

The CAB on December 31, 1970 conditioned the approval of the merger by prohibiting the operation of Segment 7 of Route 27 between Miami and Los Angeles by Northwest Airlines and, in addition, proposed to initiate a new proceeding to determine whether that route segment should be transferred to some other air carrier.

Northeast Airlines and Northwest Airlines filed petitions for reconsideration with the CAB on January 15, 1971, seeking a reconsideration by the CAB and the removal of limiting conditions concerning route authorizations.

On March 1, 1971 the Civil Aeronautics Board rejected the petitions for reconsideration.

The Year Ahead

With our costs in hand and the prospect of an upward across-the-board adjustment in fares being approved by the Civil Aeronautics Board, we look ahead to recover from the adverse effects of the BRAC strike.

The impact of sharply increased labor costs and rising prices for fuel, materials and services will certainly be felt in the year ahead. A resurgence in the U. S. economy could provide the stimulus needed for the regeneration of growth in the airline industry.

In summary, your Management views 1971 as a year both of challenge —and of opportunity.

Donald W. Nyrop

Donald W. Nyrop
President

March 19, 1971

1970... Highlights of the year in review

The delivery of ten Boeing 747 super-jets—and their introduction into scheduled service—was without question one of the highlights of the year 1970.

Arrival of the first of the $22.5 million aircraft on April 30, 1970, triggered the implementation of the planning that had gone on for more than a year in advance.

747 Service

After flight training for initial crews was completed, first scheduled 747 service was introduced on June 22 with a daily round trip between the Twin Cities and New York.

On July 1, 747 service was expanded to provide a daily New York-Chicago-Seattle-Tokyo round trip, a second Twin Cities-New York daily round trip and a once-weekly New York-Chicago-Honolulu round trip.

With delivery of additional aircraft, 747 service was extended to other system cities including Miami, Hong Kong, Taipei and Manila.

In 1971, 747 service is planned for Los Angeles, San Francisco, Honolulu and Anchorage as well.

New Facilities

The sheer size of the Boeing 747 required construction of new facilities for maintenance, overhaul and passenger handling.

Projects now completed, or nearing completion, include the 747 hangar extension in Seattle, a new 747 terminal addition at Minneapolis/St. Paul International Airport, a major $18 million expansion of maintenance shops and construction of two new 747 hangars in the Twin Cities.

Other major projects completed in 1970, not directly related to the operation of the 747, included a striking new satellite passenger terminal at Washington National airport, completion of a new dining room, coffee shop and cocktail lounge in Anchorage, Alaska, and a new flight services building in the Twin Cities housing pilot training and air cargo facilities.

New Ideas

The arrival of the 747 meant new approaches had to be developed in a number of areas.

Northwest Airlines brought a new concept for cabin service to the 747, called "Zone Group". This method provides individual service to passengers in each cabin, yet permits overall coordination of passenger service in the airplane. This method is also applied to emergency procedures for the 747 and its value was proven when Northwest became the first airline to successfully evacuate passengers for the required Federal Aviation Administration demonstration on the first attempt.

To expedite customs clearance of inbound 747 passengers from the Orient through Seattle, Northwest persuaded the Customs, Immigration and Public Health Service to convert to a screening/inspection system in late 1970 which materially reduced the time required.

New Computer Services

The change-over from the Univac 490 to the Univac 494 computer system was completed on February 1, 1970.

In addition, the second phase of the INSTA-RES program was put into operation on October 15, 1970. This computerized reservations system, the most modern and comprehensive in use by any airline today, provides reservation, sales and airport agents the ability to create, retrieve and amend passenger-name-records (PNR) by use of keyboard activated consoles which resemble miniature TV sets. This capability is added to the earlier ability to view schedules, seat inventories, fares and other pertinent information—and to make instant reservations for the customer and have them confirmed.

Other benefits afforded by the new Univac 494 system include enhancements to communications message switching, weather analysis, data collection, payroll processing and jet engine monitoring programs.

Environmental Concern

Continuing leadership in the field of noise abatement was demonstrated by the Flight Operations Department of Northwest Orient and the Company's pilots during 1970.

Advanced anti-noise take-off procedures were developed and implemented which meet the requirements of all airports into which Northwest operates.

Evidence of NWA's leadership in this field has come in recognition given us by the Federal Aviation Administration and by the Metropolitan Aircraft Sound Abatement Council in the Twin Cities.

The modification program on the JT8D jet engines to incorporate the new anti-pollution smokeless burner cans was also begun in 1970, although delayed by the strike.

Orient Region Firsts

Growth continued in the Orient Region during 1970 with a number of 'firsts' being recorded.

First service from Tokyo-Honolulu-Los Angeles was begun in January, 1970 with Seoul-Hong Kong service begun in April, 1970. First 747 flights into Taipei and Manila were also recorded by Northwest within the year.

New facilities completed included ticket offices in Tokyo's Imperial Hotel, Kyoto International Hotel and New Delhi's Janpath Hotel. Additionally, a new 747 gate with dual loading bridges was constructed at Tokyo International Airport and a new cargo facility constructed at Osaka Airport.

Affirmative Action Program

Northwest Airlines continued its active participation in equal opportunity activities in the cities it serves through its Affirmative Action Program and cooperated with minority agencies and the National Alliance of Businessmen to fulfill its announced objectives.

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1. *A fish eye view of one of NWA's three flight simulators, all now housed in the new flight services facility in Minneapolis/St. Paul. A 747 flight simulator costing $3 million was recently installed.*

2. *Under construction and scheduled for completion in the last half of 1971, Northwest Orient's new 747 satellite pier at Twin Cities International Airport.*

3. *The new $3½ million flight services facility in the Twin Cities houses NWA's air freight headquarters and is the center of flight training as well.*

4. *Two new 747 hangars are nearing completion as part of the $18 million expansion program of Northwest's maintenance and overhaul base in the Twin Cities.*

5. *Aerial view of Northwest Orient Airlines' headquarters in the Twin Cities of Minneapolis/St. Paul.*

Financial review of 1970

Revenues

Total operating revenues for 1970 amounted to $379,040,136 compared with $467,937,999 for 1969. This reduction in operating revenue is primarily the result of the strike by the Brotherhood of Railway and Airline Clerks (BRAC) from July 8, 1970 through December 14, 1970.

Operating revenues included mutual aid—net of payment to others—of $46,324,695. The Civil Aeronautics Board on November 23, 1970 issued an Order remanding for review only the amended portion of the Mutual Aid Agreement which provided for increased level of supplemental payments. The Order states that consideration will be given to making any modification to this agreement prospective only.

The system passenger-mile yield increased to 5.78¢, or 2.3 percent over the yield of 5.65¢ in 1969. This yield improvement over the prior year was the result of fare increases placed into effect by the Civil Aeronautics Board in February and October of 1969. In 1970 the CAB instituted a Domestic Passenger Fare Investigation which has proceeded on an expedited basis to determine the level and structure of passenger fares within the 48 states. Under this accelerated schedule, the Board anticipates decision in virtually all areas of the investigation by April 1971. In addition, certain court actions have caused the CAB to initiate a new rate proceeding bearing on the reasonableness of the general level of domestic fares effective between October 1, 1969 and October 14, 1970. No procedural steps have been set in the new docket and no determination can be made at this time of the outcome of the CAB proceedings.

The CAB has also instituted an investigation of domestic air freight rates and has included the rates for Alaska and Hawaii. In addition, the rates for the carriage of priority and non-priority mail have been opened for review. No procedural dates have been set for either investigation.

Revenues for cargo and mail show substantial reductions due to the strike. Revenues for charter and other transportation declined to $20,800,298 in 1970 compared with $35,089,363 in 1969. This reduction was primarily due to the military's decreased requirement of commercial services for charter operations, which amounted to $17,478,295 in 1970, or a decrease of 41.9 percent from $30,059,792 in 1969. The Military Airlift Command contract extends to June 30, 1971, and we will seek a renewal contract for the Government's fiscal year 1972.

Expenses

Operating expenses in 1970 were $327,957,514 compared with $385,811,990 in 1969. This operating expense reduction from 1969 is a result of the reduced flying operations and the company's efforts to minimize all other operating costs during the lengthy BRAC strike. Productivity and efficiency comparisons with the full prior year are of limited value due to this interruption of operations.

Depreciation and amortization expenses amounted to $69,173,449 in 1970 compared with $60,833,257 in 1969. This increased expense is primarily the result of the adding of ten Boeing 747 aircraft to our fleet.

Northwest Airlines, as well as the industry as a whole, has experienced a spiraling inflationary trend in wages, materials, services and fuel and oil costs. Your Company has emphasized continual efforts in cost control procedures and while unit costs for 1970, including the strike period, were 18.0¢ per available ton-mile, normal operations for the first six months preceding the strike had a unit cost of 16.1¢ per available ton-mile compared to 15.2¢ per available ton-mile for the year 1969.

Net Earnings

Net earnings for 1970 amounted to $44,439,469, or $2.11 per average share of common stock outstanding. This compares with $51,465,531, or $2.55 per share in 1969.

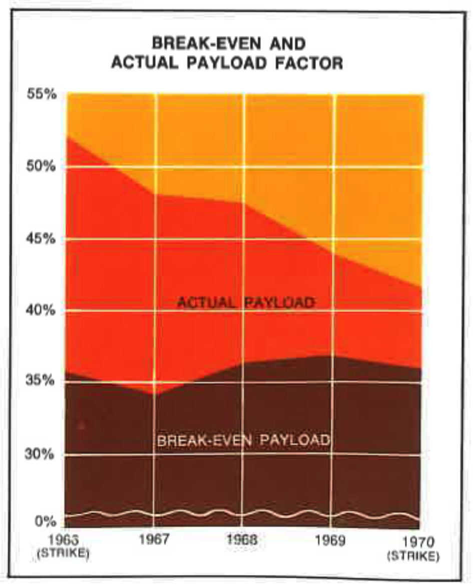
Operating income amounted to $51,082,622 in 1970 down from $82,126,009 in 1969. This reduction in operating income reflects the effect of the BRAC strike, the softening in the U.S. economy and resultant fall-off in air travel and the effect of the cost price squeeze. Other income and deductions include interest on long-term debt of $6,295,259, up from $2,334,634 in 1969, income of $739,108 on the disposal of property and other deductions of $966,302 compared with an income of $429,850 in 1969. This change in other deductions was due primarily to the exchange loss of $1,272,000 on Philippine blocked currency, released early this year at the then current market rate of exchange.

Taxes on Earnings

Taxes on earnings for 1970 totaled $120,700 compared to $29,507,200 for last year. This substantially reduced income tax amount is made up of a normal tax provision including current and deferred taxes amounting to $21,574,600 less investment tax credit of $21,453,900.

The normal tax provision reflected the reduction in tax surcharge from 10 percent in 1969 to an effective rate in 1970 of 2.5 percent. The Company adopted the flow-through method of accounting for the investment tax credit effective January 1, 1969, and has used this method for both 1969 and 1970. Investment tax credit flow-through in 1970 amounted to $16,969,500. Of this amount $443,300 was applied against current year taxes and $16,526,200 was carried back to prior years. Continued amortization of the deferred investment tax credit balance as of December 31, 1968, amounted to $4,484,400 in 1970. At December 31, 1970 there remained $15,373,300 to be amortized over future years.

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

Funds of $129,014,218 were generated in 1970 from operations which included net earnings, depreciation and amortization, deferred income taxes and investment tax credit. Other sources of funds included net proceeds from the sale of common stock through the Employee Stock Purchase Plan of $3,438,328, increase in long-term debt of $148,914,635 and disposals of operating property amounting to $2,725,579.

Application of funds included flight equipment and property additions of $176,256,285, advance deposits for aircraft on order of $38,049,353, deferred Boeing 747 training costs of $2,786,927 and in addition, cash dividends of $9,464,532 were paid to stockholders in quarterly payments during 1970 at an annual dividend rate of 45 cents per common share.

Your Company has completed sixteen years of consecutive dividend payments on its common stock.

Traffic and Capacity

Northwest Airlines' traffic results in 1970 reflected the effects of the BRAC strike. The Company continued partial operations during the strike and flew approximately 29 percent of the scheduled available seat-miles during that period. The industry in total was affected by the slowing of the U.S. economy and a resultant decline in the use of air travel.

System revenue plane-miles flown in scheduled operations decreased 32.9 percent and available seat-miles operated decreased only 24.2 percent. This reflects suspension of all-cargo operations during the strike and the addition of the Boeing 747 aircraft into revenue service with increased seating capacity. Scheduled service revenue passenger-miles decreased 27.4 percent and the passenger load factor declined to 44.03 percent from 45.98 percent in 1969.

Financial Condition

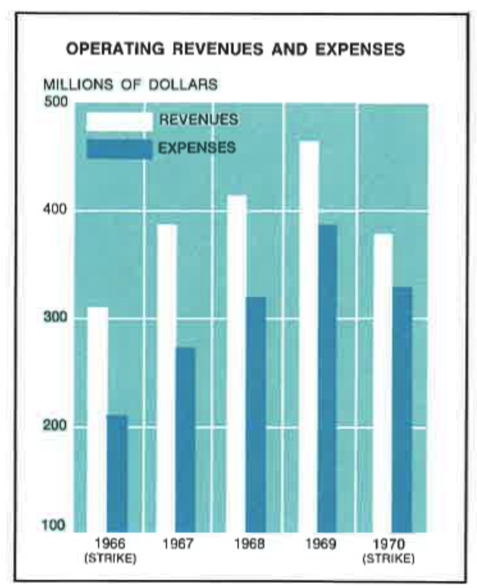
The financial condition of Northwest Airlines continues its high ranking among the strongest in the airline industry. Stockholder equity at year end amounted to $465,210,190 up from $426,796,925 at December 31, 1969. Book value per common share increased to $22.00 at the end of 1970 compared to $20.41 last year.

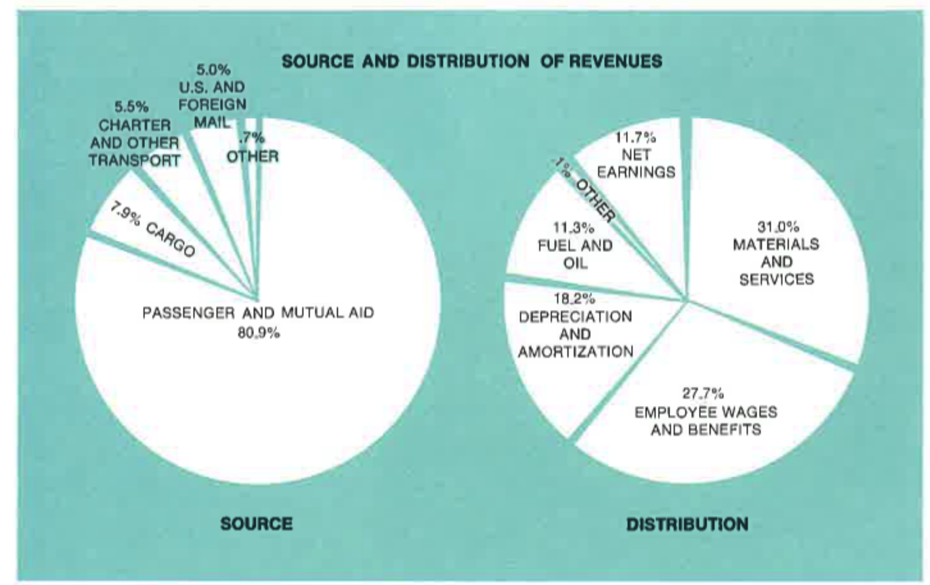
Outstanding debt at year end amounted to $278,914,635 or 60 percent of stockholder equity, which represents a very favorable debt ratio compared to the balance of the airline industry.

The outstanding debt includes $25,000,000 from Note Purchase Agreements with twelve insurance companies, $15,000,000 from the Fourth Amendatory Credit Agreement with fifteen banks and $215,000,000 from a Credit Agreement with twenty-four banks which provides for a revolving credit of $250,000,000. As of December 31, 1970, this agreement makes available at any time an additional $35,000,000 for working capital and other purposes.

In addition to the above agreements, your Company has borrowed $23,914,635 in credit agreements with aircraft and aircraft engine manufacturers providing for financing of purchases from those manufacturers on five-year notes. These agreements with manufacturers provide for a maximum of $60,000,000, which makes available at December 31, 1970, $36,085,365 for future purchases.

The Company has on order from the Boeing Company and the McDonnell Douglas Corporation nineteen additional aircraft, which, with spare engines, will require expenditures of $408,368,000. Of this amount, $63,335,000 has been deposited with the manufacturers at December 31, 1970. These aircraft are scheduled for delivery in 1971 through 1973.

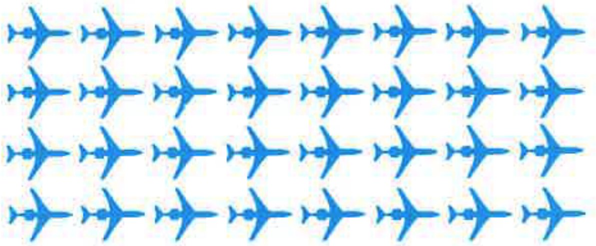




Northwest Orient's current fan-jet fleet

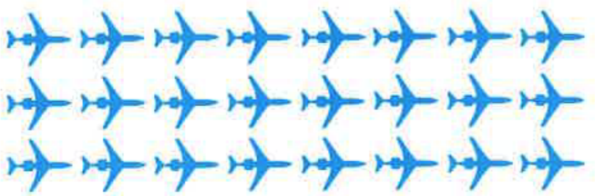
32 BOEING 727-100 FAN-JETS

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

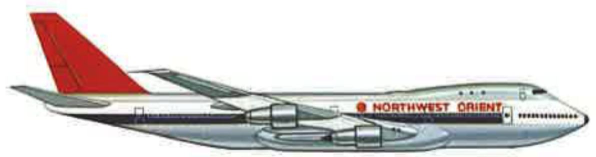
Statistics: length, 153 ft.; range, 1,760 miles with 122 passengers; cruising speed, 570 mph; cruising altitude, 42,000 ft. max.



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.

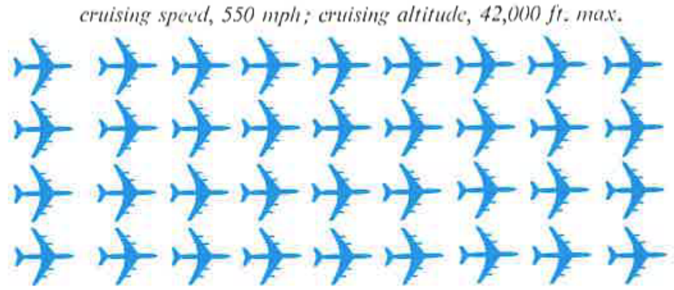
10 BOEING 747 FAN-JETS



Statistics: Length, 231 ft.; range 5,850 miles with 362 passengers; cruising speed, 585 mph; cruising altitude, 45,000 feet max.

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.



TOTAL 118 AS OF DECEMBER 31, 1970

STATEMENT OF EARNINGS

NORTHWEST AIRLINES, INC. AND SUBSIDIARIES

	Year Ended December 31	
Operating Revenues	**1970***	**1969**
Passenger	$260,335,218	$350,504,331
Cargo	30,052,685	51,006,242
Mail	18,958,456	29,386,081
Charter and other transportation	20,800,298	35,089,363
Mutual Aid Agreement—Note H	46,324,695	(508,861)
Nontransport	2,568,784	2,460,843
	379,040,136	467,937,999
Operating Expenses		
Flying operations	87,899,274	117,876,029
Maintenance	41,240,434	52,362,726
Passenger service	31,383,737	41,074,486
Aircraft and traffic servicing	49,183,105	59,009,092
Reservations, sales and advertising	36,706,873	42,735,394
Administrative and general	12,370,642	11,921,006
Depreciation and amortization—Note F	69,173,449	60,833,257
	327,957,514	385,811,990
	51,082,622	82,126,009
Other Income and (Deductions)		
Interest on long-term debt	(6,295,259)	(2,334,634)
Disposals of property	739,108	751,506
Other	(966,302)	429,850
	(6,522,453)	(1,153,278)
Earnings Before Taxes	44,560,169	80,972,731
Taxes on Earnings, including deferred taxes and investment credit—Note D	120,700	29,507,200
Net Earnings for the Year	$ 44,439,469	$ 51,465,531
Average shares of Common Stock outstanding during the year	21,023,949	20,166,280
Earnings per share of Common Stock	$2.11	$2.55

*Operating results in 1970 were affected by a BRAC strike which extended from July 8 through December 14, 1970. See Note H.

See notes to financial statements.

STATEMENT OF FINANCIAL POSITION

NORTHWEST AIRLINES, INC. AND SUBSIDIARIES

ASSETS

	December 31 1970	1969
Current Assets		
Cash	$ 51,525,395	$ 26,819,462
Accounts receivable	32,906,579	44,587,468
Recoverable federal income tax	16,526,200	—
Flight equipment spare parts, at average cost, less allowances for depreciation of $5,544,776 (1969—$5,267,576)	14,850,678	10,885,810
Maintenance and operating supplies at average cost	4,088,318	3,744,291
Prepaid expenses	2,149,483	1,686,939
Total Current Assets	122,046,653	87,723,970
Property and Equipment		
Flight equipment at cost	929,180,892	697,937,880
Less allowances for depreciation	261,051,456	205,696,727
	668,129,436	492,241,153
Advance payments on new flight equipment—Note C	64,134,857	120,654,204
	732,264,293	612,895,357
Other property and equipment at cost	84,755,904	56,189,979
Less allowances for depreciation	25,621,826	22,268,715
	59,134,078	33,921,264
	791,398,371	646,816,621
Deferred Charges and Other Assets		
Training and development costs—Note F	4,944,297	3,300,000
Rentals	2,619,231	2,420,845
Other	2,117,304	2,470,217
	9,680,832	8,191,062
	$923,125,856	$742,731,653

LIABILITIES AND STOCKHOLDERS' EQUITY

	December 31 1970	1969
Current Liabilities		
Accounts payable	$ 38,376,415	$ 48,649,676
Employee compensation	12,345,069	13,619,054
Air travel card deposits	1,104,150	1,130,925
Unredeemed ticket liability	2,133,669	5,843,370
Income taxes	530,328	7,581,603
Current maturities of long-term debt	18,000,000	18,000,000
Total Current Liabilities	72,489,631	94,824,628
Long-Term Debt—Note A	260,914,635	112,000,000
Deferred Credits—Note D		
Income taxes—arising principally from accelerated depreciation methods	109,138,100	89,252,400
Investment credit	15,373,300	19,857,700
	124,511,400	109,110,100
Stockholders' Equity—Note B		
Common Stock $1.25 par value; authorized 40,000,000 shares; issued and outstanding 21,149,756 shares (1969—20,914,272 shares)	26,437,195	26,142,840
Capital surplus	116,987,969	113,843,996
Retained earnings	321,785,026	286,810,089
	465,210,190	426,796,925
Commitments—Note C		
	$923,125,856	$742,731,653

See notes to financial statements.

STATEMENT OF STOCKHOLDERS' EQUITY

NORTHWEST AIRLINES, INC. AND SUBSIDIARIES

	Common Stock Shares	Common Stock Amount	Capital Surplus	Retained Earnings
Balance January 1, 1969	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
Shares issued pursuant to Employee Stock Purchase Plan, less expenses	235,484	294,355	3,143,973	
Net earnings for the year				44,439,469
Cash dividends—$.45 a share				(9,464,532)
Balance December 31, 1970	21,149,756	$26,437,195	$116,987,969	$321,785,026

See notes to financial statements.

APPLICATION OF INVESTMENT TAX CREDIT

Period	Available and Utilized*	Reflected in Net Earnings†
1962-1969	$44,985,500	$25,127,800
1970	16,969,500	21,453,900
Total	$61,955,000	$46,581,700
To Net Earnings	46,581,700	
To Be Amortized	$15,373,300	

*All investment credit amounts generated 1962-1970 have been utilized to reduce income taxes.

†Income benefits of investment credit generated in 1962-1968 are amortized over an eight year period. The flow-through method of accounting was adopted for investment credit generated after 1968 and the income benefits have been reflected in the year generated.

NORTHWEST AIRLINES FLEET

Aircraft Type	December 31 1969	December 31 1970	On Order
JET:			
707-320B & 320C	36	36	—
720B	16	16	—
727 & 727C-100	32	32	—
727-200	24	24	—
747	—	10	5
DC-10	—	—	14
Total Jet	108	118	19
PROP-JET: Electra	9	6	—
Total Fleet	117	124	19

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

NORTHWEST AIRLINES, INC. AND SUBSIDIARIES

	Year Ended December 31 1970	1969
Source of Funds		
Net earnings	$ 44,439,469	$ 51,465,531
Depreciation and amortization	69,173,449	60,833,257
Deferred income taxes	19,885,700	16,933,300
Deferred investment credit	(4,484,400)	(4,525,700)
Total from Operations	129,014,218	124,706,388
Proceeds from sale of Common Stock, less expenses	3,438,328	77,731,666
Increase in long-term debt	148,914,635	—
Disposals of operating property	2,725,579	2,000,971
Total of Sources	284,092,760	204,439,025
Application of Funds		
Flight equipment and other property additions	176,256,285	117,340,010
Advance deposits on aircraft	38,049,353	56,666,196
Deferred Boeing 747 training costs	2,786,927	—
Decrease in long-term debt	—	48,000,000
Cash dividends	9,464,532	9,117,379
Other	877,983	796,889
Total of Applications	227,435,080	231,920,474
Increase (Decrease) in Working Capital—Note A	56,657,680	(27,481,449)
Working capital at beginning of year	(7,100,658)	20,380,791
Working capital at end of year	$ 49,557,022	($ 7,100,658)

See notes of financial statements.

NOTICE TO STOCKHOLDERS OF NORTHWEST AIRLINES, INC.

A new rule adopted by the Civil Aeronautics Board, effective August 1, 1970, requires that any person who owns, as of December 31 of any year, or acquires ownership either beneficially or as trustee, more than five percent, in the aggregate, of the capital stock or capital of the air carrier, shall file a report with the CAB containing information required by Section 245.13 of the CAB Economic Regulations. This report must be filed on or before April 1 of each year as to capital stock or capital owned as of December 31 of the preceding year. The regulation also provides that a report must be filed by any person acquiring more than five percent of the capital stock or capital within ten days of acquisition.

Any stockholder who believes he may be required to file such a report may obtain further information by writing to the Director, Bureau of Operating Rights, Civil Aeronautics Board, Washington, D. C. 20428.

10 YEAR SUMMARY

NORTHWEST AIRLINES, INC. AND SUBSIDIARIES

(Dollars in thousands except per share figures)

	1970†	1969	1968	1967	1966†	1965	1964	1963	1962	1961†
Operating Revenues										
Passenger	$ 260,335	$ 350,504	$ 301,277	$ 275,873	$ 216,239	$ 198,457	$ 163,807	$ 135,222	$ 121,781	$ 85,971
Cargo	30,053	51,006	43,902	38,118	29,515	24,779	18,402	13,745	11,828	8,443
Mail	18,958	29,386	28,605	26,898	22,557	17,421	15,313	14,233	14,228	11,701
Charter and Other Transportation	20,800	35,090	41,060	41,799	39,205	21,851	12,965	6,442	2,646	1,482
Mutual Aid Agreement	46,325	(509)	—	—	2,491	(717)	(21)	(12)	(858)	2,563
Nontransport	2,569	2,461	1,446	1,291	1,312	1,207	1,144	(842)	828	893
Total Operating Revenues	$ 379,040	$ 467,938	$ 416,290	$ 383,979	$ 311,319	$ 262,998	$ 211,610	$ 168,788	$ 150,453	$ 111,053
Operating Expenses										
Depreciation and Amortization	$ 69,173	$ 60,833	$ 49,817	$ 41,252	$ 33,195	$ 24,011	$ 22,852	$ 19,159	$ 18,445	$ 17,118
Other	258,784	324,979	268,529	229,969	177,469	153,140	135,627	123,713	112,802	84,213
Total Operating Expenses	$ 327,957	$ 385,812	$ 318,346	$ 271,221	$ 210,664	$ 177,151	$ 158,479	$ 142,872	$ 131,247	$ 101,331
Operating Income	$ 51,083	$ 82,126	$ 97,944	$ 112,758	$ 100,655	$ 85,847	$ 53,131	$ 25,916	$ 19,206	$ 9,722
Other Income and (Deductions)—Net	(6,523)	(1,153)	(3,220)	(2,391)	(1,243)	224	(1,125)	(4,166)	(4,578)	(2,828)
Earnings Before Taxes	$ 44,560	$ 80,973	$ 94,724	$ 110,367	$ 99,412	$ 86,071	$ 52,006	$ 21,750	$ 14,628	$ 6,894
Income Taxes	121	29,507	44,673	51,651	46,276	40,377	25,220	11,297	7,398	3,233
Net Earnings	$ 44,439	$ 51,466	$ 50,051	$ 58,716	$ 53,136	$ 45,694	$ 26,786	$ 10,453	$ 7,230	$ 3,661
Earnings per Average Share As Reported Each Year(1)	$ 2.11	$ 2.55	$ 5.47	$ 6.42	$ 5.81	$ 9.99	$ 5.86	$ 5.73	$ 3.97	$ 2.01
Cash Dividends	9,465	9,117	7,320	6,405	5,490	3,657	2,602	1,823	1,702	1,701
Dividends per Share As Paid Each Year	.45	.45	.80	.70	.60	.80	.60	1.00	.80	.80
Stockholders' Equity	465,210	426,797	306,717	263,986	212,727	165,081	122,960	68,436	59,712	54,177
Number of Shares Outstanding at End of Year	21,149,756	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
Book Value per Share at End of Year(1)	$ 22.00	$ 20.41	$ 33.52	$ 28.85	$ 23.25	$ 36.08	$ 26.91	$ 37.51	$ 32.80	$ 29.76
Recomputed per Share Figures After Stock Splits:(2)										
Earnings per Average Share(2)	2.11	2.55	2.74	3.21	2.90	2.50	1.47	.72	.50	.25
Dividends per Share(2)	.45	.45	.40	.35	.30	.20	.15	.12	.10	.10
Book Value per Share at End of Year(2)	22.00	20.41	16.76	14.43	11.62	9.02	6.73	4.69	4.10	3.72
Assets and Long-Term Debt										
Flight Property at Cost	$ 929,181	$ 697,938	$ 582,646	$ 467,859	$ 401,476	$ 304,072	$ 219,523	$ 176,655	$ 169,413	$ 170,772
Flight Property at Net Book Value	668,129	492,241	424,522	346,029	311,803	233,858	160,925	127,074	122,980	133,485
Total Assets	923,126	742,732	627,538	481,206	422,040	333,311	237,226	196,765	186,887	189,103
Long-Term Debt	260,915	112,000	160,000	85,000	96,000	72,000	45,000	64,996	74,968	90,286
Unit Expenses										
Per Available Ton-Mile	18.0¢	15.2¢	14.6¢	14.5¢	15.6¢	16.4¢	18.5¢	21.7¢	23.9¢	27.6¢
Per Revenue Ton-Mile	43.5¢	34.5¢	30.8¢	30.3¢	30.1¢	33.0¢	39.7¢	46.8¢	50.2¢	54.2¢
Per Cent of Operating Revenues	86.5%	82.4%	76.5%	70.6%	67.7%	67.4%	74.9%	84.6%	87.2%	91.2%
Statistics—Scheduled Services										
Revenue Plane Miles (000)	83,177	123,966	107,646	93,395	67,780	61,653	52,157	45,356	41,821	31,143
Available Seat Miles (000)	10,234,060	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
Revenue Passenger Miles (000)	4,506,256	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
Passenger Load Factor	44.0%	46.0%	50.3%	53.3%	54.6%	53.8%	52.0%	50.6%	51.5%	52.1%
Revenue Passengers Carried	4,682,812	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
Freight and Express Ton-Miles (000)	110,215	198,494	169,416	141,175	108,914	82,715	55,100	39,417	35,179	23,035
Total Revenue Ton-Miles (000)	655,339	942,050	836,085	709,165	533,556	452,553	351,886	284,732	254,033	182,704
Statistics—Total Operations										
Revenue Plane Miles (000)	89,938	135,563	121,077	106,197	77,715	67,125	55,477	47,207	42,718	31,658
Available Ton-Miles (000)	1,819,439	2,535,137	2,186,234	1,864,128	1,348,983	1,079,832	856,612	657,761	548,159	367,301

†Affected by major strikes in 1961, 1966 and 1970.

(1) Per share figures reflect the increase in outstanding shares resulting from stock issues in 1964, 1969 and 1970 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

Years Ended December 31, 1970 and 1969

Note A—Long-Term Debt

	December 31 1970	1969
Note purchase agreements with twelve insurance companies payable $3,000,000 annually and $4,000,000 on October 1, 1978 plus interest at 6% per annum. 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%	$ 25,000,000	$ 28,000,000
The Fourth Amendatory Credit Agreement with fifteen banks providing for credit which is payable $5,000,000 quarterly and terminates October 1, 1971. Interest on funds borrowed is at 4¾%	15,000,000	35,000,000
A credit agreement with twenty-four banks providing 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, 1970 the agreement makes available at any time an additional $35,000,000 (1969—$183,000,000) for working capital and other purposes	215,000,000	67,000,000
Credit agreements with aircraft and aircraft engine manufacturers providing for financing of purchases from those manufacturers through the issuance of five-year notes to aggregate not more than $60,000,000	23,914,635	—
	278,914,635	130,000,000
Less amounts due within one year included in current liabilities	18,000,000	18,000,000
	$260,914,635	$112,000,000

The Company had complied with the covenants of the debt agreements at the end of both years.

The aggregate repayment of the outstanding long-term debt over the years 1972 through 1975 is $3,000,000, $8,000,000, $123,000,000 and $116,914,635, respectively.

Note B—Stockholders' Equity

	Shares 1970	1969
Cumulative Preferred Stock, $25 par value:		
Authorized	1,000,000	1,000,000
Issued December 31	None	None
Common Stock Options for officers and employees at prices ranging from $32.375/36.625 a share which were not less than 100% of market at date of grant:		
Outstanding	71,768	71,768
Became exercisable during year	24,167	19,866
Exercisable at end of year	43,301	19,134
Common shares reserved for additional stock options and/or the Employee Stock Purchase Plan at December 31	792,748	1,028,232

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.

Note C—Commitments

At December 31, 1970, the Company has contracted to purchase jet aircraft for delivery in 1971 through 1973 which, with spare engines, will require expenditures of $408,368,000 ($597,446,000 at December 31, 1969). Of this amount, $63,335,000 has been deposited with manufacturers at December 31, 1970 and approximately $95,135,000, $64,338,000 and $185,560,000 become payable during the next three years, respectively.

As of December 31, 1970 annual rental payments of approximately $7,800,000 (1969—$5,500,000) were required under various lease agreements for periods up to forty years covering airport facilities, ticket offices, etc.

NOTES TO FINANCIAL STATEMENTS (cont'd)

Note D—Taxes on Earnings

Effective January 1, 1969 the Company adopted the flow-through method of accounting for the investment credit and has used that method for both 1969 and 1970. No change has been made in accounting for the deferred investment credits arising in prior years which will continue to be amortized over eight years from the dates the credits arose.

The provision for taxes on earnings consists of the following:

	Year Ended December 31 1970	1969
Current	$ 1,688,900	$26,139,600
Deferred	19,885,700	16,933,300
Investment credit:		
Amortization over eight years	(4,484,400)	(4,525,700)
Flow-through	(443,300)	(9,040,000)
Carryback to prior years	(16,526,200)	—
Total	$ 120,700	$29,507,200

Note E—Pension Plans

The Company has several pension plans covering substantially all of their employees. The total pension expense was $5,348,098 (1969—$6,360,218) and includes, as to new plans in 1970, amortization of prior service costs over a period of forty years. There were no unfunded prior service costs at December 31, 1969. It is the Company's policy to fund pension costs accrued. As of the latest valuation date, the total amount of fund assets was sufficient to cover vested benefits.

Note F—Depreciation and Amortization Policies

Provision for depreciation of aircraft and related flight equipment approximated $62,993,000 (1969—$55,473,000) and was computed on the straight line method assuming ten year lives and 15% residual values, except as to 747 aircraft as to which the life is fifteen years and residual value of 10%.

Included in deferred charges are SST development costs being amortized over five years and 747 aircraft training costs being amortized over seven years.

Note G—Proposed Merger

The proposed Northwest-Northeast merger was terminated on March 10, 1971.

Note H—Mutual Aid Agreement

The Company was struck by the Brotherhood of Railway and Airline Clerks (BRAC) on July 8, 1970 and the strike continued through December 14, 1970. For this period the Company received payments from other carriers under the Mutual Aid Agreement. The Civil Aeronautics Board on November 23, 1970 issued an Order remanding for review only the amended portion of the Mutual Aid Agreement which provided for increased level of supplemental payments. The Order states that consideration will be given to making any modifications to this agreement prospective only. In the opinion of management of the Company, there is no reason to believe that the modification to the Agreement will not be approved and the total amount received by the Company during the strike period will be retained.

ACCOUNTANTS' REPORT

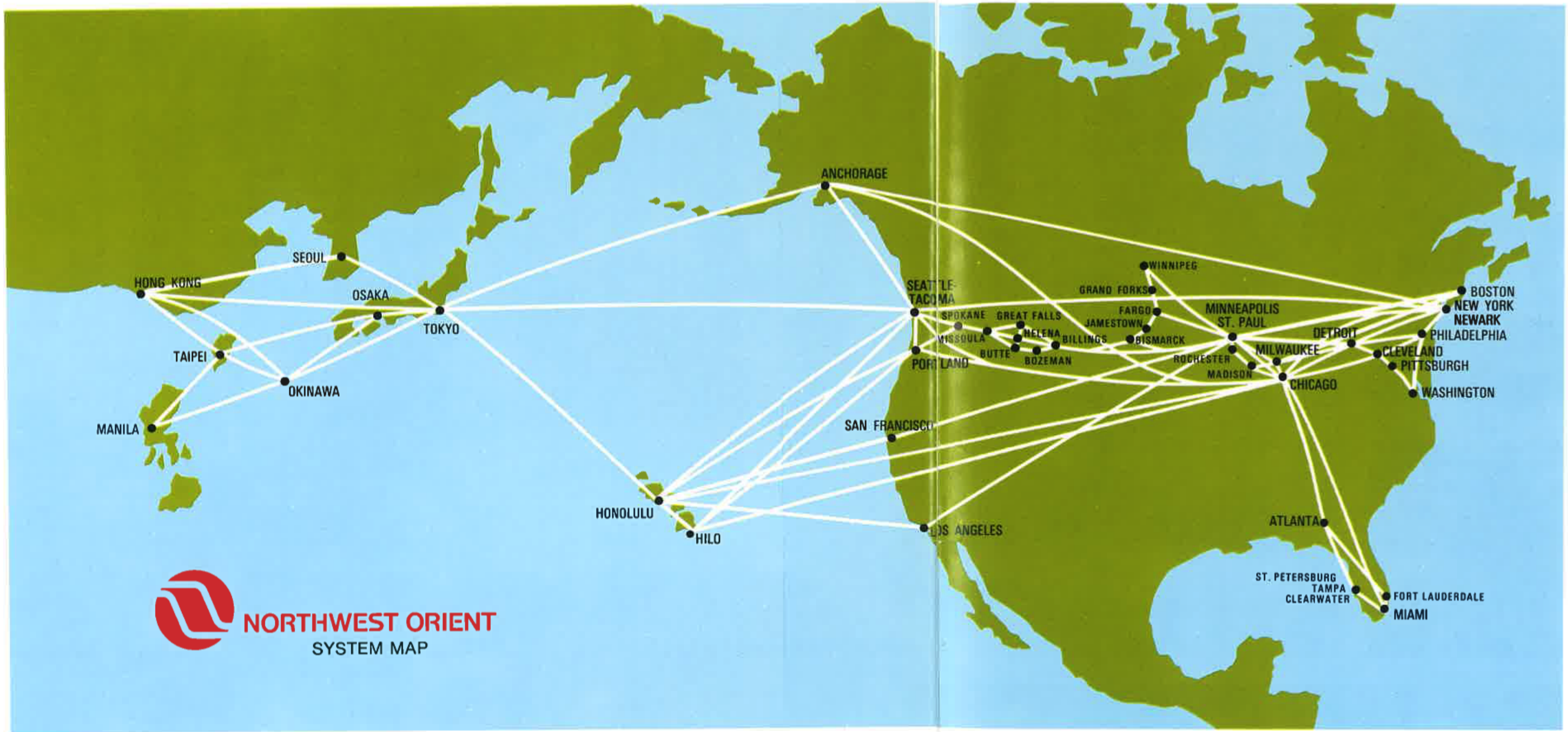
To the Stockholders and Board of Directors
Northwest Airlines, Inc.
Saint Paul, Minnesota

We have examined the financial statements of Northwest Airlines, Inc. and subsidiaries for the years ended December 31, 1970 and 1969. Our examinations were 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.

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, 1970 and 1969 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 applied on a consistent basis.

Saint Paul, Minnesota
March 1, 1971 except for Notes B and G for which the date is March 10, 1971.

Ernst & Ernst
Certified Public Accountants



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

New services and cities in 1970

New Cities in '70

Boston was added to Northwest Orient's route system in August of 1970. Inauguration of service has been delayed due to the strike and the necessity to first restore service to our existing route structure.

New Service in '70

In January, we inaugurated Los Angeles-Hawaii-Tokyo passenger service on a daily basis and began the first direct jet service between Atlanta and Madison-Rochester.

In April, all-cargo service was begun between California-Hawaii and the Far East. In June, nonstop service between Montana and Chicago was increased to two round trips daily.

Route Cases Pending

Pacific Islands Local Service

NWA seeks a route from Hawaii to Okinawa via the Trust Territory and Guam. Briefs have been filed with the Civil Aeronautics Board (CAB) and the case is awaiting decision.

Cleveland/Detroit/Cincinnati/Atlanta

We have applied for a direct route linking our existing Detroit, Cleveland and Atlanta stations. The case is now before the CAB awaiting decision.

East Coast Points-Europe

A route from Boston, Hartford, Philadelphia, Washington and Baltimore on the one hand and Norway, Sweden, Denmark, Finland, Netherlands, Belgium, Luxembourg, Switzerland, Austria, Yugoslavia, Greece and Turkey on the other is being sought by NWA.

Chicago/Atlanta-Jamaica

Northwest has applied for extension of its route through Chicago to Jamaica.

Omaha/Des Moines

The company is seeking a route from Omaha and Des Moines to New York and Washington/Baltimore in the east and Los Angeles and San Francisco in the west. This case is awaiting final action by the CAB on petitions for reconsideration.

Flying Tiger Additional Points

Authority for all-cargo service between the Twin Cities and Boston is being sought by NWA. The case awaits a CAB decision.

Ohio/Indiana Points Nonstop

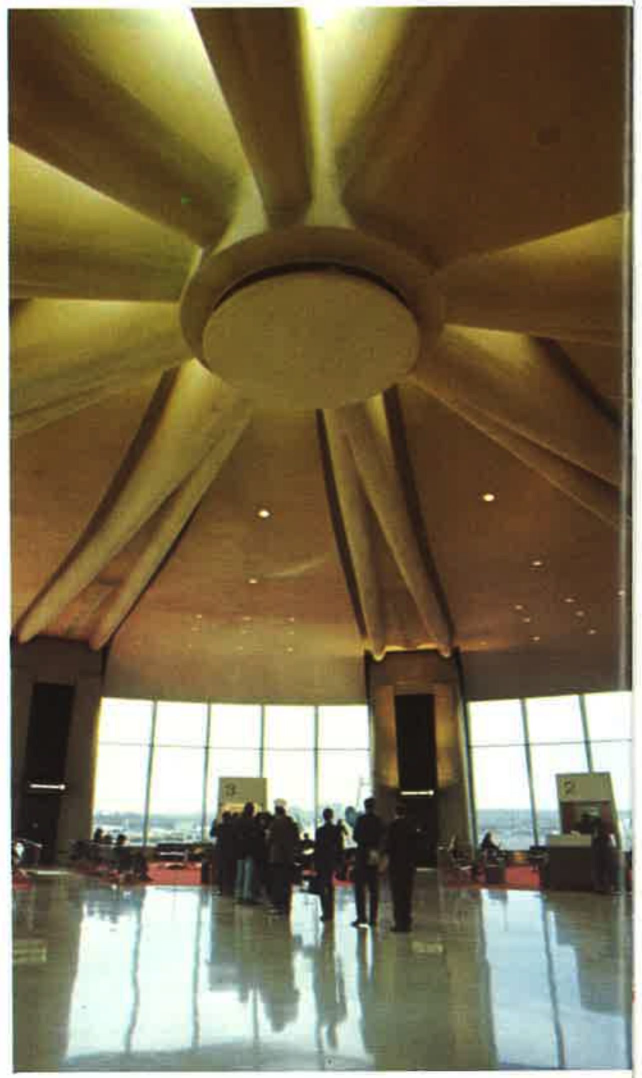
NWA has applied for routes between Philadelphia in the east and Los Angeles in the west via Columbus, Cincinnati, Dayton and Indianapolis and Indianapolis-Cleveland/Pittsburgh service. This case awaits CAB action.

Spokane-Los Angeles

A nonstop route between Spokane and Los Angeles is involved. Direct exhibits have been filed but the case has not been set for hearing.

New Washington National Terminal

A gleaming new satellite terminal was opened by Northwest Orient at Washington's National airport in June, 1970. Built at a cost of $7 million, the facility embraces the latest in functional design and has the capacity to handle eight jet aircraft at one time. The striking architectural features are well illustrated in the photos on this page.



NORTHWEST ORIENT AIRLINES

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

DIRECTORS*

JAMES H. BINGER
Chairman of the Board, Honeywell Inc.
Minneapolis, Minnesota

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

A. E. FLOAN
Secretary, Northwest Airlines, Inc.
St. Paul, Minnesota

MORTON H. FRY
Senior Partner, Riter, Pyne, Kendall and Hollister

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
Vice President, Thomson and McKinnon, Auchincloss, Inc.
New York, New York

LYMAN E. WAKEFIELD, JR.
Vice President, 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, Pacific Coast Stock Exchange and Midwest Stock Exchange

*As of March 1, 1971

OFFICERS*

DONALD W. NYROP
President

JAMES A. ABBOTT
Vice President—Legal

CLAYTON R. BRANDT
Vice President-Purchasing and Stores

ROBERT W. CAMPBELL
Vice President-Budgets

J. WILLIAM CAMPION
Vice President-Regulatory Proceedings

ROLAND W. CHAMBERS
Assistant Vice President-Properties

ROBERT A. EBERT
Vice President-Personnel

ROY K. ERICKSON
Vice President-Public Relations

A. E. FLOAN
Secretary

BENJAMIN G. GRIGGS, JR.
Vice President-Assistant to the President

DONALD H. HARDESTY
Vice President-Finance and Treasurer

WILLIAM E. HUSKINS, JR.
Vice President-Communications and Computer Services

REGINALD C. JENKINS
Vice President, Orient Region

FRANK C. JUDD
Vice President-Maintenance and Engineering

M. JOSEPH LAPENSKY
Vice President-Economic Planning

RONALD McVICKAR
Vice President

BRYAN G. MOON
Vice President-Advertising

ROBERT J. PHILLIPS
Vice President-Comptroller

C. L. STEWART
Vice President-Transportation Services

ROBERT J. WRIGHT
Vice President-Sales

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