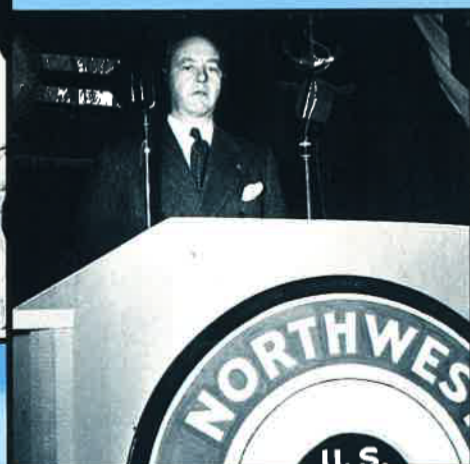
1975 Annual Report

NORTHWEST ORIENT AIRLINES

Celebrating 50 Years of Air Service

A pictorial review of Northwest Orient's 50 years

THE FOUNDER of Northwest Airlines was Colonel L.H. Brittin (right) who also served as general manager. In this 1930 photo, Colonel Brittin presents an award to Charles 'Speed' Holman (left), a famous racer and stunt pilot, who served as operations manager for the airline until his death in 1931.



LONG TIME PRESIDENT of Northwest Airlines was Croil Hunter, shown here at a 1944 ceremony at which the Company received the coveted Army-Navy 'E' award for its World War II operation of the B-24 bomber modification center. Hunter served as president of Northwest Airlines from 1937 until 1952 and chairman of the board from 1952 until 1965.

THE FAMOUS STRATOCRUISER provides the background for the celebration of the 25th anniversary of air mail service. The ceremony was held at Milwaukee's Mitchell Field in 1951.

THE KOREAN WAR in the 1950's found Northwest Airlines playing a vital role with its 'air lift' flights to and from the Far East. Here a group of 14 Navy nurses and nine medics are starting their trip to Korea via NWA and the Great Circle Route.

NWA'S CURRENT PRESIDENT Donald W. Nyrop (left) is pictured with William Allen, then president of the Boeing Company, in a 1962 photo taken when Northwest Airlines announced the purchase of five Boeing 707-320 jet aircraft.

THE FIRST OF 22 McDonnell Douglas DC 10-40 long-range jets ordered by Northwest Airlines is in the background of this 1972 photo taken at the firm's Long Beach, California plant. NWA president Donald W. Nyrop (right) is shown talking with Jackson R. McGowen, then president of McDonnell Douglas aircraft division.

THE FIRST AIR-RAIL SERVICE in the history of transportation was inaugurated by Northwest Airways, forerunner of Northwest Airlines. This 1928 photo shows mail being transferred from a Rock Island Line train to a waiting NWA airplane.

From the President

49th Annual Report to the Shareholders

1976 marks the 50th anniversary of Northwest Orient Airlines. The Company was initially called Northwest Airways and was founded in August 1926 to fly the air mail between Minneapolis / St. Paul and Chicago.

It is very gratifying to report to you that Northwest Orient, in its 50th year, led all of the U.S. air carriers in net earnings, posting a profit of $43,395,834 or $2.01 per share. This is the fourth time in the last eight years that Northwest Orient has achieved the earnings leadership in the industry. This leadership is especially significant when consideration is given to the fact that Northwest Orient is only seventh in size in terms of gross revenues.

Total operating revenues were at an all-time high of $800,562,989 in 1975. This is a 5.5 per cent gain over 1974. Both passenger and cargo revenues established new highs.

747Fs Boost Cargo Revenues

Three Boeing 747F all-cargo aircraft were delivered to Northwest Orient in July and August of 1975. They were placed into operation on a routing linking New York, Chicago, Seattle and Anchorage to Tokyo, Taipei and Hong Kong. Domestic service between the Twin Cities, Milwaukee, Chicago and New York was also provided.

The $12.1 million increase in 1975 cargo revenues, a 16 per cent jump over 1974, can largely be attributed to the added revenues produced by these new 747F freighters during the last half of 1975. Eastbound loads from the Orient of over 200,000 pounds — or 100 tons — were commonplace in the B-747F. The $90 million investment in these 747F aircraft is already proving to be profitable.

Fleet Modernization Continues

Delivery of eight new advanced model Boeing 727-200s was made to Northwest Orient during the last half of 1975. Three older Boeing 707s were sold in 1975.

The continuing fleet modernization program of Northwest Orient is truly 'big business'. During the last 21 years, Northwest Orient has purchased 216 aircraft and 139 aircraft have been sold by the Company. That is a total of 355 aircraft transactions during this period — or an average of seventeen per year.

Northwest Orient's consistent profitability has been, of course, essential to the fleet modernization program. Earnings performance over the years has enabled Northwest Orient to purchase all of the $1.4 billion aircraft fleet it presently operates. The Company does not have leased airplanes in its fleet — the only major U.S. airline in that position today.

Major Labor Agreements

New collective bargaining agreements were signed with 11 labor organizations in 1975, including the four largest groups — the Brotherhood of Railway and Airline Clerks (BRAC), the Air Line Pilots Association (ALPA), the International Association of Machinists (IAM) and the Association of Flight Attendants (AFA).

The new agreements with the BRAC and the IAM were reached without participation by the National Mediation Board — a noteworthy occurrence in the airline industry, which operates under the Railway Labor Act. The 33-month agreement with the IAM was reached on November 30, 1975, just 30 days after the contract became amendable.

Affirmative Action Continued

Improved employment opportunities were provided to minorities and females both in entry level positions and through upward mobility into managerial positions as a major goal in the continuing corporate Affirmative Action Plan.

New Aircraft Ordered

In looking at Northwest Orient Airlines' fleet requirements for the years immediately ahead, it became clear that we should move forward in two areas. We have done so very recently.

First, an order has been placed with the Boeing Company for a 747 all-cargo aircraft. Delivery will be in June of 1977. This will give us a fleet of four 747Fs, with the three presently operated in scheduled service, and will add to our capacity to handle the rapidly growing cargo market.

Second, the Company has ordered four more Advanced Model 727-200s. The first aircraft will be delivered in June of 1977 and the remaining three aircraft during the period October through December of 1977. These aircraft will replace older 727-100s and 707s as they are sold.

The additional capital investment is consistent with Northwest Orient's belief that fleet superiority represents the single biggest marketing advantage an airline can have in a highly competitive industry.

Employees Benefit from Success

Northwest Orient's employees continued to be major beneficiaries of the Company's financial success.

While corporate net earnings for 1975 were $21.4 million less than in 1974, Northwest Orient paid $16.4 million more in wages and benefits to its employees in 1975. The total of $222,683,755 paid in employee wages and benefits in 1975 was the single largest item of expense and represented 30 per cent of total operating expenses.

Net earnings, by way of contrast, represented 5.4 per cent of total operating revenues in 1975. In 1965, net earnings were 17.4 per cent of revenues — or more than three times greater than in 1975.

Officer, Director Changes

M. Joseph Lapensky, vice president-finance and treasurer of Northwest Orient, was elected to the Board of Directors on May 19, 1975. Mr. Lapensky, age 57, has had 30 years of experience with the Company and has previously served as vice president of economic planning and as comptroller.

Mr. Lapensky succeeds Donald H. Hardesty, retired vice president-finance of Northwest Orient, who has had a truly distinguished career spanning 32 years with the Company.

John F. Horn has been elected assistant vice president-properties for Northwest Orient, replacing Roland W. Chambers who retired after 33 years with Northwest. Mr. Horn is 34 and was most recently director of tariffs for the Company.

Outlook for 1976 Good

The U.S. economy is demonstrating considerably more vitality in recent months than it did during most of 1975. Airline passenger traffic during the early weeks of 1976 has been running ahead of the comparable period in 1975 by an encouraging margin. That trend is expected to continue and Northwest is forecasting passenger-mile increases of 8 to 10 per cent for 1976. Cargo traffic should show an even larger increase — up to 15 to 20 per cent.

New Federal energy legislation will provide some much-needed stability in the price of jet fuel in 1976. As this occurs, Northwest Orient should improve its 1976 earnings performance.

Sincerely,

Donald W. Nyrop

Donald W. Nyrop

March 15, 1976

Highlights of 1975

	1975	1974
Total Operating Revenues	$800,562,989	$758,990,979
Operating Income	49,699,649	77,785,297
Net Earnings for the Year	43,395,834	64,747,629
Per Common Share	2.01	3.00
Per Dollar of Revenues	5.4¢	8.5¢
Stockholders' Equity	623,676,634	589,990,898
Per Common Share	28.87	27.31
Dividends Paid	9,710,098	9,721,943
Operating Expenses:		
Per Available Ton-Mile	20.6¢	19.9¢
Per Revenue Ton-Mile	50.2¢	48.2¢
Revenue Traffic:		
Passengers Carried	8,865,263	8,948,373
Passenger-Miles Flown	9,471,282,000	9,173,875,000
Ton-Miles, Mail, Freight and Express	481,253,000	413,415,000
Common Shares at Year End	21,604,136	21,604,136
Employees:		
Number at Year End	11,268	11,515
Total Wages and Benefits Paid	$222,683,755	$206,253,452

New 747F freighters help set cargo revenue records in 1975

Sales and Marketing Highlights

The growing importance of air freight to the U.S. airline industry — and to Northwest Orient — was underscored in 1975.

Aided by the introduction of three Boeing 747F all cargo aircraft which were delivered in July and August of 1975, Northwest Orient recorded cargo revenues of $88.3 million. This figure was a $12.1 million increase over 1974 cargo revenues of $76.2 million and represented a 16 per cent gain over prior year cargo revenues.

Eleven per cent of Northwest Orient's operating revenues were derived from cargo in 1975.

A $90 million investment made in the three new Boeing 747F aircraft was directly responsible for a new single month cargo revenue record of $10.3 million set in November, 1975. Loads from the Orient to the U.S. on the huge air freighters in the last quarter of 1975 were consistently in the order of 100 tons. The 747F aircraft also filled a need in the lower 48 - Alaska market where pipeline activity had dramatically increased traffic.

Introduction of the three 747F all cargo aircraft into Northwest Orient's scheduled operations was accompanied by a sophisticated new marketing plan designed to create new air freight traffic. Through use of computer programming, a 'total cost' comparison of surface shipping versus air shipping is performed for potential customers. In many cases, the demonstrated savings that can be achieved through use of air shipment has provided new business for Northwest Orient.

Passenger Revenues Up 5%

Passenger revenues of Northwest Orient in 1975 increased five per cent over 1974, while revenue passenger-miles flown in scheduled operations rose 3.2 per cent. This performance was better than the trunk airline industry average in a year when passenger traffic was virtually in a no-growth condition.

Tour sales to both groups and individuals by Northwest Orient showed excellent growth in 1975 with a 20 per cent increase in activity. New 'fly/drive' tours featuring rental car and family-type motor inn combined with air fare proved to be among the most popular domestic tour packages in 1975. Air/sea cruises out of Florida to the Caribbean were extremely well received by the public and Northwest Orient retained its dominant position as the air carrier involved with traffic from Chicago and the upper midwest.

Convention Central, the new sales division formed in 1975 that provides a nation-wide, toll free reservation and assistance center for firms and individuals arranging conventions, produced over $9 million in revenue — a 56 per cent increase over 1974.

Sales and Marketing Highlights

Advertising stresses savings and wide cabin jet superiority

Northwest Orient's advertising emphasis during much of 1975 was on savings available to passengers through use of new Bicentennial excursion fares. This advertising concentrated on newspapers and incorporated flight schedules, but radio and television were used as supplementary media in major on-line cities.

The superiority of Northwest Orient's wide-cabin fleet — 15 Boeing 747s and 22 McDonnell Douglas DC 10-40s — was also given major emphasis during the year. By the end of the year, 75 per cent of all available seat-miles flown by Northwest Orient were provided in wide-cabin equipment. The public's stated preference for the 'jumbo jet' made this advertising approach both obvious and effective.

Cargo, Orient Also Stressed

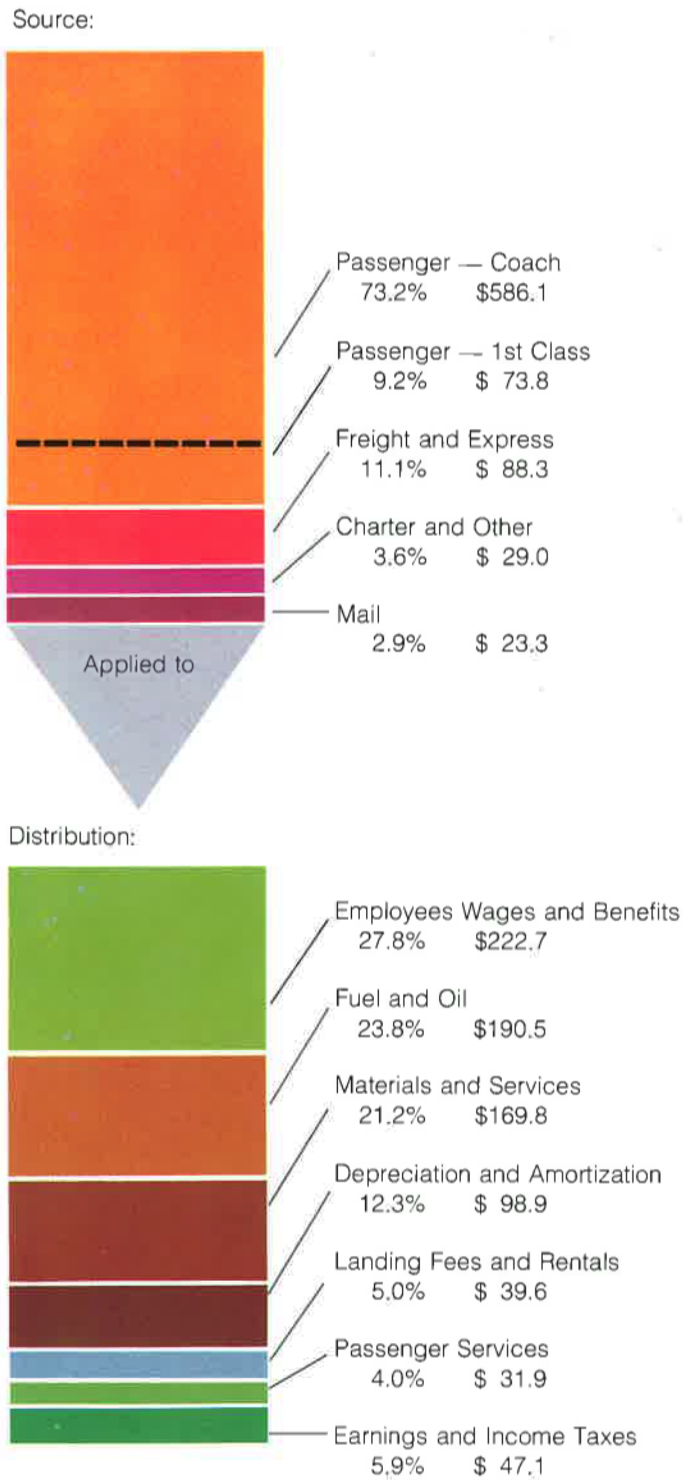
The introduction of the three new Boeing 747F all cargo aircraft was given extensive advertising support in 1975. A larger share of the advertising budget than ever before was devoted to this area and a special campaign was directed to senior management using carefully selected publications. The primary objective was to convert surface shipments being made by major companies to air shipments on Northwest Orient.

Another major advertising effort was devoted to the trans-Pacific services of Northwest Orient. Within the United States, national magazines and business publications were used to communicate the variety of routes, services and tours offered. Within the Orient, similar advertising in Hong Kong, the Philippines, Taiwan, Korea and Japan promoted eastbound business.

Financial review and management analysis for 1975

SOURCE AND DISTRIBUTION OF REVENUES

Percent of Total (Dollars in Millions)



Revenues

Northwest Airlines' total operating revenue in 1975 reached a record $800,562,989. This compares with the previous highs of $758,990,979 in 1974 and $584,348,065 in 1973.

Records were set in all revenue categories and were derived from increased traffic and from increased rates and fares granted by the Civil Aeronautics Board. The system passenger-mile yield increased to 6.94¢ in 1975 compared with 6.81¢ in 1974 and 5.92¢ in 1973. The revenue ton-mile yields for mail and freight in 1975 were 24.52¢ and 22.86¢, respectively, compared with 23.87¢ and 23.99¢ in 1974 and 20.85¢ and 21.95¢ in 1973.

Cargo revenue in 1975 was $88,307,610 and compares with $76,157,097 in 1974 and $55,280,382 in 1973. This growth reflects the emphasis the Company is placing on broadened and improved air freight services. Revenue in 1975 from commercial charter and other income amounted to $12,561,055 and from military charters $16,457,917. These compare with $12,811,474 and $14,510,212 in 1974 and $12,599,537 and $15,917,449 in 1973, respectively. The Military Airlift Contract expires on September 30, 1976 and the Company will seek a renewal contract for the Government's 1977 fiscal year.

Fares and Rates

The Civil Aeronautics Board approved fare and rate increases in 1975 which were required as a result of inflationary pressures. However, the gain in yields to the carrier that should have resulted was largely negated by the introduction of a far wider range of domestic discount fares introduced by other airlines. To remain competitive, Northwest Airlines matched these discount fares. It appears that further increases will be required and the CAB has now approved passenger fare increases totaling three per cent which Northwest Airlines will place in effect on April 1, 1976.

Expenses

Operating expense in 1975 increased to $750,863,340. This compares with $681,205,682 in 1974 and $533,042,805 in 1973.

The Company is continuing to experience inflationary trends in most cost areas and is continuing stringent cost control procedures to minimize the effect. Operating expense per available ton-mile increased to 20.6¢ in 1975 compared with 19.9¢ in 1974 and 15.8¢ in 1973. This cost level is one of the lowest in the airline industry.

Depreciation and amortization expense amounted to $98,879,815 in 1975. This compares with $96,212,517 in 1974 and $87,641,813 in 1973. The increase in 1975 reflects the addition of new aircraft and the disposal of older, less productive aircraft. Expense for flying operations in 1975 increased to $281,814,492 from $243,517,374 in 1974 and $155,066,543 in 1973. The increase reflects both the higher cost of labor and the higher prices paid for fuel. The chart shown below illustrates the upward trend in fuel costs over the years and shows the growing portion of the revenue dollar taken by fuel. The chart also shows that higher fuel costs have been offset partially by increased productivity — with more revenue ton-miles produced per gallon of fuel.

Earnings and Dividends

Earnings in 1975 were $43,395,834 or $2.01 per average share of common stock outstanding. This compares with $64,747,629 or $3.00 per share in 1974. These earnings represent the highest in the U.S. airline industry for 1975.

Included in earnings are gains from disposals of property, before related income taxes, of $13,616,020 in 1975. This is down from $39,161,170 in 1974 and $18,683,982 in 1973. The disposal gains were from the sale of older aircraft and spare parts. Additional sales of older aircraft will be made in 1976.

The Company continued its dividend payment policy in 1975 with quarterly payments at an annual rate of 45¢ per common share. This is the 21st consecutive year in which the Company has paid dividends. The principal market on which Northwest Airlines common stock is traded is the New York Stock Exchange. The following table shows the sales price ranges for the years 1975 and 1974, along with the dividends paid per share for the same period.

Quarter		Sales Price of Common Shares 1975	1974	Dividends Per Share 1975/1974
1st	High	19¾	25⅞	$.1125
	Low	11⅝	16⅝	
2nd	High	22⅛	27¼	.1125
	Low	16½	22¼	
3rd	High	22⅞	22⅞	.1125
	Low	17⅛	12½	
4th	High	23¼	18	.1125
	Low	17⅛	10⅝	

Taxes on Earnings

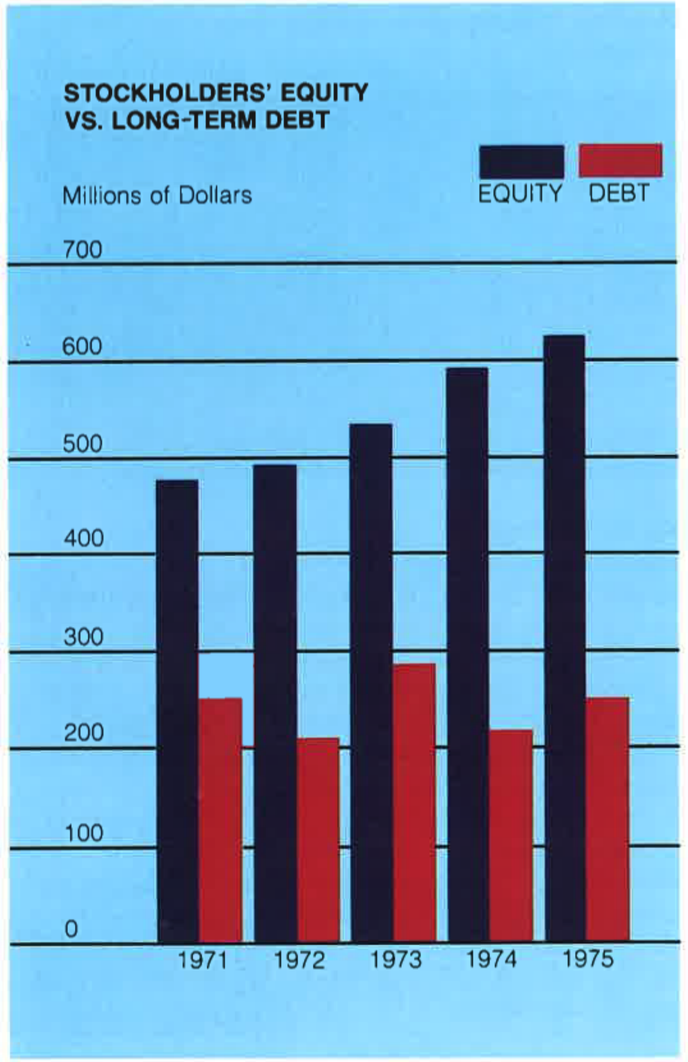
Income taxes on earnings in 1975 were $3,693,200 and compares with $33,631,100 in 1974. The current year amount consists of the normal tax provision, including current and deferred taxes amounting to $22,397,500, less investment tax credits of $18,704,300. The investment credit includes $17,329,400 generated in the current year primarily from the purchase of 11 airplanes, with related spare parts, and $1,374,900 from the current year's amortization of the investment tax credits from 1968 and prior.

Investment tax credits which could not be applied to income tax returns but which were offset against deferred income taxes totaled $62,158,300 for 1975 and prior years. For further tax information, see Note D to the Financial Statements.

SYSTEM FUEL ANALYSIS

	Year Ended December 1973	1974	1975	% Change 1975/1974
Price Per Gallon	12.66¢	27.20¢	31.67¢	+16.4%
Gallons Used (000)	616,930	587,302	593,821	+ 1.1%
Fuel Cost (000)	$78,134	$159,753	$188,049	+17.7%
Revenue Ton-Miles (000)	1,254,074	1,411,862	1,494,669	+ 5.9%
Revenue Ton-Miles Per Gallon	2.03	2.40	2.52	+ 5.0%
Total Revenues (000)	$584,348	$758,991	$800,563	+ 5.5%
Fuel Cost % of Revenues	13.37%	21.05%	23.49%	+11.6%

Financial review for 1975
(continued)



Cash Flow
Funds generated in the current year from all sources amounted to $192,775,616.

The Company's policy of owning its own equipment, rather than leasing, has provided funds through depreciation which, with amortization, amounted to $98,879,815 in 1975 and $96,212,517 in 1974. Disposals of previously purchased equipment provided additional funds of $21,739,116 in 1975 and $69,043,853 in 1974. Additional funds of $32,100,000 were from present long-term debt agreements and were applied to aircraft purchases.

Application of funds in 1975 totaled $176,297,301. Flight equipment and other property additions accounted for $165,096,830, cash dividends for $9,710,098, and other applications, $1,490,373.

Traffic and Services
The Company's operations in scheduled services in 1975 showed gains in both traffic and capacity over 1974.

Revenue passenger-miles in scheduled service increased 3.2% and available passenger seat-miles increased 4.5%. The passenger load factor was 45.29% in 1975 compared with 45.83% in 1974. The slight decline in the passenger load factor reflects the increase in available seat-miles from addition of larger, more productive aircraft received in 1974 and 1975, even though revenue plane-miles flown in 1975 were reduced 1.1% from 1974.

Revenue ton-miles were up 7.3% in 1975. This gain includes an increase of 3.2% in passenger revenue ton-miles and 16.4% increase in cargo and mail ton-miles. The gain in cargo ton-miles reflects the acceptance by shippers of new 747F freighter service offered in the last half of 1975. Available ton-miles in scheduled service increased 7.0% over the prior year, reflecting increased productivity of new aircraft added to the fleet.

Financial Condition
The Company continued to improve its financial position in 1975, enhancing its ranking as one of the strongest carriers in the airline industry.

Stockholder equity at December 31, 1975 was $623,676,634 compared with $589,990,898 at the end of 1974. Book value per common share increased to $28.87 in 1975 from $27.31 a year ago. Outstanding debt at year end was $271,900,000 compared with $229,000,000 in 1974. Outstanding debt is 43.6% of stockholder equity, up from 38.8% in 1974. This favorable debt to equity ratio continues to be the lowest of the U. S. trunkline carriers.

Previous financial arrangements and internal cash flow provided funds for all financial needs in 1975, including purchase of three Boeing 747F freighters and eight B-727-200's and related spare parts. Details of the Company's long-term debt arrangements are described in Note B to the Financial Statements.

Statement of Earnings
NORTHWEST AIRLINES, INC. AND SUBSIDIARIES

	Year Ended December 31 1975	1974
Operating Revenues		
Passenger	$659,849,499	$628,488,358
Cargo	88,307,610	76,157,097
Mail	23,279,860	22,911,103
Charter and other transportation	29,018,972	27,321,686
Mutual Aid Agreement	(5,340,153)	(1,529,882)
Nontransport	5,447,201	5,642,617
	800,562,989	758,990,979
Operating Expenses		
Flying operations	281,814,492	243,517,374
Maintenance	77,880,613	71,355,832
Passenger service	69,248,885	69,146,474
Aircraft and traffic servicing	118,521,564	110,776,802
Reservations, sales and advertising	83,789,048	70,255,493
Administrative and general	20,728,923	19,941,190
Depreciation and amortization	98,879,815	96,212,517
	750,863,340	681,205,682
	49,699,649	77,785,297
Other Income and (Deductions)		
Interest on long-term debt, net of capitalized interest of $1,657,011 (1974 — $2,429,994) — Note A	(16,119,659)	(19,553,814)
Disposals of property	13,616,020	39,161,170
Other	(106,976)	986,076
	(2,610,615)	20,593,432
Earnings Before Taxes	47,089,034	98,378,729
Taxes on Earnings, including deferred taxes and investment credit — Note D	3,693,200	33,631,100
Net Earnings for the Year	$ 43,395,834	$ 64,747,629
Average shares of Common Stock outstanding during the year	21,604,136	21,604,136
Earnings per share of Common Stock	$2.01	$3.00

See notes to financial statements.

Statement of Financial Position

NORTHWEST AIRLINES, INC. AND SUBSIDIARIES

ASSETS	December 31 1975	1974
Current Assets		
Cash and short-term investments	$ 49,162,168	$ 40,070,177
Accounts receivable, less allowance of $1,100,000 (1974 — $950,000)	72,492,128	59,363,639
Recoverable income tax	6,040,800	—
Flight equipment spare parts at average cost, less allowances for depreciation of $11,224,428 (1974 — $9,262,733)	24,040,408	21,147,524
Maintenance and operating supplies at average cost	6,731,613	6,038,606
Prepaid expenses	2,626,259	2,190,900
Total Current Assets	161,093,376	128,810,846
Other Assets	10,302,405	8,783,172
Property and Equipment		
Flight equipment at cost	1,420,670,459	1,282,556,385
Less allowances for depreciation	443,608,223	374,621,819
	977,062,236	907,934,566
Advance payments on new flight equipment — Note E	—	6,641,028
	977,062,236	914,575,594
Other property and equipment at cost	118,929,206	112,129,133
Less allowances for depreciation	58,926,846	51,359,908
	60,002,360	60,769,225
	1,037,064,596	975,344,819
Deferred Charges		
Training and development costs	1,259,587	2,759,311
Rentals	5,426,160	5,455,020
	6,685,747	8,214,331
	$1,215,146,124	$1,121,153,168

LIABILITIES AND STOCKHOLDERS' EQUITY	December 31 1975	1974
Current Liabilities		
Accounts payable and accrued expenses	$ 100,844,423	$ 93,483,456
Employee compensation	27,451,657	27,195,640
Unredeemed ticket liability	18,224,695	13,410,376
Income taxes	1,454,110	8,881,198
Current maturities of long-term debt	25,900,000	15,100,000
Total Current Liabilities	173,874,885	158,070,670
Long-Term Debt — Note B	246,000,000	213,900,000
Deferred Credits and Other Liabilities		
Income taxes — Note D	165,026,200	157,294,500
Other	6,568,405	1,897,100
	171,594,605	159,191,600
Stockholders' Equity — Note C		
Common Stock $1.25 par value; authorized 40,000,000 shares; issued and outstanding 21,604,136 shares	27,005,170	27,005,170
Capital surplus	124,140,834	124,140,834
Retained earnings	472,530,630	438,844,894
	623,676,634	589,990,898
Commitments — Note E		
Leases — Note F		
Contingencies — Note G		
	$1,215,146,124	$1,121,153,168

See notes to financial statements.

Statement of Changes in Financial Position

NORTHWEST AIRLINES, INC. AND SUBSIDIARIES

	Year Ended December 31 1975	1974
Source of Funds		
Net earnings	$ 43,395,834	$ 64,747,629
Items not requiring current funds:		
Depreciation and amortization:		
Aircraft and related flight equipment	88,304,178	86,341,066
Other	10,575,637	9,871,451
Deferred income taxes	7,731,700	28,865,400
Deferred investment credit	(1,374,900)	(2,184,800)
Total from Operations	148,632,449	187,640,746
Issuance of long-term debt — Note B	32,100,000	—
Disposals of operating property — book value	8,123,096	29,882,683
Other	3,920,071	—
Total of Sources	192,775,616	217,523,429
Application of Funds		
Flight equipment and other property additions	165,096,830	136,518,651
Advance deposits on aircraft	—	6,600,528
Other assets and deferred charges	1,490,373	5,078,687
Cash dividends	9,710,098	9,721,943
Reduction of long-term debt	—	70,100,000
Other	—	1,686,871
Total of Applications	176,297,301	229,706,680
Increase (Decrease) in Working Capital	$ 16,478,315	($ 12,183,251)
Changes in working capital consist of:		
Increase (decrease) in current assets:		
Cash and short-term investments	$ 9,091,991	$ 2,250,294
Receivables	13,128,489	4,259,910
Recoverable income taxes	6,040,800	—
Inventories	3,585,891	6,175,834
Prepaid expenses	435,359	(954,830)
	32,282,530	11,731,208
Increase (decrease) in current liabilities:		
Accounts payable and accrued expenses	7,360,967	72,481
Other accrued liabilities	(7,171,071)	9,581,754
Unredeemed ticket liability	4,814,319	2,160,224
Current maturities of long-term debt	10,800,000	12,100,000
	15,804,215	23,914,459
Increase (decrease) in working capital	$ 16,478,315	($ 12,183,251)

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 December 31, 1973	21,604,136	$27,005,170	$124,140,834	$383,819,208
Net earnings for 1974				64,747,629
Cash dividends — $.45 a share				(9,721,943)
Balance December 31, 1974	21,604,136	27,005,170	124,140,834	438,844,894
Net earnings for 1975				43,395,834
Cash dividends — $.45 a share				(9,710,098)
Balance December 31, 1975	21,604,136	$27,005,170	$124,140,834	$472,530,630

See notes to financial statements.

APPLICATION OF INVESTMENT TAX CREDIT

Period	**Available***	**Reflected in Net Earnings†**
1962-1974	$106,102,300	$104,205,200
1975	17,329,400	18,704,300
Total	$123,431,700	$122,909,500
To Net Earnings	122,909,500	
To Be Amortized	$ 522,200	

*Investment credits not applied on tax returns but offset against deferred taxes through 1975, amount to $62,158,300. See Note D to financial statements.

†Income benefits of investment credit generated in 1962-68 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 1974	1975
B727 & B727C-100	32	32
B727-200	23	31
B707-320B & 320C	13	10
DC10-40	22	22
B747	15	15
B747F	—	3
Total	105	113

NOTE: No aircraft on order at Dec. 31, 1975

Notes to Financial Statements

NORTHWEST AIRLINES, INC. AND SUBSIDIARIES

Years Ended December 31, 1975 and 1974

Note A — Accounting Policies

A summary of certain accounting policies of the Company which have been consistently followed in preparing the accompanying financial statements is set forth below:

Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries after elimination of intercompany accounts and transactions.

Foreign Currency Translation

Inventory and property and equipment are translated at rates of exchange in effect when acquired. All other monetary assets and liabilities are translated at year-end rates of exchange. Revenue and expense accounts are translated at a weighted average of exchange rates which were in effect during the year, except for depreciation which is translated at the rates of exchange in effect when the property and equipment were acquired. Exchange adjustments are charged or credited to income currently and are not material.

Flight Equipment and Property

Provision for depreciation is computed by the straight line method over the estimated useful lives of the assets. The calculation assumes fifteen year lives and 10% residual values for 747 and DC-10 aircraft and ten years and 15% residual values for all other aircraft. Useful lives of buildings vary from 5-30 years and other equipment 4-10 years.

Allowances for depreciation of flight equipment spare parts, rotables and assemblies are provided by the straight line method at rates which allocate the cost of these assets, less residual value, over the estimated useful lives of the related aircraft.

The Company charges to operating expense when incurred, all expenditures for maintenance and repairs and minor renewals and betterments. Expenditures which materially increase values or extend useful lives are generally capitalized. Carrying amounts of assets sold or otherwise disposed of are eliminated from the accounts in the year of disposal and the resulting gain or loss reflected in operations.

Interest on the Company's long-term debt relating to deposits advanced to manufacturers prior to the delivery of new aircraft is capitalized as cost of the assets and is amortized over the useful life of the aircraft. If the Company did not follow a policy of capitalizing interest, net earnings would have been increased by $322,000 ($.01 a share) in 1975 and decreased $11,500 ($.00 a share) in 1974.

Training and Development Costs

The Company defers preoperating expenses of new aircraft fleets (principally training) and amortizes such costs over future periods to be benefited, generally five years.

Pension Plans

The Company has several pension plans covering substantially all of its employees. The policy is to fund pension costs accrued which includes the amortization of prior service costs over a period of thirty years.

Taxes on Earnings

Taxes are provided for all items included in the statement of earnings regardless of the years when such items are reported for tax purposes. Deferred income taxes result primarily from

Notes to Financial Statements

Note A — Accounting Policies (Continued)

using for tax purposes accelerated depreciation methods and deducting currently the interest capitalized as cost of aircraft.

Since 1969, the Company has used the flow-through method of accounting for the investment credit. Investment credits not applied on tax returns are offset against deferred income taxes to the extent they are applicable to deferred taxes becoming payable in the investment credit carryover periods. No change has been made in accounting for investment credits arising prior to 1969 which are amortized over eight years from the dates the credits arose.

Earned Revenue

Passenger and cargo sales are recognized as earned revenue when the transportation is provided.

Earnings Per Share

Earnings per share are based on the average number of shares of Common Stock outstanding during each year. Shares issuable upon exercise of stock options are excluded from the computation since their effect is not significant.

Note B — Long-Term Debt	December 31 **1975**	**1974**
Revolving Credit Agreement with banks provides for revolving credit of $200 million reducing $15.9 million quarterly beginning July 1, 1976 and terminates April 1, 1979. Interest on funds borrowed is at ¼% above prime commercial loan rate prior to July 1, 1976 and ½% above thereafter. As of December 31, 1975 the agreement makes available an additional $61 million for working capital and other purposes	$139,000,000	$ 81,000,000
Term Credit with banks is payable $12.5 million quarterly beginning April 1, 1981 and terminates January 1, 1983. Interest is paid based on a formula related to prime commercial loan rates; however, total interest paid shall not exceed 7⅞% per annum on borrowings over the term of the loan. Current payments in excess of that rate are classified as other assets ...	100,000,000	100,000,000
Note purchase agreements with twelve insurance companies are payable $3,000,000 annually and terminate on October 1, 1978. Interest is 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 not to exceed 2% ..	10,000,000	13,000,000
Credit agreements with aircraft and aircraft engine manufacturers financing purchases from those manufacturers through the issuance of five-year notes	22,900,000	35,000,000
	271,900,000	229,000,000
Less amounts due within one year included in current liabilities	25,900,000	15,100,000
	$246,000,000	$213,900,000

The Company had complied with the covenants of the debt agreements at the end of both years. At December 31, 1975 approximately $11,400,000 of retained earnings were not restricted under terms of the long-term debt agreements.

Long-term debt requires payments of $37,400,000 — 1977, $67,600,000 — 1978, $41,000,000 — 1979, none in 1980 and $100,000,000 thereafter through 1983.

Notes to Financial Statements

Note C — Stockholders' Equity

	Shares 1975	Shares 1974
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 which were not less than 100% of market at date of grant are as follows:

	Shares	Price Per Share
Outstanding January 1, 1974	49,900	$20.06/32.375
Lapsed	(13,200)	20.06/32.375
Outstanding December 31, 1974	36,700	20.06
Granted	45,300	19.13
Lapsed	(1,000)	20.06
Outstanding December 31, 1975	81,000	19.13/20.06
Options exercisable:		
At December 31, 1974	18,350	20.06
At December 31, 1975	35,700	20.06

Shares available for future stock options and other plans were 329,136 and 373,436 at December 31, 1975 and 1974, respectively, of which 69,000 and 113,300, respectively, were available for additional grants under the 1973 Stock Option Plan.

Note D — Taxes on Earnings

The provision for taxes on earnings consists of the following:

	Year Ended December 31 1975	1974
Current:		
Operating loss carryback for tax purposes	($12,224,500)	$ —
Provision for the year	—	11,235,000
Reduction of refund for limitation of investment credits applied in prior years	6,183,700	—
Investment credit flow-through	—	(4,992,600)
	(6,040,800)	6,242,400
Deferred:		
Provision	34,622,000	36,215,400
Investment credit:		
Flow-through	(17,329,400)	(6,641,900)
Arising from operating loss carryback	(6,183,700)	—
	11,108,900	29,573,500
Deferred investment credit being amortized over eight years	(1,374,900)	(2,184,800)
	$ 3,693,200	$33,631,100

Notes to Financial Statements

Note D — Taxes on Earnings (Continued)

Investment credits not applied on tax returns but offset against deferred income taxes at December 31, 1975 will expire $8,919,800 — 1978, $4,042,500 — 1979, $20,177,300 — 1980, $11,685,300 — 1981, and $17,333,400 — 1982.

Exclusive of investment credit, the Company's effective tax rate is 47.6% and 48.2% for 1975 and 1974, respectively, as compared to the federal statutory rate of 48%.

The Company's federal income tax returns have been examined and settled through 1973.

Note E — Commitments

At December 31, 1975 the Company had no commitments to purchase aircraft or engines.

Note F — Leases

The Company does not lease any aircraft or related flight equipment. Sublease income and contingent rentals are not material. Total rental expense follows:

	Year Ended December 31 1975	1974
Air terminal and main base facilities (financing leases)	$ 9,272,000	$ 8,593,000
Ticket offices and miscellaneous equipment	5,026,000	4,817,000
	$14,298,000	$13,410,000

Future minimum rental commitments at December 31, 1975 for all non-cancellable leases follows:

	Air Terminal and Main Base Facilities	Ticket Offices and Miscellaneous Equipment	Total
1976	$ 9,188,000	$1,441,000	$ 10,629,000
1977	8,924,000	1,330,000	10,254,000
1978	8,885,000	1,171,000	10,056,000
1979	8,677,000	844,000	9,521,000
1980	8,399,000	566,000	8,965,000
Five years 1981-85	40,965,000	1,280,000	42,245,000
Five years 1986-90	29,741,000	273,000	30,014,000
Five years 1991-95	17,675,000	—	17,675,000
Remainder	21,568,000	—	21,568,000
	$154,022,000	$6,905,000	$160,927,000

Notes to Financial Statements

Note F — Leases (Continued)

The estimated present values of the net fixed minimum rental commitments for all non-cancellable financing leases (terminal facilities and other buildings) were $79,674,000 at December 31, 1975 and $79,641,000 at December 31, 1974. The present values were computed after reducing total rental commitments by estimated amounts applicable to the lessors' payments of taxes, insurance, maintenance and other operating costs. The weighted average interest rate used was 7.16% for 1975 and 6.54% for 1974. The range of interest rates was 2.8% to 10.5% for 1975 and 2.8% to 10.0% for 1974. The impact on net earnings if financing leases had been capitalized was not material for either year.

Note G — Contingencies

The Company is a defendant in a class action brought by certain of its female cabin attendants alleging violations of certain provisions of the Equal Pay Act of 1963 and the Civil Rights Act of 1964. The trial judge held that provisions of both statutes had been violated by the Company. The Company has appealed that decision. Counsel for the Company have advised that neither the timing of the final outcome nor the consequences of the lawsuit are presently determinable. However, Company management does not believe any resulting liability will have a material effect on the Company's financial position.

The Company is a defendant, along with other airlines, in a number of legal actions alleging noise and air pollution resulting from aircraft operations around certain airports, excessive air fares and violation of anti-trust laws. Company management does not believe that these actions will result in a material liability to the Company.

Note H — Pension Plans

The total pension expense was $19,782,163 (1974 — $17,460,589). As of the most recent valuation date the market value of the assets in all pension funds was approximately $93,911,000, and the actuarially computed value of vested benefits exceeded applicable assets by approximately $7,383,000 at cost and $33,032,000 at market. The value of vested benefits was increased during the year as a result of increased benefits provided under certain new labor contracts (no material effect on net earnings). The effect on the Company's future pension expense of the Employee Retirement Income Security Act of 1974 has not been determined but, in the opinion of Company management based upon a report from its consulting actuaries, the effect is not expected to be material. Certain changes in actuarial assumptions were made during 1975 which had no material effect on pension expense.

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, 1975, and December 31, 1974, and the related statements of earnings, stockholders' equity and changes in financial position for the years then ended. 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 financial statements referred to above present fairly the consolidated financial position of Northwest Airlines, Inc. and subsidiaries at December 31, 1975, and December 31, 1974, and the consolidated results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Saint Paul, Minnesota
February 16, 1976

Ernst & Ernst

Notice to Stockholders

Any person who either owns, as of December 31 of the year preceding issuance of this annual report, or subsequently acquires, beneficially or as trustee, more than 5 per centum, in the aggregate, of any class of the capital stock or capital of the air carrier, shall file with the Civil Aeronautics Board (CAB) a report containing the information required by Section 245.12 of the CAB's Economic Regulations on or before April 1, as to capital stock or capital owned as of December 31 of the preceding year, and, in the case of stock subsequently acquired, a report under Section 245.13 of such Economic Regulations, within 10 days after such acquisition, unless such person has otherwise filed with the CAB a report covering such acquisition or ownership.

A bank or broker which holds, as trustee, more than 5 per centum of any class of the capital stock or capital of an air carrier to the extent that it holds shares on the last day of any quarter of a calendar year, shall file with the CAB, within 30 days after the end of the quarter, a report in accordance with the provisions of Section 245.14 of the CAB's Economic Regulations. Any person required to report under the CAB's regulations who grants a security interest in more than 5 per centum of any class of the capital stock or capital of the air carrier shall, within 30 days after granting such security interest, file with the CAB a report containing the information required in Section 245.15 of the CAB's Economic Regulations.

Any stockholder who believes that 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)	1975	1974	1973	1972†	1971†	1970†	1969	1968	1967	1966
Operating Revenues										
Passenger	$ 659,849	$ 628,488	$ 476,794	$ 277,891	$ 331,966	$ 260,335	$ 350,504	$ 301,277	$ 275,873	$ 216,239
Cargo	88,308	76,157	55,280	34,694	39,641	30,053	51,006	43,902	38,118	29,515
Mail	23,280	22,911	18,415	13,309	19,443	18,958	29,386	28,605	26,898	22,557
Charter and other transportation	29,019	27,322	28,517	20,009	31,588	20,800	35,090	41,060	41,799	39,205
Mutual aid agreement	(5,340)	(1,530)	(2,692)	43,629	(462)	46,325	(509)	—	—	2,491
Nontransport	5,447	5,643	8,034	2,969	3,343	2,569	2,461	1,446	1,291	1,312
Total Operating Revenues	$ 800,563	$ 758,991	$ 584,348	$ 392,501	$ 425,519	$ 379,040	$ 467,938	$ 416,290	$ 383,979	$ 311,319
Operating Expenses										
Depreciation and amortization	$ 98,880	$ 96,213	$ 87,642	$ 81,054	$ 77,245	$ 69,173	$ 60,833	$ 49,817	$ 41,252	$ 33,195
Other	651,983	584,993	445,401	296,348	330,108	258,784	324,979	268,529	229,969	177,469
Total Operating Expenses	$ 750,863	$ 681,206	$ 533,043	$ 377,402	$ 407,353	$ 327,957	$ 385,812	$ 318,346	$ 271,221	$ 210,664
Operating income	$ 49,700	$ 77,785	$ 51,305	$ 15,099	$ 18,166	$ 51,083	$ 82,126	$ 97,944	$ 112,758	$ 100,655
Interest expense on long-term debt	(16,120)	(19,554)	(14,758)	(8,356)	(13,051)	(6,296)	(2,334)	(3,894)	(3,725)	(3,268)
Other income and (deductions) — net	13,509	40,148	19,133	10,510	6,685	(227)	1,181	674	1,334	2,025
Earnings before taxes	$ 47,089	$ 98,379	$ 55,680	$ 17,253	$ 11,800	$ 44,560	$ 80,973	$ 94,724	$ 110,367	$ 99,412
Income taxes	3,693	33,631	3,830	(429)	(9,561)	121	29,507	44,673	51,651	46,276
Net Earnings (1)	$ 43,396	$ 64,748	$ 51,850	$ 17,682	$ 21,361	$ 44,439	$ 51,466	$ 50,051	$ 58,716	$ 53,136
Earnings per average share as reported each year (1)	$ 2.01	$ 3.00	$ 2.40	$ .83	$ 1.01	$ 2.11	$ 2.55	$ 5.47	$ 6.42	$ 5.81
Cash dividends	9,710	9,722	9,722	9,620	9,518	9,465	9,117	7,320	6,405	5,490
Dividends per share as paid each year	.45	.45	.45	.45	.45	.45	.45	.80	.70	.60
Stockholders' equity	623,677	589,991	534,965	492,837	477,054	465,210	426,797	306,717	263,986	212,727
Number of shares outstanding at end of year	21,604,136	21,604,136	21,604,136	21,604,136	21,149,756	21,149,756	20,914,272	9,149,628	9,149,626	9,149,626
Book value per share at end of year (2)	$ 28.87	$ 27.31	$ 24.76	$ 22.81	$ 22.56	$ 22.00	$ 20.41	$ 33.52	$ 28.85	$ 23.25
Recomputed per share figures after stock splits (3)										
Earnings per average share (3)	2.01	3.00	2.40	.83	1.01	2.11	2.55	2.74	3.21	2.90
Dividends per share (3)	.45	.45	.45	.45	.45	.45	.45	.40	.35	.30
Book value per share at end of year (3)	28.87	27.31	24.76	22.81	22.56	22.00	20.41	16.76	14.43	11.62
Assets and Long-Term Debt										
Flight property at cost	$ 1,420,670	$ 1,282,556	$ 1,216,632	$ 1,008,041	$ 1,012,568	$ 929,181	$ 697,938	$ 582,646	$ 467,859	$ 401,476
Flight property at net book value	977,062	907,935	861,231	682,020	709,433	668,129	492,241	424,522	346,029	311,803
Total assets	1,215,146	1,121,153	1,085,632	920,418	944,302	923,126	742,732	627,538	481,206	422,040
Long-term debt	246,000	213,900	284,000	208,000	252,500	260,915	112,000	160,000	85,000	96,000
Unit Expenses										
Per available ton-mile	20.6¢	19.9¢	15.8¢	16.9¢	14.5¢	18.0¢	15.2¢	14.6¢	14.5¢	15.6¢
Per revenue ton-mile	50.2¢	48.2¢	42.5¢	49.6¢	42.1¢	43.5¢	34.5¢	30.8¢	30.3¢	30.1¢
Per cent of operating revenues	93.8%	89.8%	91.2%	96.2%	95.7%	86.5%	82.4%	76.5%	70.6%	67.7%
Statistics — Scheduled Services										
Revenue plane-miles (000)	104,104	105,295	108,853	79,025	100,992	83,177	123,966	107,646	93,395	67,780
Available seat-miles (000)	20,910,966	20,016,107	19,593,379	12,963,054	15,614,614	10,234,060	13,504,111	10,840,758	9,198,150	6,773,257
Revenue passenger-miles (000)	9,471,282	9,173,875	8,007,850	4,565,618	5,553,043	4,506,256	6,208,725	5,458,128	4,901,520	3,699,851
Passenger load factor	45.3%	45.8%	40.9%	35.2%	35.6%	44.0%	46.0%	50.3%	53.3%	54.6%
Revenue passengers carried	8,865,263	8,948,373	7,987,299	5,150,636	6,089,273	4,682,812	7,517,780	7,173,805	6,489,295	4,963,275
Freight and express ton-miles (000)	386,309	317,437	251,865	150,973	161,345	110,215	198,494	169,416	141,175	108,914
Total revenue ton-miles (000)	1,428,381	1,330,803	1,140,983	672,035	813,403	655,339	942,050	836,085	709,165	533,556
Statistics — Total Operations										
Revenue plane-miles (000)	107,721	110,519	115,726	84,098	110,045	89,938	135,563	121,077	106,197	77,715
Available ton-miles (000)	3,642,650	3,431,038	3,370,694	2,236,069	2,806,407	1,819,439	2,535,137	2,186,234	1,864,128	1,348,983

†Strikes adversely affected 1970 and 1972 and the strike recovery period of 1971.
(1) See Financial Review pages 10 through 12 for Management's Discussion and Analysis of the Summary of Operations.
(2) Per share figures reflect the increase in outstanding shares resulting from stock issues in 1969, 1970 and 1972.
(3) The stock was split "two-for-one" in 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.

New cargo buildings constructed, support facilities also increased

The substantial growth in air freight volume, sparked by the introduction of the three new Boeing 747F all-cargo aircraft, was aided by major improvements in Northwest Orient's physical plant and new equipment for cargo handling.

Orders were placed in 1975 for ten Cochran Western CL-755 main deck loaders, for example. This is the largest air cargo loader available today with a 55,000 pound loading capacity. It can service the main deck of the Boeing 747F and McDonnell Douglas DC10F as well as the lower decks of the passenger version of all three 'jumbo jets' (747, DC 10 and L 1011) and the main deck of the DC 8 and 707 air freighters.

New 10 foot containers measuring 88 inches in width, 96 inches in height and 125 inches in length were ordered by Northwest Orient. Both aluminum and fiberglass versions were ordered for service testing. The model containers are of the type that can be accommodated on narrow bed trucks.

New cargo buildings were constructed and occupied by Northwest Orient in Anchorage and Atlanta, while major expansions and modifications occurred at New York's Kennedy airport and at Chicago O'Hare.

A Burroughs programmable calculator was acquired by Northwest Orient and placed in service during 1975. This 'mini-computer' generates comparison data for customers to facilitate decisions on air movement at bulk rates versus containerized rates. It also provides information about density, stacking arrangement and weight per pound to minimize shipping costs by NWA customers.

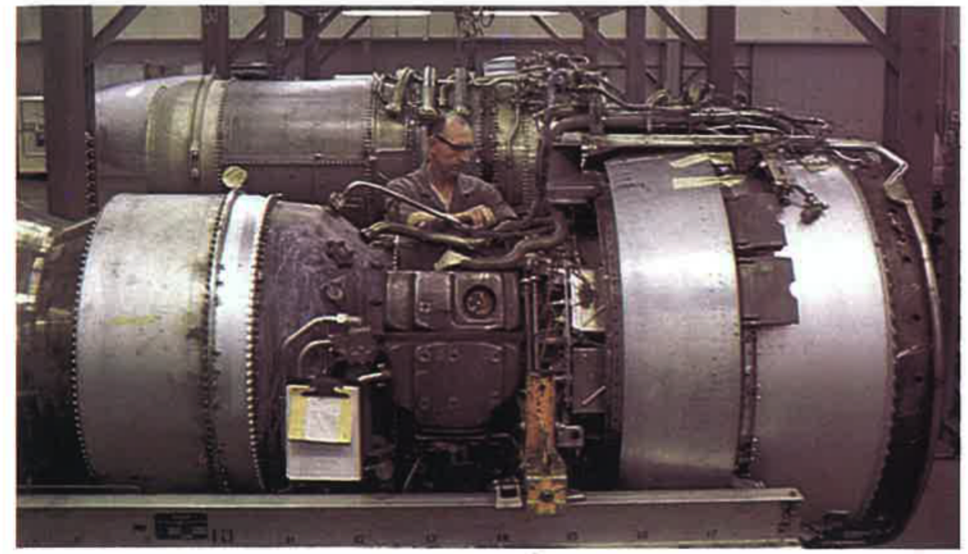
Engineering programs generate savings

The management concept of being self-supporting whenever possible in the area of maintenance and engineering continues to provide major savings.

The investment of $4,000 in fabricating a sonic nozzle air flow bench at the Twin Cities main overhaul base has produced a one year saving of $651,840, for example. The new technique provided the capability of air flow checking of engines used on the 747 and DC 10-40 aircraft as part of the overhaul process and also permitted salvage of air distribution tubing with the resulting saving mentioned above.

Standardization of the JT8 engines used on Boeing 727-200 aircraft was undertaken by NWA's maintenance department during 1975. This will permit use of the standardized JT8 on both the early model 727-200's and on the recently delivered advanced model 727-200's.

Another example of cost savings is the introduction of electrostatic paint application equipment late in 1975. Based on the electrical principle that unlike charges attract, the system results in a superior paint coating with very substantial savings in paint material costs. An important by-



product of the system's use is the improvement in environment due to an almost total lack of overspray of paint and solvents into the working area.

Food service is big business

In 1975, Northwest Orient's flight kitchens in the Twin Cities, Seattle and Anchorage produced a total of 3,911,766 in-flight meals. The Twin Cities facility alone produced 1,486,824 meals during the year.

In addition to handling in-flight catering for the majority of its own flights, Northwest Orient's food service division generates substantial revenue for the company from other related activities. The Anchorage flight kitchen services other airlines and brought in revenues of $2,941,871 from its outside catering activities in 1975.

Montana Enterprises, an NWA subsidiary in Billings, Montana, produced sales of $1,221,403 through in-flight catering and operation of the food service facilities in the airport terminal building.

Route Case Investigations

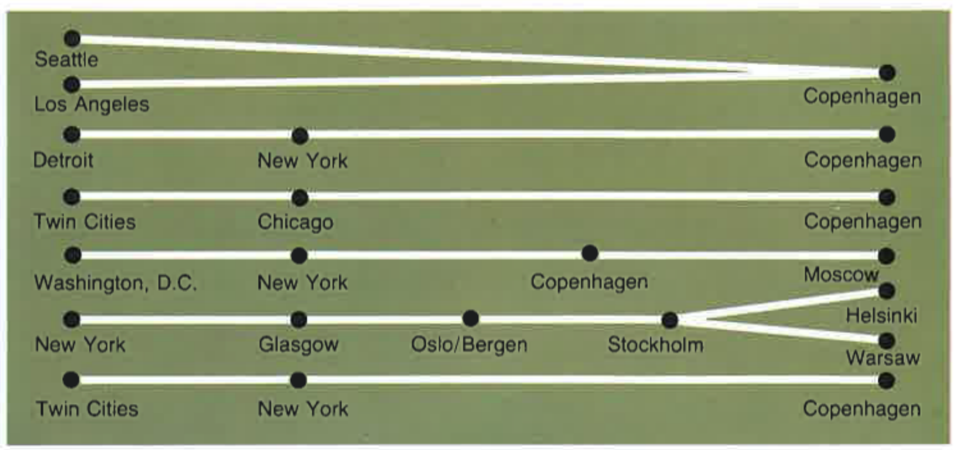
Northwest Orient awaits final decision by CAB on six applications

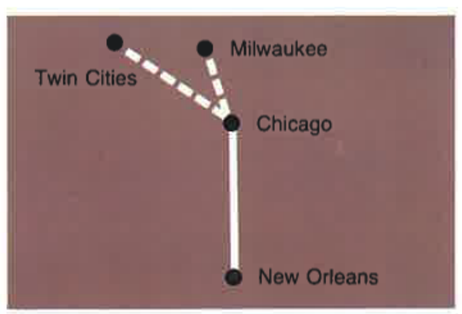
A total of six route case investigations involving Northwest Orient presently are under active consideration by the Civil Aeronautics Board.

Northwest Orient has not received any new domestic or international route authority since August, 1970 when it was given nonstop rights from the Twin Cities and Milwaukee to Boston. Permission to reinstate service to Edmonton, Alberta, Canada was given to Northwest Orient in 1974 following the signing of a new bilateral air rights agreement by the U.S. and Canadian governments.

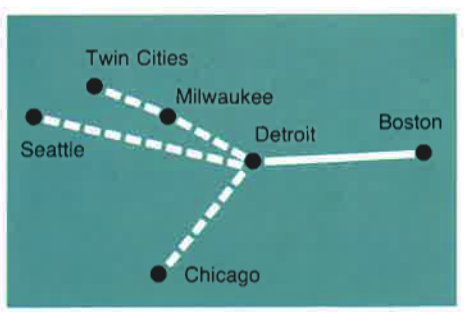
With the announced end of its unofficial route award 'moratorium', it is expected that the Civil Aeronautics Board will be making final decisions on most — if not all — of the following route case matters in 1976:

Trans Atlantic Route Proceeding
In this case, Northwest Orient has requested that it be designated as the U.S. flag North Country specialist, replacing Pan American at the cities on the route proposed. The Bureau of Operating Rights of the CAB has recommended that Northwest Orient be granted authority between the U.S. and the Scandinavian countries. Northwest Orient's proposed summer service patterns are depicted graphically here:

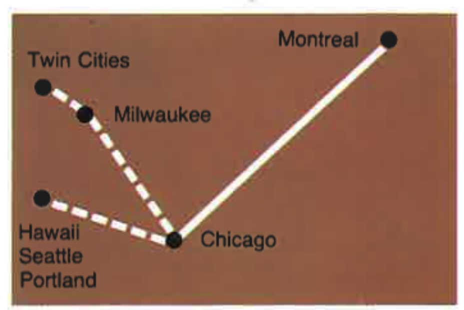




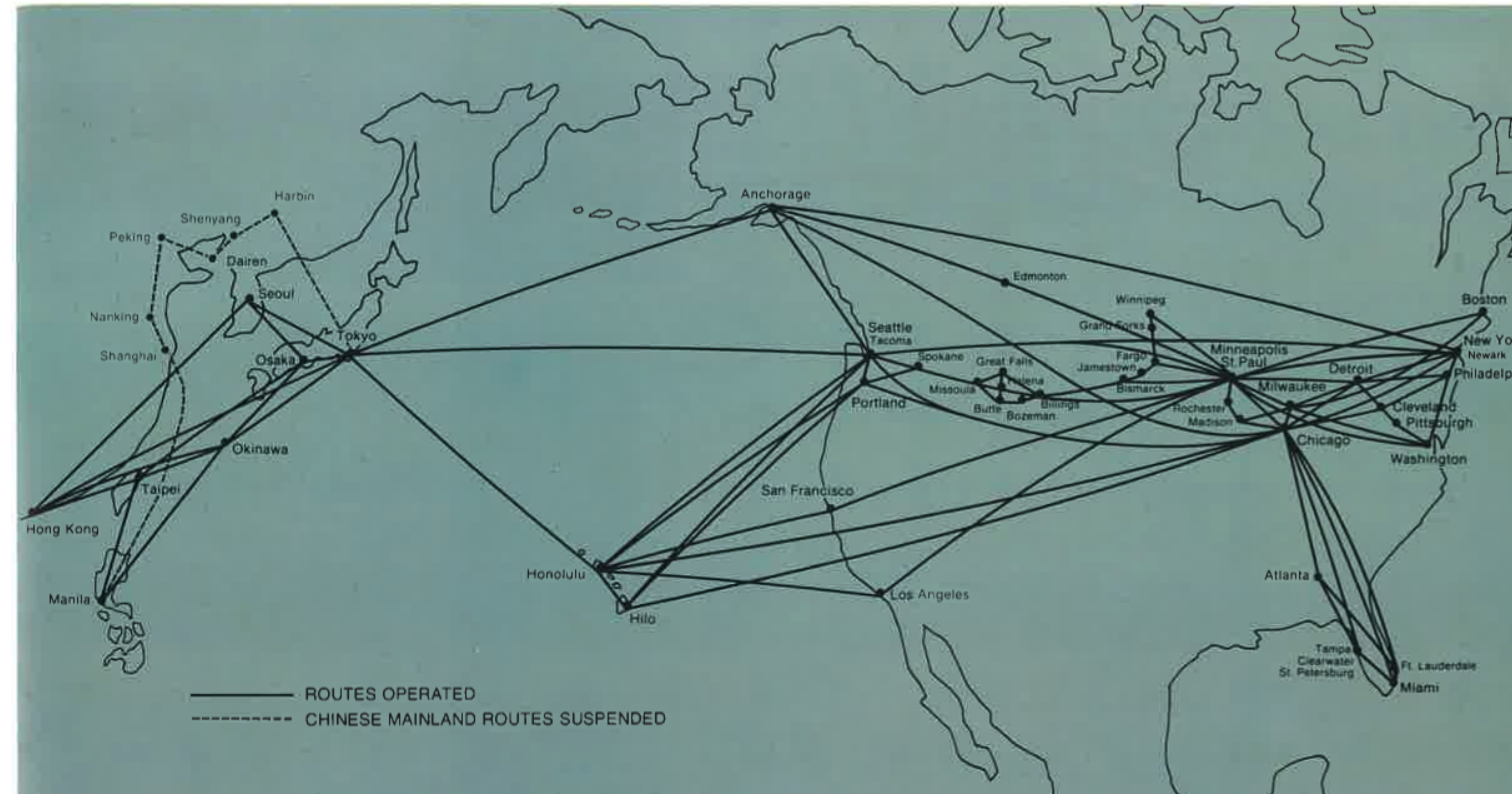
Chicago-New Orleans Nonstop Case
Northwest Orient seeks authorization to provide nonstop service between Chicago and New Orleans. Direct service to New Orleans would also be provided from the Twin Cities and Milwaukee via Chicago.



Detroit-Boston Nonstop Route Case
Northwest Orient seeks new authority between Detroit and Boston, both cities already served by the airline.



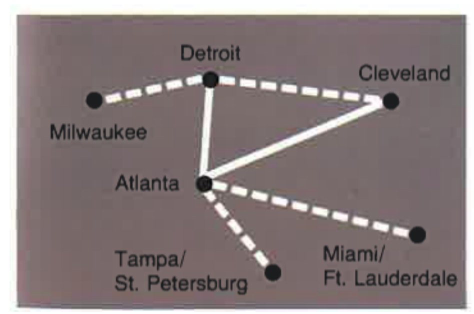
Chicago-Montreal Case
A new route linking Chicago and Montreal is sought. Direct service from Honolulu, Seattle, Portland, Twin Cities and Milwaukee (via Chicago) would also be planned.



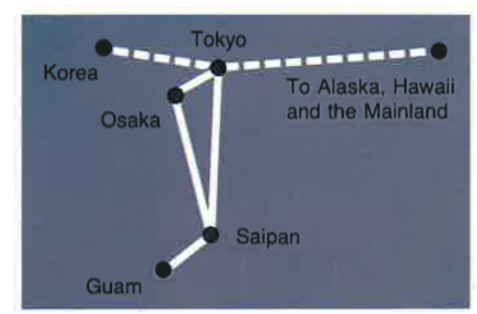
Cities Served by Northwest Orient

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

ORIENT
Hong Kong
Manila
Okinawa
Osaka
Seoul
Taipei
Tokyo



Midwest-Atlanta Competitive Service Case
Northwest Orient has requested CAB authorization to provide service between Atlanta and Cleveland and between Atlanta and Detroit. All three cities are presently served by NWA.



Service to Saipan Case
Authority to serve Saipan from the terminal points of Japan and Guam has been requested. Northwest Orient is one of three carriers seeking this route. The case has recently been returned to the CAB by the President for further proceedings.

Fleet Highlights

Three Boeing 747F's
All cargo aircraft capable of carrying a structural payload of 262,900 pounds.

Fifteen Boeing 747's
Range of 5,850 miles with 369 passengers.

Twenty-two McDonnell Douglas DC 10-40's
Range of 5,100 miles with 236 passengers.

Ten Boeing 707-320's
Range of 5,620 miles with 156 passengers.

Sixty-three Boeing 727's
Thirty-two 727-100's — Range of 2,380 miles with 93 passengers.
Thirty-one 727-200's — Range of 1,760 miles with 128 passengers.

Directors*

James H. Binger
Honeywell, Inc.,
Chairman of the Executive Committee,
Minneapolis, Minnesota
(Manufacturer of automation systems)

Hadley Case
President, Case, Pomeroy & Company, Inc.
New York, New York
(Investments)

Melvin R. Laird
Senior Counsellor, Reader's Digest, Inc.
Washington, D.C.
(Magazine publishing)

M. Joseph Lapensky
Vice President-Finance and Treasurer
Northwest Airlines, Inc.
St. Paul, Minnesota

Malcolm S. Mackay
President, Foothills Company
Roscoe, Montana
(Oil and gas properties)

Donald G. McNeely
President, Space Center, Inc.
St. Paul, Minnesota
(Real estate)

Donald W. Nyrop
President, Northwest Airlines, Inc.
St. Paul, Minnesota

C. Frank Reavis
Partner, Reavis and McGrath
New York, New York
(Attorneys)

Albert G. Redpath
Drexel, Burnham & Co.
New York, New York
(Investment bankers)

Lyman E. Wakefield, Jr.
Resource Trust Co.,
Chairman of the Board
Minneapolis, Minnesota
(Investment advisors)

Officers*

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President

James A. Abbott
Vice President-Law

Clayton R. Brandt
Vice President-Purchasing and Stores

Robert W. Campbell
Vice President-Budgets

J. William Campion
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Robert A. Ebert
Vice President-Personnel

Roy K. Erickson
Vice President-Public Relations

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Secretary

Robert J. Glischinski
Vice President-Communications and Computer Services

Benjamin G. Griggs, Jr.
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Vice President-Advertising

Robert J. Phillips
Vice President-Comptroller

C.L. Stewart
Vice President-Transportation Services

Robert J. Wright
Vice President-Sales

*As of March 15, 1976

Co-Registrars and Transfer Agents:
Northwestern National Bank,
Minneapolis, Minnesota
Northwestern Trust Co.,
New York, New York

Stock Listed:
Common Stock listed on New York Stock Exchange, Pacific Coast Stock Exchange and Midwest Stock Exchange

General Offices:
Minneapolis-St. Paul International Airport
St. Paul, Minnesota 55111

Description of Business
Northwest Airlines, Inc., incorporated in the State of Minnesota, is a scheduled air carrier engaged in commercial transportation of passengers, mail and property, and operates under certificates of public convenience and necessity issued by the Civil Aeronautics Board. The present route system covers approximately 24,200 route miles and serves directly cities in 17 states of the 48 contiguous states, as well as Alaska, Hawaii, the District of Columbia, Canada and countries in Asia, including Japan, Korea, Taiwan, Hong Kong and the Philippines. Authorizations to serve Shanghai, Peking and other points in continental China remain in effect although presently inoperative.