NORTHWEST ORIENT AIRLINES

GOLDEN ANNIVERSARY

1976 ANNUAL REPORT

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.

Highlights of 1976

	1976	1975
Total Operating Revenues	$963,808,065	$800,562,989
Operating Income	102,948,027	49,699,649
Net Earnings for the Year	51,737,015	43,395,834
Per Common Share	2.39	2.01
Per Dollar of Revenues	5.4¢	5.4¢
Stockholders' Equity	665,743,992	623,676,634
Per Common Share	30.81	28.87
Dividends Paid	9,707,217	9,710,098
Operating Expenses:		
Per Available Ton-Mile	21.6¢	20.6¢
Per Revenue Ton-Mile	50.5¢	50.2¢
Revenue Traffic:		
Passengers Carried	9,818,343	8,865,263
Passenger-Miles Flown	10,758,683,000	9,471,282,000
Ton-Miles, Mail, Freight and Express	571,449,000	481,253,000
Common Shares at Year End	21,606,036	21,604,136
Employees:		
Number at Year End	11,208	11,268
Total Wages and Benefits Paid	$249,521,454	$222,683,755

From the Chairman

50th Annual Report to the Shareholders

The fiftieth anniversary of Northwest Orient Airlines was observed in 1976 and during the year the Company had a profit of $51,737,015; operating revenues of $963,808,065 set a new record for the Company.

Northwest Airlines was third in net earnings among U.S. air carriers for 1976 even though Northwest ranks only seventh in size based upon operating revenues. It is the sixth time in the last 10 years that the Company's net earnings exceeded $50 million — and the 26th consecutive profitable year for the Company.

Financial Strength Grows

The financial strength of Northwest Airlines increased again in 1976. Outstanding debt was reduced by $146.9 million during the year that ended December 31, 1976 — from $271.9 million to $125 million.

At year-end 1976, Northwest stockholders' equity was $665,743,992. Retained earnings were $514,560,428 — highest in the U.S. airline industry. Debt as a per cent of equity ratio was only 18.8 per cent — which is the lowest in the airline industry.

Higher Dividend Set

The Board of Directors on March 7, 1977 increased the dividend rate of Northwest Airlines common stock by 11 per cent.

The annual rate was increased from 45¢ per share to 50¢ per share; the quarterly dividend rate is 12½¢ per share, effective with the payment to be made on March 31, 1977. Northwest has paid dividends for 87 consecutive quarters.

Traffic Gains

Northwest Airlines' over-all passenger traffic growth exceeded the industry's average in 1976. Revenue passenger miles increased 13.6 per cent over 1975. 9,800,000 passengers were carried in 1976 compared to 8,900,000 passengers in 1975. Air freight business was up 21.6 per cent in ton miles flown over 1975.

The 'Wide Cabin Airline'

Northwest Airlines continued its program for acquiring cost efficient, modern jet aircraft to enhance its position as the industry's "wide cabin airline". Today, 75 per cent of the available seat miles on Northwest are in wide-bodied jet equipment.

Two used passenger version B-747's were purchased by Northwest and were delivered in April of 1976. Together with the 22 DC 10-40's and 15 747's previously operated by Northwest in passenger service (plus three 747F all-cargo aircraft), it boosted the total of wide-bodied jets in NWA's fleet to 42 aircraft.

In 1977 Northwest will take delivery of 10 aircraft — one 747F jet freighter and nine Advanced Model Boeing 727-200's. Total investment in these 10 aircraft will be $126 million with spare engines.

NWA Directors, left to right: Melvin R. Laird, James N. Land, Jr. and Lyman E. Wakefield, Jr.

NWA Directors, left to right: Raymond H. Herzog, Hadley Case, M. Joseph Lapensky and Malcolm S. Mackay.

Northwest will continue to sell its older Boeing 707 and 727-100 airplanes; the Company has firm contracts at this time for the sale of 7 aircraft during 1977.

New Orleans Route Award

The Civil Aeronautics Board (CAB) awarded Northwest Airlines its first new route authority in seven years on February 11, 1977.

Non-stop authority between Chicago and New Orleans was granted to Northwest. In its decision, the CAB recognized Northwest's record of carrier efficiency stating: "Northwest's position as one of the industry's strongest carriers should permit it to make a major competitive effort" against the incumbent carrier.

New Orleans is one of the truly international cities in the United States — as well as one of the most vibrant and rapidly growing. Northwest is proud to have been selected to serve this market.

Officer, Director Changes

Mr. M. Joseph Lapensky was elected President and Chief Operating Officer by the Board of Directors on October 1, 1976. Mr. Lapensky had previously been Vice President-Finance and Treasurer of the Company. He has spent 31 years with Northwest in a variety of positions in the areas of finance, economic planning and regulatory proceedings.

Two senior Directors of Northwest did not stand for re-election at the 1976 annual meeting. They were C. Frank Reavis of New York City, a partner in the law firm of Reavis and McGrath, and Albert G. Redpath of New York City, an investment banker with Drexel, Burnham & Co.

Elected to the Board of Directors to replace Messrs. Reavis and Redpath were two distinguished business leaders: Raymond H. Herzog of St. Paul, Minnesota, Chairman of the Board of 3M Company, one of the world's largest multi-national firms, and James N. Land, Jr. of New York City, a business consultant and long-time officer of The First Boston Company.

James F. Redeske, age 37, was named Vice President-Personnel for Northwest, replacing Robert A. Ebert, who retired after a 33-year career with the Company. Robert J. Phillips was named to succeed Mr. Lapensky as Vice President-Finance and Treasurer. Mr. Phillips had previously served as Vice President-Comptroller.

Outlook for 1977

1977 will be another good year for the Company. Transportation revenues should increase 12 to 14 per cent. The profitability of the Company should increase because the Company has a modern and cost-efficient fleet of aircraft; the Company does not have any leased airplanes (that is, no off-balance sheet financing); it has a very favorable debt/equity ratio; and the Company has cost controls that result in its having the lowest costs of any U.S. airline.

Sincerely,

Donald W. Nyrop

Donald W. Nyrop
Chairman and Chief Executive Officer

March 15, 1977

NWA Directors, left to right: Donald G. McNeely, Donald W. Nyrop and James H. Binger.

New sales records established in 1976 as NWA's growth outstrips the industry

New sales records were established in a host of areas by Northwest Orient in 1976 as the airline's growth exceeded the industry average.

- A new boarding record of 959,975 passengers in August generated a new single month passenger revenue record of $82.2 million.
- A new single month air freight revenue record of $10.9 million was established in October.
- Total operating revenues of $963.8 million in 1976 were the highest in the Company's 50 year history.
- A total of 9,818,343 revenue passengers were carried in 1976 — the first time the airline exceeded the nine million mark.
- Cargo sales were a record $119.9 million in 1976 — up 35.8 per cent over the $88.3 million in 1975.

Contributing significantly to Northwest Orient's growth in 1976 were NWA's travel agents. This group was responsible for producing nearly half of all passenger revenues during the year and produced over $100 million more in revenues in 1976 than in 1975 — a 37.6 per cent increase.

Cargo Gains Continue

Northwest Orient's innovative concept of using computer analysis of total distribution costs has been instrumental in developing westbound transpacific freight traffic. Sales presentations were made to over 500 potential shippers in 1976.

Other new ideas are being applied by NWA to further develop the rapidly expanding air freight market. Among them is a new International Sky-Truck tariff which will allow Northwest Orient to use substitute trucking from off-line points in the U.S. Also, new inter-line agreements have been made with nine trunk and eight local service carriers for pick up and delivery service of small package shipments.

'Package' Tours Popular

Some of the most popular package air tours in the industry were produced by Northwest Orient in 1976.

Group and individual pleasure tour traffic increased 38 per cent over 1975 and produced $70 million in revenues for Northwest Orient. Tour traffic on Orient routes showed increases of up to 50 per cent. Air/Sea cruise tours to the Caribbean proved very popular and Northwest Orient was the dominant air carrier of this traffic from Chicago and the Upper Midwest.

TOKYO TICKET COUNTER . . . Two of Northwest Orient's Japanese employees at Haneda Airport in Tokyo assist passengers about to board NWA's flight 10 to the U.S. Northwest Orient will celebrate its 30th year of service to Japan on July 15, 1977.

During 1976 more than one half million passengers (553,828) chose Northwest Orient transpacific flight services for their business and pleasure travel. A new 'quiet zone' seating section for individual passengers on transpacific flights was introduced and proved extremely popular. Located next to the first class section, this new area was a favorite of business travelers who wanted to work with minimum distraction.

The wide cabin superiority of Northwest Orient's jet fleet contributed substantially to the Company's above average growth in passenger traffic for 1976. This advantage even carried over into the charter market where, in 1976, Northwest Orient operated nine Boeing 747 passenger charter flights between the Twin Cities and Honolulu. The program was so successful that plans for 1977 include 25 of these 747 charter flights in this market.

In summary, 1976 was another record sales performance by Northwest Orient. The sales goal for 1977 has been set at $1.1 billion with confidence that it can be achieved by another good effort.

TAIPEI TRAFFIC . . . flows through the downtown area of that bustling city, served by Northwest Orient since 1950.

ALASKA'S MOUNTAINS . . . provide a majestic background for one of Northwest Orient's DC 10-40's during a stop at Anchorage International Airport.

Northwest Orient advertising features 'Wide Cabin Airline' theme; Convention Central shows rapid growth

Major emphasis in Northwest Orient's advertising during 1976 was on the airline's clear superiority in wide cabin jet aircraft. A new theme, featuring Northwest Orient as 'the wide cabin airline', emerged.

With its fleet of 22 DC 10-40's and 17 passenger version 747's, Northwest Orient offers 75 per cent of its available seat miles in wide cabin equipment. The competitive advantage enjoyed by NWA by virtue of the public's demonstrated preference for the 'jumbo jets' is outlined in newspaper advertisements like those illustrated below. The message is reinforced in radio, television and magazine advertising as well.

VIP Travel Plan

In March of 1976, a major new marketing program was launched called the VIP Travel Plan. It represented the most comprehensive transpacific passenger travel plan of its kind.

Features of this unique program include: offers from 16 distinguished Orient hotels to provide discounts on standard rooms or upgraded rooms at standard rate with late 6 p.m. checkout privileges; discounts up to 30 per cent on fine merchandise from respected merchants in Tokyo and Hong Kong plus substantial savings on city tours and translation services.

Customer services introduced as part of the VIP Travel Plan included: a special coach section for the business traveler who wishes to work onboard with a minimum of distraction; advance seat reservations; on-board duty-free shopping; Regal Imperial food service and an all-747 operation across a choice of transpacific routes.

Within the Orient in 1976, NWA advertising concentrated on generation of tour traffic. Television and magazines were the prime media employed. Hawaii and California continued as the most popular destinations for residents of the Orient — but Alaska began to register very strong interest for Japanese tour traffic.

Convention Central

Northwest Orient established its reputation as the airline industry leader in convention and corporate meeting travel service in 1976 as Convention Central, created in 1975, continued its rapid growth.

While six other airlines followed NWA's lead by introducing centralized convention telephone systems, only Northwest Orient's Convention Central provided the meeting planner and his travel agent with a toll free travel center specifically designed to coordinate all phases of an organizations nation-wide convention transportation needs.

In 1976 Northwest Orient introduced its exclusive new money-saving Convention Dollar program. This is a direct expansion of the advertising theme promoting Convention Central — and assists both the meeting planner and his delegates to get more for their convention dollar.

Arrangements were made with companies in the convention supply industry to provide the meeting planner with substantial discounts on vital merchandise and services needed to run a successful convention. A 24 page booklet entitled "How to Get More for Your Convention Dollar" was also produced, explaining the operation of the program in detail.

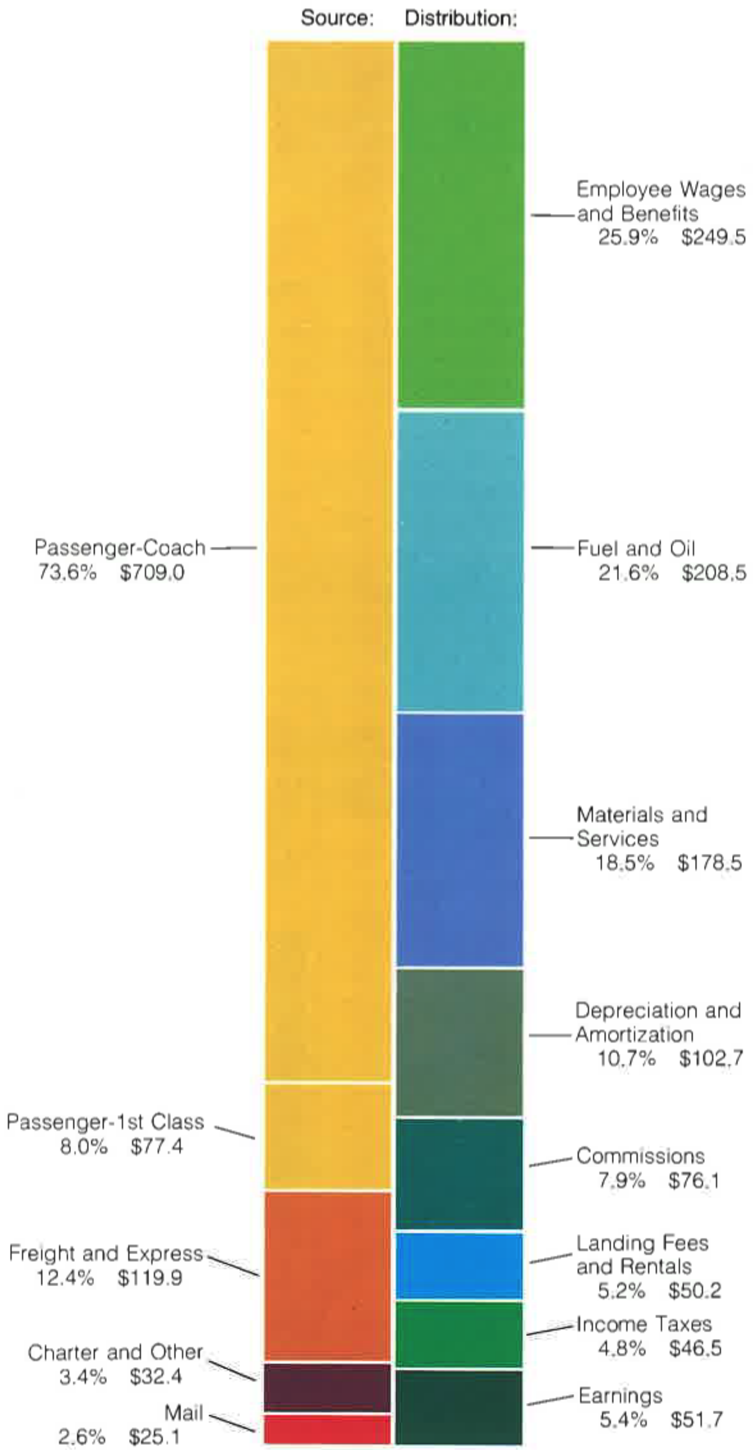
Individual delegates whose reservations were made with Convention Central received NWA Delegate Discount Dollars and a complimentary expense record and guide. These items enabled the delegate to obtain savings on rental cars and film processing.

Impact of the new Convention Central programs have been significant. Revenues in 1976 were $11.5 million — a 28 per cent increase over 1975.

Financial review and management analysis for 1976

Source and Distribution of Revenues

(Percent of Total — Dollars in Millions)



Operating Revenues

Operating revenues in 1976 reached an all-time high of $963,808,065 or 20.4% over 1975 revenues of $800,562,989 and 27% over 1974 revenues of $758,990,979.

New records were established in the passenger and cargo categories reflecting both increased traffic and increased fares and rates granted by the Civil Aeronautics Board. System scheduled passenger-mile yield increased to 7.30¢ in 1976 compared with 6.94¢ in 1975 and 6.81¢ in 1974. Cargo revenues increased significantly to $119,882,259 in 1976 or 35.8% over the $88,307,610 in 1975 and 57.4% over the $76,157,097 in 1974. Cargo revenue ton-mile yield in 1976 increased to 25.65¢ compared with 22.86¢ in 1975 and 23.99¢ in 1974. This growth reflects the emphasis the Company is placing on broadened and improved air freight services with the addition of the Boeing 747F all-cargo wide-bodied aircraft.

Revenue in 1976 from commercial charter and other income amounted to $13,249,974 and from military charters $12,704,567. These compare with $12,561,055 and $16,457,917 in 1975 and $12,811,474 and $14,510,212 in 1974, respectively. Military charter revenue in 1975 reflected the increased activity from evacuation of military and civilian personnel from Vietnam. The Military Airlift Contract expires on September 30, 1977 and the Company will seek a renewal contract for the government's 1978 fiscal year.

Fares and Rates

The Civil Aeronautics Board approved a series of fare and rate increases in 1976 which were required as a result of inflationary pressures. Passenger fares in the domestic 48 states increased during the year by 7%, while excursion fares and domestic charter rates increased 4% and 10% respectively. Mainland-Alaska fares increased 3% and Mainland-Hawaii promotional fares increased by 9%. International passenger fares to Taiwan, Hong Kong and the Philippines were increased 3% to 5% with similar increases from these countries still pending foreign government approval.

Cargo rate increases in the domestic 48 states ranged between 12% and 24%. Mainland-Alaska cargo rates increased 17% and Mainland-Hawaii cargo rates increased by 7% to 10%. Proposed increases in international cargo rates, based on Northwest Airlines' new containerization concept, are awaiting approvals by the respective governments.

Passenger fare increases have also been approved in 1977. Mainland-Hawaii fares were increased 2% for normal fares and 4.5% for promotional fares, effective January 1. Domestic 48 state passenger fares were increased 2% on February 15, 1977.

Operating Expenses

Operating expenses in 1976 were $860,860,038, up 14.6% from $750,863,340 in 1975 and 26.4% from $681,205,682 in 1974.

Continued inflationary pressures required constant cost control surveillance in all areas. Operating expense per available ton-mile increased to 21.61¢ in 1976 from 20.61¢ in 1975 and 19.85¢ in 1974. This cost level is one of the lowest in the airline industry as measured by this common unit of cost measurement.

Depreciation and amortization expense amounted to $102,713,531 in 1976 and compares with $98,879,815 in 1975 and $96,212,517 in 1974. Increases between years reflect the addition of new aircraft which was partially offset by the disposal of the older, less productive aircraft. Significant increases continued in the cost of labor, agency commissions and aircraft fuel. Agency commissions on passenger and freight traffic increased to $76,129,464 in 1976 and compares with $41,288,370 in 1975 and $30,077,265 in 1974.

The system fuel analysis chart on this page shows the upward trend in fuel costs since 1973. The Company in 1976 experienced some slow-down in the rate of inflation. However, fuel cost is a significant portion of the revenue dollar.

Earnings and Dividends

Earnings in 1976 were $51,737,015 or $2.39 per average share of common stock outstanding. This compares with $43,395,834 or $2.01 per share in 1975. The 1976 earnings figure of Northwest Airlines is the third highest in the U.S airline industry for the year.

Gain from disposals of property before related income taxes in 1976 was $9,118,984, down from $13,616,020 in 1975 and $39,161,170 in 1974. The disposals of property primarily include gains from the sale of older aircraft and related spare parts. Sales agreements have been made for delivery of some additional older aircraft in 1977.

Northwest Airlines continued its dividend payment policy in 1976 with quarterly payments resulting in an annual rate of $.45 per common share. These payments represent the 22nd consecutive year in which the Company has paid dividends. Effective with March 1977, dividends were increased to an annual rate of $.50 per common share. The principal market in which Northwest common stock is traded is the New York Stock Exchange. The following table shows the sale price ranges for the years 1976 and 1975 and the dividends paid per share for the same period.

		Sales Price of Common Shares		Dividends Per Share
	Quarter	1975	1976	1975/1976
1st	High	19¾	32¾	$.1125
	Low	11⅝	23	
2nd	High	22⅛	34	.1125
	Low	16½	25⅜	
3rd	High	22⅞	36¼	.1125
	Low	17⅛	27¼	
4th	High	23¼	31	.1125
	Low	17⅛	26	

System Fuel Analysis

	Year Ended December				% Change
	1973	1974	1975	1976	1976/1975
Price Per Gallon (Includes Sales Taxes)	12.66¢	27.20¢	31.67¢	33.29¢	+ 5.1%
Gallons Used (000)	616,930	587,302	593,821	618,325	+ 4.1%
Fuel Cost (000)	$78,134	$159,753	$188,049	$205,853	+ 9.5%
Revenue Ton Miles (000)	1,254,074	1,411,862	1,494,669	1,705,987	+14.1%
Revenue Ton Miles Per Gallon	2.03	2.40	2.52	2.76	+ 9.5%
Total Revenues (000)	$584,348	$758,991	$800,563	$963,808	+20.4%
Fuel Cost % of Revenues	13.37%	21.05%	23.49%	21.36%	− 9.1%

Financial review for 1976
(continued)

Taxes on Earnings
Income taxes on earnings in 1976 were $46,527,200 and compare with $3,693,200 in 1975. The current year consists of a normal tax provision of $48,375,400 of which $27,881,100 has been deferred for future payments due primarily to the Company's use of accelerated methods for computation of depreciation for income tax purposes. Investment tax credits of $1,848,200 were applied against the income tax provision in 1976 and compares with $18,704,300 in 1975. These credits in 1976 include $1,326,000 generated in the current year from the purchase of flight equipment and related spares and ground equipment and $522,200 from the amortization of investment tax credits from 1968 and prior years.

Investment tax credits which could not be applied to income tax returns but which were offset against deferred income taxes were $53,527,600 for 1976 and prior years, down from $62,158,300 in 1975. Further reduction of this deferred investment tax credit is anticipated in 1977 and 1978 due to the changes in the 1976 Income Tax Reform Act which permits utilization of investment tax credit at the rate of 100% of the current tax liability in these years.

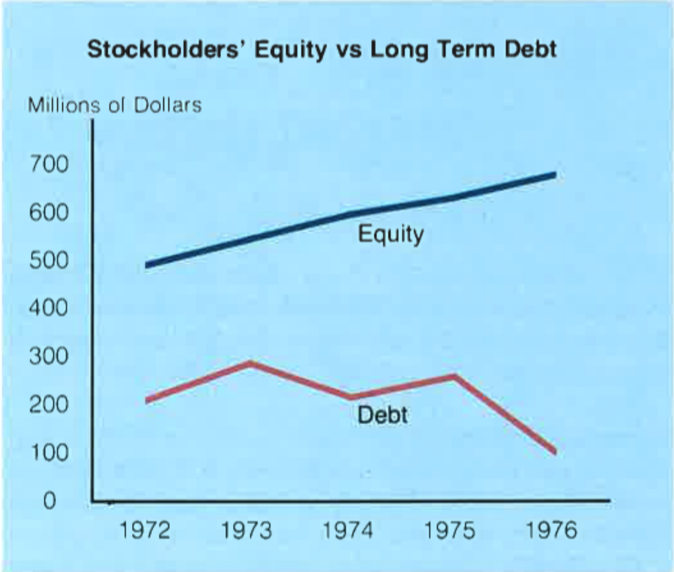
Cash Flow
Funds generated in the current year from all sources amounted to $196,792,817.

Benefits from the Company's policy of owning its own equipment, rather than leasing, has provided funds through depreciation which, with amortization, amounted to $102,713,531 in 1976 and $98,879,815 in 1975. Additional funds provided through the disposal of previously purchased equipment amounted to $15,095,379 in 1976 compared with $21,739,116 in 1975.

Application of funds in 1976 totaled $215,126,436. Flight equipment and other property additions, including advance deposits on aircraft scheduled for 1977 delivery, amounted to $81,593,258. Payments for reduction of long-term debt amounted to $124,000,000, cash dividends $9,707,217 and other miscellaneous applications, $174,039 credit.

Traffic
Scheduled operations in 1976 reflected gains in both traffic and capacity over 1975.

Scheduled available seat-miles increased 6.3% over 1975 and revenue passenger-miles flown increased 13.6%. Passenger load factor increased to 48.40% com-



pared with 45.29% in 1975 and 45.83% in 1974. These increases were achieved with only a 4.2% increase in revenue aircraft miles flown, reflecting the increased capacity of the larger, more productive aircraft received in 1975 and 1976.

Available ton-miles flown increased 9.8% over 1975 and revenue ton-miles flown increased 15.3%. Passenger and freight revenue ton-mile increases over 1975 were 13.6% and 21.6% respectively. The weight load factor increased to 42.28% in 1976 compared with 40.26% in 1975 and 40.13% in 1974.

Financial Condition
The Company continued to improve its financial position in 1976 and retained its ranking as one of the strongest carriers in the airline industry.

Internal cash generation provided the Company with funds for all its financial needs in 1976. This included the purchase of two used 747 passenger aircraft with spare engines and related spare parts. In addition, long-term debt was reduced by $124,000,000. Details of the Company's long-term debt arrangements are described in Note B to the Financial Statements.

Present financial arrangments, along with internally generated funds, are expected to cover the purchase from Boeing Aircraft Company of one 747F all-cargo airplane and nine 727-200 passenger airplanes which will be delivered in 1977. These airplanes, with spare engines, will require an expenditure of $126,492,000 of which $31,502,000 has been deposited with Boeing at year end.

Stockholder equity at December 31, 1976 amounted to $665,743,992, compared with $623,676,634 in 1975. Book value per common share increased to $30.81 in 1976 compared with $28.87 a year ago. Outstanding debt at year end was $125,000,000 which is a significant reduction from the $271,900,000 at the end of 1975. Outstanding debt is only 18.8% of stockholder equity in 1976 compared with 43.6% in 1975. This preferential debt ratio is the lowest of the U. S. trunkline carriers.

Statements of Earnings
NORTHWEST AIRLINES, INC. AND SUBSIDIARIES

	Year Ended December 31 1976	1975
Operating Revenues		
Passenger	$786,414,179	$659,849,499
Cargo	119,882,259	88,307,610
Mail	25,137,346	23,279,860
Charter and other transportation	25,954,541	29,018,972
Mutual Aid Agreement	(559,420)	(5,340,153)
Nontransport	6,979,160	5,447,201
	963,808,065	800,562,989
Operating Expenses		
Flying operations	309,198,914	281,814,492
Maintenance	87,175,964	77,880,613
Passenger service	77,085,717	69,248,885
Aircraft and traffic servicing	138,940,753	118,521,564
Reservations, sales and advertising	123,568,082	83,789,048
Administrative and general	22,177,077	20,728,923
Depreciation and amortization	102,713,531	98,879,815
	860,860,038	750,863,340
	102,948,027	49,699,649
Other Income and (Deductions)		
Interest on long-term debt, net of capitalized interest of $835,938 (1975 — $1,657,011) — Note A	(14,035,036)	(16,119,659)
Disposals of property	9,118,984	13,616,020
Other	232,240	(106,976)
	(4,683,812)	(2,610,615)
Earnings Before Taxes	98,264,215	47,089,034
Taxes on Earnings, including deferred taxes and investment credit — Note D	46,527,200	3,693,200
Net Earnings for the Year	$ 51,737,015	$ 43,395,834
Average shares of Common Stock outstanding during the year	21,605,493	21,604,136
Earnings per share of Common Stock	$2.39	$2.01

See notes to financial statements

Statements of Financial Position

NORTHWEST AIRLINES, INC. AND SUBSIDIARIES

ASSETS	December 31 1976	1975
Current Assets		
Cash and short-term investments	$ 14,544,179	$ 49,162,168
Accounts receivable, less allowance of $1,200,000 (1975 — $1,100,000)	75,517,199	72,492,128
Recoverable income taxes	-0-	6,040,800
Flight equipment spare parts at average cost, less allowance for depreciation of $13,247,969 (1975 — $11,224,428)	23,764,942	24,040,408
Maintenance and operating supplies at average cost	6,933,321	6,731,613
Prepaid expenses	2,820,483	2,626,259
Total Current Assets*	123,580,124	161,093,376
Other Assets	10,041,647	10,302,405
Property and Equipment		
Flight equipment at cost	1,448,401,928	1,420,670,459
Less allowance for depreciation	523,865,169	443,608,223
	924,536,759	977,062,236
Advance payments on new flight equipment — Note E	31,501,595	-0-
	956,038,354	977,062,236
Other property and equipment at cost	122,445,236	118,929,206
Less allowance for depreciation	66,559,527	58,926,846
	55,885,709	60,002,360
	1,011,924,063	1,037,064,596
Deferred Charges		
Training and development costs	503,587	1,259,587
Rentals	5,512,879	5,426,160
	6,016,466	6,685,747
	$1,151,562,300	$1,215,146,124

* At December 31, 1976 an additional $86,600,000 was available for working capital under the terms of a Revolving Credit Agreement ($29,200,000 at December 31, 1975).

LIABILITIES AND STOCKHOLDERS' EQUITY	December 31 1976	1975
Current Liabilities		
Accounts payable and accrued expenses	$ 100,485,107	$ 100,844,423
Employee compensation	21,934,578	27,451,657
Unredeemed ticket liability	17,887,086	18,224,695
Income taxes	11,388,481	1,454,110
Current maturities of long-term debt	3,000,000	25,900,000
Total Current Liabilities*	154,695,252	173,874,885
Long-Term Debt — Note B	122,000,000	246,000,000
Deferred Credits and Other Liabilities		
Income taxes — Note D	201,791,600	165,026,200
Other	7,331,456	6,568,405
	209,123,056	171,594,605
Stockholders' Equity — Note C		
Common Stock $1.25 par value, authorized 40,000,000 shares; issued and outstanding 21,606,036 shares (1975 — 21,604,136 shares)	27,007,545	27,005,170
Capital surplus	124,176,019	124,140,834
Retained earnings	514,560,428	472,530,630
	665,743,992	623,676,634
Commitments and Contingencies — Notes E and F		
	$1,151,562,300	$1,215,146,124

See notes to financial statements

Statements of Changes in Financial Position

NORTHWEST AIRLINES, INC. AND SUBSIDIARIES

	Year Ended December 31 1976	1975
Source of Funds		
Net earnings	$ 51,737,015	$ 43,395,834
Items not requiring current funds:		
Depreciation and amortization:		
Aircraft and related flight equipment	92,747,130	88,304,178
Other	9,966,401	10,575,637
Deferred income taxes	36,765,400	7,731,700
Deferred investment credit	(522,200)	(1,374,900)
Total from Operations	190,693,746	148,632,449
Issuance of long-term debt	-0-	32,100,000
Disposals of operating property — book value	5,976,395	8,123,096
Other	122,676	3,920,071
Total of Sources	196,792,817	192,775,616
Application of Funds		
Flight equipment and other property additions	50,091,663	165,096,830
Advance deposits on aircraft	31,501,595	-0-
Other assets and deferred charges	(174,039)	1,490,373
Cash dividends	9,707,217	9,710,098
Reduction of long-term debt	124,000,000	-0-
Total of Applications	215,126,436	176,297,301
Increase (Decrease) in Working Capital	($ 18,333,619)	$ 16,478,315
Changes in working capital consist of:		
Increase (decrease) in current assets:		
Cash and short-term investments	($ 34,617,989)	$ 9,091,991
Receivables	3,025,071	13,128,489
Recoverable income taxes	(6,040,800)	6,040,800
Inventories	(73,758)	3,585,891
Prepaid expenses	194,224	435,359
	(37,513,252)	32,282,530
Increase (decrease) in current liabilities:		
Accounts payable and accrued expenses	(359,316)	7,360,967
Other accrued liabilities	4,417,292	(7,171,071)
Unredeemed ticket liability	(337,609)	4,814,319
Current maturities of long-term debt	(22,900,000)	10,800,000
	(19,179,633)	15,804,215
Increase (decrease) in working capital	($ 18,333,619)	$ 16,478,315

See notes to financial statements

Statements of Stockholders' Equity

NORTHWEST AIRLINES, INC. AND SUBSIDIARIES

	Common Stock Shares	Common Stock Amount	Capital Surplus	Retained Earnings
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
Exercise of stock options	1,900	2,375	35,185	
Net earnings for 1976				51,737,015
Cash dividends — $.45 a share				(9,707,217)
Balance December 31, 1976	21,606,036	$27,007,545	$124,176,019	$514,560,428

See notes to financial statements

APPLICATION OF INVESTMENT TAX CREDIT

Period	Available*	Reflected in Net Earnings†
1962-1975	$123,431,700	$122,909,500
1976	1,326,000	1,848,200
Total	$124,757,700	$124,757,700
To Net Earnings	124,757,700	
To be Amortized	$ -0-	

*Investment credits not applied on tax returns but offset against deferred taxes through 1976 amount to $53,527,600. See Note D to financial statements.

†Deferred investment credits for 1968 and prior years have been completely amortized in 1976. 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 1975	1976	On Order
B727 & B727C-100	32	32	
B727-200	31	31	9
B707-320B & 320C	10	8	
DC10-40	22	22	
B747	15	17	
B747F	3	3	1
Total	113	113	10

See Note E to financial statements

Notes to Financial Statements

NORTHWEST AIRLINES, INC. AND SUBSIDIARIES

Years Ended December 31, 1976 and 1975

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 useful lives of fifteen years with 10% residual values for 747 and DC-10 aircraft and ten years with 15% residual values for all other aircraft. Useful lives of buildings vary from 5-30 years and other equipment from 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 is 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 $731,000 ($.03 a share) in 1976 and by $322,000 ($.01 a share) in 1975.

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 statements 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.

The Company uses the flow-through method of accounting for investment credits except for those arising prior to 1969 which are amortized over eight years from the dates the credits arose. 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.

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 **1976**	**1975**
Revolving Credit Agreement with banks provides for revolving credit of $200 million reducing $15.9 million quarterly beginning July 1, 1976. The Agreement 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	$ 18,000,000	$139,000,000
Term Credit with banks is payable $12.5 million quarterly beginning April 1, 1981. 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 included in Other Assets in the balance sheet	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% ..	7,000,000	10,000,000
Credit agreements with aircraft and aircraft engine manufacturers financing purchases from those manufacturers through the issuance of five-year notes	-0-	22,900,000
	125,000,000	271,900,000
Less amounts due within one year included in current liabilities	3,000,000	25,900,000
	$122,000,000	$246,000,000

The Company was in compliance with the covenants of the debt agreements at the end of both years. At December 31, 1976 approximately $139,000,000 of retained earnings was unrestricted under the terms of the agreements.

Long-term debt requires payments of $4,000,000 — 1978, $18,000,000 — 1979, none in 1980, $37,500,000 — 1981 and $62,500,000 thereafter through 1983.

Notes to Financial Statements

Note C — Stockholders' Equity

	Shares 1976	Shares 1975
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 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
Exercised	(1,900)	19.13/20.06
Outstanding December 31, 1976	79,100	19.13/20.06
Options exercisable:		
At December 31, 1975	35,700	20.06
At December 31, 1976	56,450	19.13/20.06

Shares available for future stock options and other plans were 329,136 at December 31, 1976 and 1975, of which 69,000 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 1976	1975
Current:		
Provision for the year	$20,494,300	$ -0-
Operating loss carryback for tax purposes	-0-	(12,224,500)
Reduction of refund for limitation of investment credits applied in prior years	-0-	6,183,700
Investment credit flow-through	(9,956,700)	-0-
	10,537,600	(6,040,800)
Deferred:		
Provision	27,881,100	34,622,000
Investment credit:		
Flow-through	8,630,700	(17,329,400)
Arising from operating loss carryback	-0-	(6,183,700)
	36,511,800	11,108,900
Deferred investment credit being amortized over eight years	(522,200)	(1,374,900)
	$46,527,200	$ 3,693,200

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, 1976 will expire $3,002,400 — 1979, $20,177,300 — 1980, $11,685,100 — 1981, $17,328,700 — 1982, and $1,334,100 — 1983.

Exclusive of investment credit, the Company's effective tax rate is 49.2% for 1976 and 47.6% for 1975.

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

Note E — Commitments

At December 31, 1976 the Company has contracted to purchase jet aircraft and spare engines for delivery in 1977 which will require expenditures of $126,492,000 of which $31,502,000 has been deposited and the remainder is payable in 1977.

The Company does not lease any aircraft or related flight equipment.

Rental expense was $15,116,000 in 1976 and $14,298,000 in 1975. Future minimum rental commitments at December 31, 1976 for all noncancellable leases of which $163,670,000 is for air terminal and airport facilities follow:

1977	$ 11,396,000
1978	11,006,000
1979	10,241,000
1980	9,628,000
1981	9,450,000
Five years 1982-86	44,197,000
Five years 1987-91	31,257,000
Five years 1992-96	19,850,000
Remainder	23,346,000
	$170,371,000

Under Financial Accounting Standards Board Statement Number 13, issued in November 1976, leases of space in air terminals and on airports to which the Company cannot obtain title are not financing leases. Accordingly, the present value of noncapitalized financing leases is not material; likewise, the impact on net income if such leases were capitalized would not be material.

Note F — Contingencies

The Company is a defendant in a class action brought in federal court in Washington, D. C. 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 appealed that decision and the Court of Appeals affirmed the trial judge on all substantive issues and remanded the case for further consideration. The Company has asked the Court of Appeals to reconsider its decision. If the decision of the Court of Appeals is adverse the Company will seek review by the Supreme Court

Notes to Financial Statements

Note F — Contingencies (Continued)

of the United States. While it is possible to estimate that ultimate liability may range from $1,000,000 to an amount in excess of $26,000,000, neither the timing of the final outcome nor the consequences of the lawsuit are presently determinable.

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 and violation of anti-trust laws. Company management does not believe that these actions will result in a material liability to the Company.

Note G — Pension Plans

The Company's pension expense amounted to $23,636,000 in 1976 and $19,782,000 in 1975. Unfunded prior service costs at January 1, 1976 were estimated by consulting actuaries to be $37,402,700.

The market value of the assets in all pension funds at December 31, 1976 was $165,401,911 and the actuarially computed value of vested benefits projected to December 31, 1976 was $178,857,300 or $13,455,389 in excess of the fund assets.

Note H — Replacement Cost of Property and Equipment (Unaudited)

As required by the Securities and Exchange Commission, the Company's annual report on Form 10-K contains specific information with respect to replacement cost of property and equipment at December 31, 1976, and the approximate effect which replacement cost would have had on the computation of depreciation expense for the year then ended.

The Company's fleet modernization program substantially mitigates the impact of replacement cost assumptions on its historical cost financial statements. Moreover, since the Company is regulated and entitled to a fair rate of return on its investment, any increased cost would justify higher fares and rates to its customers.

Note I — Quarterly Results of Operations (Unaudited)

The following is a tabulation of the unaudited quarterly results of operations for the year ended December 31, 1976:

	Operating Revenues	Operating Expenses	Net Earnings	Earnings Per Share of Common Stock
First quarter	$214,714,469	$210,026,554	$ 5,298,109	$ .25
Second quarter	238,381,535	209,921,881	12,816,786	.59
Third quarter	267,069,988	222,513,430	21,371,128	.99
Fourth quarter	243,642,073	218,398,173	12,250,992	.56
	$963,808,065	$860,860,038	$51,737,015	$2.39

Accountants' Report

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

We have examined the statements of financial position of Northwest Airlines, Inc. and subsidiaries as of December 31, 1976 and December 31, 1975, 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, 1976 and December 31, 1975, 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 14, 1977

Ernst & Ernst
E&E

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 Aeronautic Board, Washington, D. C. 20428.

10 Year Summary

NORTHWEST AIRLINES, INC. AND SUBSIDIARIES

(Dollars in thousands except per share figures)

	1976	1975	1974	1973	1972†	1971†	1970†	1969	1968	1967
Operating Revenues										
Passenger	$ 786,414	$ 659,849	$ 628,488	$ 476,794	$ 277,891	$ 331,966	$ 260,335	$ 350,504	$ 301,277	$ 275,873
Cargo	119,882	88,308	76,157	55,280	34,694	39,641	30,053	51,006	43,902	38,118
Mail	25,137	23,280	22,911	18,415	13,309	19,443	18,958	29,386	28,605	26,898
Charter and other transportation	25,955	29,019	27,322	28,517	20,009	31,588	20,800	35,090	41,060	41,799
Mutual aid agreement	(559)	(5,340)	(1,530)	(2,692)	43,629	(462)	46,325	(509)	—	—
Nontransport	6,979	5,447	5,643	8,034	2,969	3,343	2,569	2,461	1,446	1,291
Total Operating Revenues	$ 963,808	$ 800,563	$ 758,991	$ 584,348	$ 392,501	$ 425,519	$ 379,040	$ 467,938	$ 416,290	$ 383,979
Operating Expenses										
Depreciation and amortization	$ 102,713	$ 98,880	$ 96,213	$ 87,642	$ 81,054	$ 77,245	$ 69,173	$ 60,833	$ 49,817	$ 41,252
Other	758,147	651,983	584,993	445,401	296,348	330,108	258,784	324,979	268,529	229,969
Total Operating Expenses	$ 860,860	$ 750,863	$ 681,206	$ 533,043	$ 377,402	$ 407,353	$ 327,957	$ 385,812	$ 318,346	$ 271,221
Operating income	$ 102,948	$ 49,700	$ 77,785	$ 51,305	$ 15,099	$ 18,166	$ 51,083	$ 82,126	$ 97,944	$ 112,758
Interest expense on long-term debt	(14,035)	(16,120)	(19,554)	(14,758)	(8,356)	(13,051)	(6,296)	(2,334)	(3,894)	(3,725)
Other income and (deductions) — net	9,351	13,509	40,148	19,133	10,510	6,685	(227)	1,181	674	1,334
Earnings before taxes	$ 98,264	$ 47,089	$ 98,379	$ 55,680	$ 17,253	$ 11,800	$ 44,560	$ 80,973	$ 94,724	$ 110,367
Income taxes	46,527	3,693	33,631	3,830	(429)	(9,561)	121	29,507	44,673	51,651
Net Earnings [1]	$ 51,737	$ 43,396	$ 64,748	$ 51,850	$ 17,682	$ 21,361	$ 44,439	$ 51,466	$ 50,051	$ 58,716
Earnings per average share as reported each year [1]	$ 2.39	$ 2.01	$ 3.00	$ 2.40	$ .83	$ 1.01	$ 2.11	$ 2.55	$ 5.47	$ 6.42
Cash dividends	9,707	9,710	9,722	9,722	9,620	9,518	9,465	9,117	7,320	6,405
Dividends per share as paid each year	.45	.45	.45	.45	.45	.45	.45	.45	.80	.70
Stockholders' equity	665,744	623,677	589,991	534,965	492,837	477,054	465,210	426,797	306,717	263,986
Number of shares outstanding at end of year	21,606,036	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
Book value per share at end of year [2]	$ 30.81	$ 28.87	$ 27.31	$ 24.76	$ 22.81	$ 22.56	$ 22.00	$ 20.41	$ 33.52	$ 28.85
Recomputed per share figures after stock splits [3]										
Earnings per average share [3]	2.39	2.01	3.00	2.40	.83	1.01	2.11	2.55	2.74	3.21
Dividends per share [3]	.45	.45	.45	.45	.45	.45	.45	.45	.40	.35
Book value per share at end of year [3]	30.81	28.87	27.31	24.76	22.81	22.56	22.00	20.41	16.76	14.43
Assets and Long-Term Debt										
Flight property at cost	$ 1,448,402	$ 1,420,670	$ 1,282,556	$ 1,216,632	$ 1,008,041	$ 1,012,568	$ 929,181	$ 697,938	$ 582,646	$ 467,859
Flight property at net book value	924,537	977,062	907,935	861,231	682,020	709,433	668,129	492,241	424,522	346,029
Total assets	1,151,562	1,215,146	1,121,153	1,085,632	920,418	944,302	923,126	742,732	627,538	481,206
Long-term debt	122,000	246,000	213,900	284,000	208,000	252,500	260,915	112,000	160,000	85,000
Unit Expenses										
Per available ton-mile	21.6¢	20.6¢	19.9¢	15.8¢	16.9¢	14.5¢	18.0¢	15.2¢	14.6¢	14.5¢
Per revenue ton-mile	50.5¢	50.2¢	48.2¢	42.5¢	49.6¢	42.1¢	43.5¢	34.5¢	30.8¢	30.3¢
Per cent of operating revenues	89.3%	93.8%	89.8%	91.2%	96.2%	95.7%	86.5%	82.4%	76.5%	70.6%
Statistics — Scheduled Services										
Revenue plane-miles (000)	108,474	104,104	105,295	108,853	79,025	100,992	83,177	123,966	107,646	93,395
Available seat-miles (000)	22,228,259	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
Revenue passenger-miles (000)	10,758,683	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
Passenger load factor	48.4%	45.3%	45.8%	40.9%	35.2%	35.6%	44.0%	46.0%	50.3%	53.3%
Revenue passengers carried	9,818,343	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
Freight and express ton-miles (000)	467,399	386,309	317,437	251,865	150,973	161,345	110,215	198,494	169,416	141,175
Total revenue ton-miles (000)	1,647,317	1,428,381	1,330,803	1,140,983	672,035	813,403	655,339	942,050	836,085	709,165
Statistics — Total Operations										
Revenue plane-miles (000)	112,279	107,721	110,519	115,726	84,098	110,045	89,938	135,563	121,077	106,197
Available ton-miles (000)	3,982,743	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

†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 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.

Operating Highlights of 1976

Personnel

Seven labor agreements covering 3,395 employees in classifications of meteorologists, technicians, foremen, domestic clerical personnel, Japanese, Korean and Philippine employees were successfully negotiated during 1976.

Employment opportunities were provided to 765 persons in entry level positions, while 150 employees were promoted or transferred internally as a major goal in NWA's corporate Affirmative Action Plan. Total system employment on December 31, 1976 was 11,208.

Computer Services

Computer driven automatic ticket printers, capable of printing a complete four segment passenger ticket in five seconds, were installed at airports and city ticket offices in Detroit, Milwaukee, Spokane, Chicago, Seattle and Washington, D. C.

Speed of the printers is such that tickets need not be printed in advance of the passengers arrival at the counter — thus saving clerical time and wasted ticket stock in the case of 'no-show' passengers.

Flight Operations

A new technique in pilot training was implemented on July 1, 1976 after Federal Aviation Administration approval.

Under this new concept, pioneered by NWA, a full three-man cockpit crew is involved in a real time, line environment trip. The simulator training flight duplicates a scheduled flight the crew might fly. Improvement in crew coordination, problem solving and decision making has been noted using this new technique.

Transportation Services

Two more reservation office consolidations were achieved in 1976. Detroit activities were consolidated into the Cleveland office and the Winnipeg, Manitoba office was combined with the Minneapolis/St. Paul office. Better customer service was achieved, as well as some savings in costs.

A new computer program for better control of NWA's air freight containers was initiated and put on-line in September, 1976. The system enables Northwest Orient to determine the specific location at any point in time of the airline's 2,600 container units — as well as those of other airlines on NWA's system.

Maintenance & Engineering

During 1976, NWA introduced electro-static painting of large aircraft to the airline industry. Simply stated, electro-static painting involves grounding the aircraft electrically; then electrically charged paint particles are sprayed from a paint gun. The resulting attraction of the charged paint to the grounded aircraft results in a superior paint coating. The process also minimizes overspray — realizing up to 35 per cent savings in paint material — and provides an environmental atmosphere that has been approved by all state and Federal agencies concerned.

The 1976 Great Lakes Region aviation mechanic safety award was won by NWA mechanic Edwin Wentzel. His contribution involved a modification to a runway indicator drive system which provides a more reliable indication and contributes to increased aircraft safety.

Properties

Major improvements in Northwest Orient facilities during 1976 were completed in:

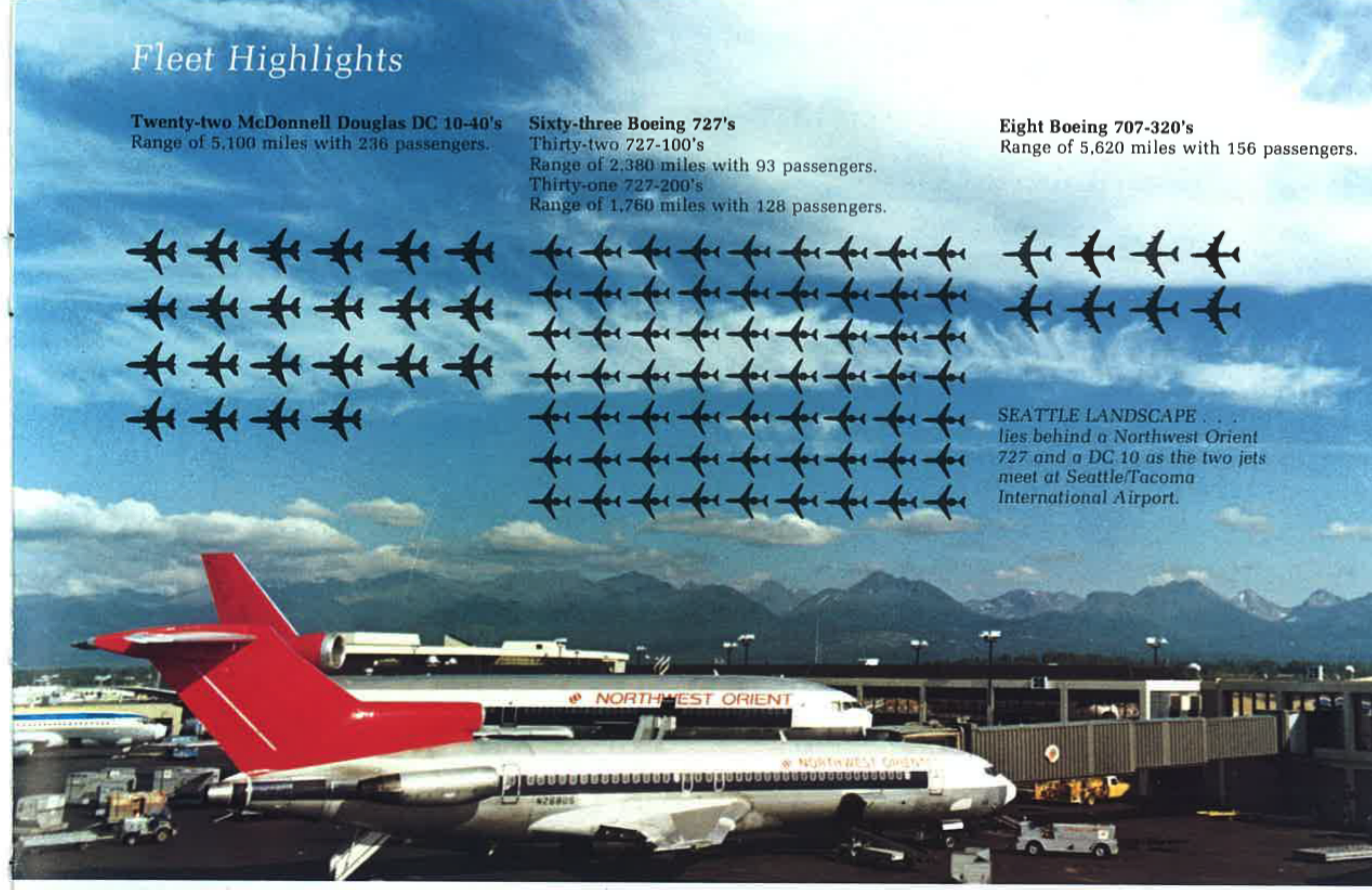
- Billings — where a new city ticket office was opened in April.
- Boston — where new facilities were occupied in the South Terminal building and NWA assumed servicing of its own aircraft.
- Fort Lauderdale — where construction was completed on a new concourse building which provides NWA with upper level loading to two aircraft gates.
- Philadelphia — where upper level loading to two aircraft positions was completed.
- Portland — where the terminal remodeling program, including new ticket counter and baggage claim areas, was completed.

Fleet Highlights

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

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



SEATTLE LANDSCAPE . . . lies behind a Northwest Orient 727 and a DC 10 as the two jets meet at Seattle/Tacoma International Airport.

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

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

HONG KONG'S SKYLINE . . . and the mountains surrounding this incredible city can be seen from Kai Tak Airport where a Northwest Orient 747 awaits a load of both freight and passengers.

New Orleans — Chicago authority awarded to Northwest Orient; Trans Atlantic route recommended

New Orleans became the newest city on the route system of Northwest Orient when authority to operate non-stop service in the Chicago-New Orleans market was awarded by the Civil Aeronautics Board on February 11, 1977.

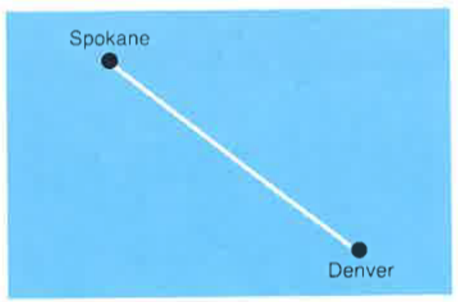
The route award was the first granted to Northwest Orient since June, 1970. Permission to reinstate service to Edmonton, Alberta, Canada was given by the CAB in 1974.

On July 13, 1976, the Civil Aeronautics Board submitted a decision in the Trans Atlantic Route Proceeding to the President of the United States.

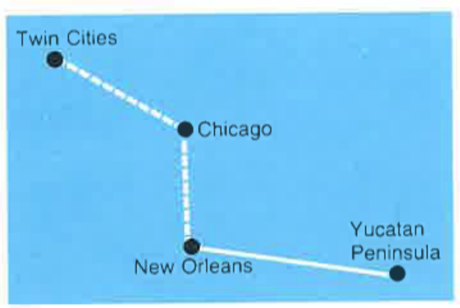
As part of that decision, Northwest Orient was awarded a five-year certificate for a new route between Seattle, Portland, Los Angeles, Chicago, Detroit, Washington/Baltimore and New York/Newark, on the one hand, and Glasgow and points in Denmark, Norway, Sweden, Finland and Iceland on the other. The award is subject to a restriction prohibiting the enplaning at New York of traffic that was to be deplaned in Copenhagen, and vice versa, on flights between New York and Denmark.

On December 24, 1976, President Ford returned the recommended decision to the CAB for further study and requested that the new decision be returned to the President not later than September 1, 1977.

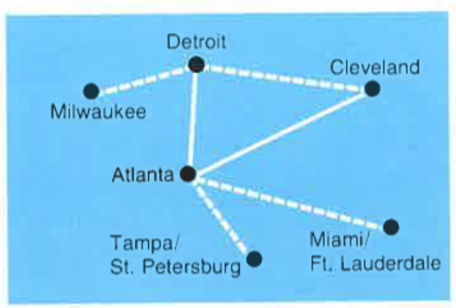
Northwest Orient is also an applicant for new authority in the following route case matters:



Spokane-Montana Points Service Investigation
Northwest Orient is seeking an extension from Spokane to Denver.



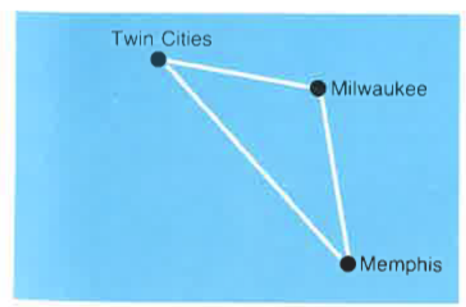
Houston/New Orleans — Yucatan Route Proceeding
Northwest Orient seeks an extension of its existing Chicago-New Orleans route to Merida, Punta Cozumel and Punta Cancun, Mexico.



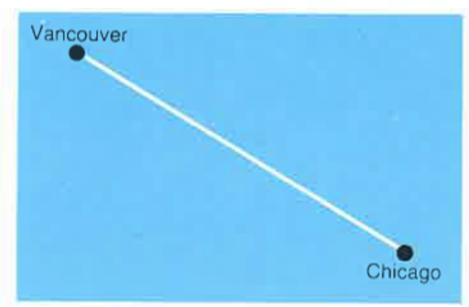
Midwest-Atlanta Competitive Service Case
Northwest Orient has requested CAB authorization to provide service between Atlanta and Cleveland and between Atlanta and Detroit. All three cities are presently served by NWA.

NEW ORLEANS . . . Home of the French Quarter, Mardi Gras, The Super Dome, Creole cooking – a truly fascinating international city. Located on the Mississippi River, New Orleans is on one of the major convention centers in the U.S. The New Orleans region has a population of over 1.2 million people. It has a highly diversified array of industrial and commercial operations and is one of the major hubs in the nation for oil and gas exploration and extraction.

Seattle-Atlanta Non-Stop Case
Northwest Orient seeks authority to operate non-stop service in the Seattle-Atlanta market by elimination of the present requirement for an intermediate stop between the two cities.



Memphis-Twin Cities/Milwaukee Case
Northwest Orient seeks authority to operate first service between the Twin Cities and Milwaukee to Memphis. The Administrative Law Judge has set April 30, 1977 as the target date for an initial decision.



Chicago-Vancouver Case
Authority to provide first nonstop service in the Chicago-Vancouver market is requested by NWA under terms of the U.S.-Canadian bilateral air rights agreement. The Administrative Law Judge has set April 15 as the target date for the recommended decision.

West Coast-Alaska Investigation
Northwest Orient has requested an extension of its existing Alaska route either non-stop or via the Pacific Northwest to Los Angeles and San Francisco and from Seattle to Fairbanks.

The Early Years, 1926-1935

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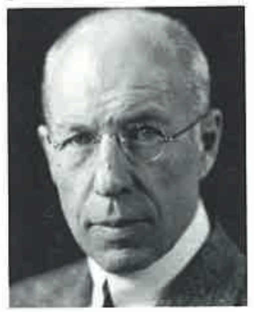

Airlines came into being initially for carriage of the U.S. mail — and Northwest Airways (as it was called originally) was no exception. On June 7, 1926, pilot Elmer Lee Partridge took off from the Twin Cities' Wold Chamberlain Field with the first load of mail under C.A.M. (Contract Air Mail) No. 9. It was not until July 5, 1927 that Northwest Airways carried its first ticketed passenger.

No financial information is available on the first year of operation, but in 1927 Northwest Airways had total revenues of $77,880, a net loss of $1,778 and carried 106 passengers. By 1936, revenues had grown to $1.86 million and 38,022 passengers were carried. It was clear that airlines — Northwest Airlines included — were here to stay.

1. *SPEED HOLMAN . . . was the most heralded pilot of his day. Winner of countless air speed races and an incredible stunt pilot, he also was one of Northwest Airways' first pilots. He stayed on to become operating manager until he was killed in an air show crash in May, 1931.*

2. *FIRST PRESIDENT . . . of Northwest Airways after majority control was purchased in 1929 by a group of Twin Cities business leaders from Detroit interests was Richard Lilly, president of the Merchants Bank of St. Paul (later re-named First National Bank).*

3. *THE COLONEL . . . Generally regarded as one of the key figures in founding Northwest Airways was Colonel Lewis I. Brittin. Originally director of industrial development for the St. Paul Association (predecessor of today's Chamber of Commerce), Colonel Brittin left that post to head the struggling young airline in 1926.*

4. *THE FORD TRI-MOTOR . . . was among the earliest passenger aircraft flown by Northwest Airways. Called 'the tin goose', this all-metal plane was covered with a corrugated aluminum alloy and was the wonder of its day. It carried 14 passengers, had room for two pilots and cruised at 125 miles an hour.*

Expansion to the West — and WW II, 1936-1945

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The latter part of the 30's saw Northwest Airlines expand its routes. New through service was begun to Winnipeg from the Twin Cities, new service was started to Portland, Oregon and service was resumed to Madison, Wisconsin.

In 1941, Northwest Airlines became a publicly held company and — for the very first time — annual passenger revenues exceeded mail revenues.

World War II interrupted the growth of Northwest Airlines as a commercial airline. However, NWA carried out 11 major government war-time assignments including operation of an aerial lifeline to Alaska, a bomber modification center and a variety of other special projects. Employment leaped from 881 to 10,439 employees during WWII.

1. *THE ROUTE MAP . . . of Northwest Airlines looked like this after winning a new route to the Puget Sound area.*

2. *THE 'MOD' CENTER . . . During World War II, Northwest Airlines employed over 10,000 persons – 10 times its pre-war figure. Many of these employees worked at the Bomber Modification Center in St. Paul where planes like this B24 were outfitted with the latest technology in navigation and armament before going into war.*

3. *CROIL HUNTER . . . shown here talking to NWA vice president Frank Judd, at right, was one of the key figures in Northwest Airlines' growth in the 1930's and 1940's. He joined NWA as traffic manager on March 15, 1932 and, in 1937, became the first operating officer to be named president.*

4. *THE 'GIANT' DC 3 . . . When first introduced in 1939 on Northwest Airlines, the Douglas DC 3 was a concern to management because of its greatly increased passenger capacity – 21 persons. It replaced aircraft carrying 10 and 12 passengers and the question was: 'Can we fill them up?'*

Northwest's Passage to the Orient, 1946-1953

With World War II ended, Northwest Airlines went back into the airline business on a full-time basis.

A new route from the Twin Cities to New York, via Milwaukee and Detroit, established NWA as the nation's fourth transcontinental air carrier.

On July 15, 1947, the long-time dream of Croil Hunter was realized as service to the Orient began from the Twin Cities, via Anchorage, Alaska and Shemya in the Aleutian Islands, to Tokyo, Seoul, Shanghai and Manila.

1. *TO THE ORIENT . . . after years of dreaming and planning. This photograph shows the ceremony held on July 15, 1947 when Northwest Airlines inaugurated service to the Orient from the Twin Cities via the 'Northwest Passage' – Anchorage, Alaska and Shemya in the Aleutians to Tokyo, Seoul, Shanghai and Manila. Guest speaker was then-Mayor of Minneapolis Hubert Humphrey.*
2. *THE VICE PRESIDENT . . . of the United States was on hand for the inaugural ceremony when Northwest Airlines initiated service to Washington, D.C. via Cleveland and Pittsburgh. Here Vice President Alben Barkley speaks to the crowd on March 15, 1948.*
3. *THE BOEING STRATOCRUISER . . . was one of the all-time favorites of airline travelers. In its double decked configuration, the Stratocruiser as operated by Northwest Airines featured a lounge in the belly of the aircraft. A fleet of 10 were operated by NWA with first delivery in 1948. The Stratocruiser carried up to 83 passengers and cruised at 254 miles per hour.*

Years of Growth, 1954-1976

On September 27, 1954, 42-year-old Donald W. Nyrop became President of Northwest Airlines. His arrival marked a turning point in the company's history.

Within a year after his assuming command of the airline, Northwest Airlines resumed payment of dividends on its common stock and became the first U.S. airline to voluntarily remove itself from government subsidy for carriage of U.S. mail. The company also made a net profit of $2.4 million in 1955 on total revenues of $63.6 million.

By the end of 1976, Northwest Airlines' 50th year of operation and Nyrop's 22nd year as chief executive of NWA, the Company had grown into the most consistently profitable airline in the industry.

The years of pioneering, of dreaming and of growing were behind. Northwest Orient Airlines celebrated its golden anniversary with understandable pride.

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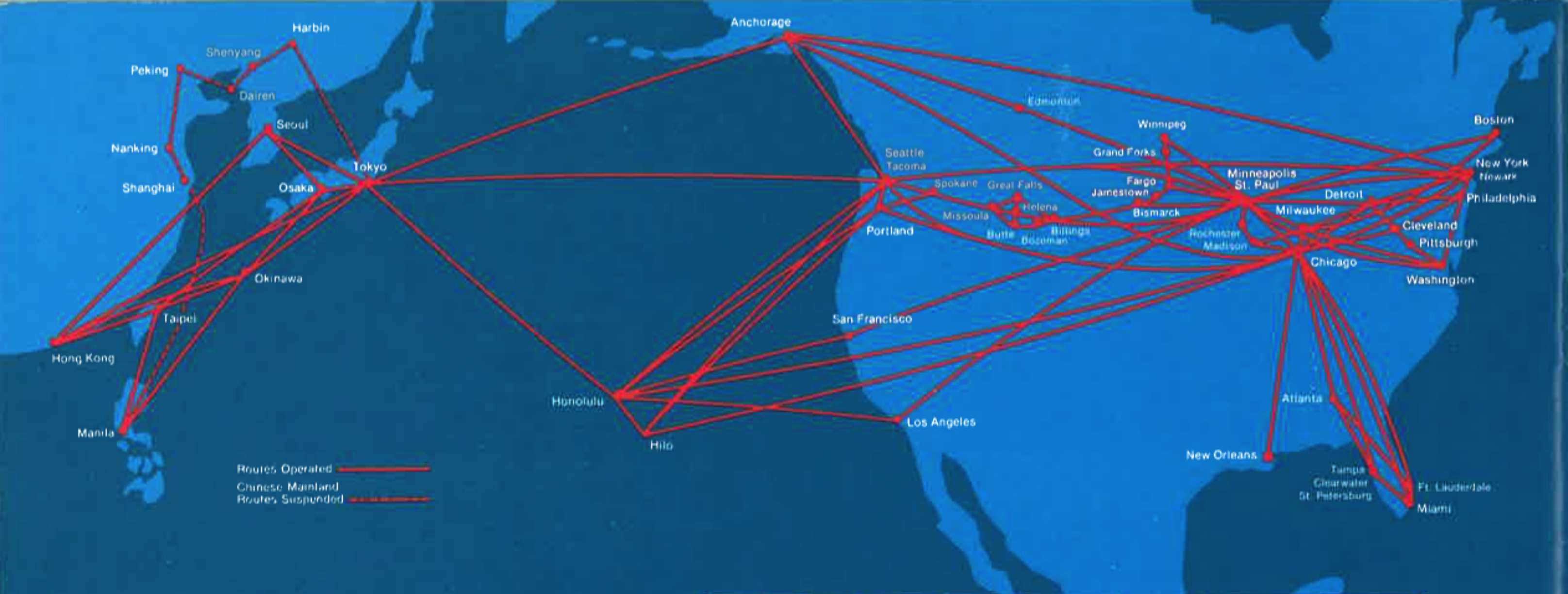
1. *BACK TO THE BEGINNING . . . On October 15, 1976, Northwest Orient was honored by the St. Paul Chamber of Commerce on the airline's golden anniversary. The event was held at St. Paul's Holman Field – birthplace of Northwest Airways. Here, NWA chief executive Donald W. Nyrop is shown in the cockpit of a Waco taper wing monoplane – the type used by Northwest Airways to fly the mail in 1930. At his right is Robert Six, board chairman of Continental Airlines, who was featured speaker at the event.*
2. *DC 10 INAUGURAL . . . Second of the new generation wide-bodied jets to be delivered to Northwest Orient was the McDonnell Douglas DC 10-40 – the specially designed long range version of this jumbo tri-jet. Here the inaugural flight from the Orient is about to depart.*
3. *THE JUMBO JET . . . The Boeing 747 is still an incredible sight seven years after its introduction into scheduled service by NWA. Carrying 369 passengers at a cruising speed of 555 miles per hour, NWA's fleet of 17 passenger type 747's operates daily on all trans Pacific routes of Northwest Orient – from Los Angeles, San Francisco, Seattle, Anchorage and Honolulu to Tokyo.*

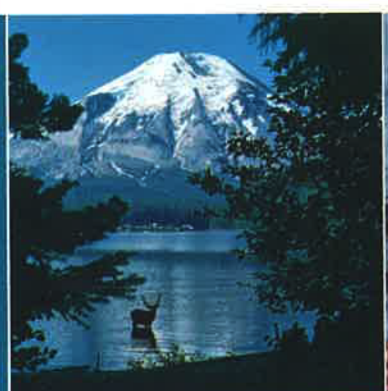


Cities Served by Northwest Orient

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 Orleans
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

Fly Northwest Orient to Alaska • Hawaii • Florida and the Orient



The Directors of Northwest Orient Airlines*

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)

Raymond H. Herzog
3M Company
Chairman of the Board
St. Paul, Minnesota
(Multi-national manufacturing)

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

James N. Land, Jr.
Business Consultant
New York, New York

M. Joseph Lapensky
President & Chief Operating Officer
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
Chairman & Chief Executive Officer
Northwest Airlines, Inc.
St. Paul, Minnesota

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

The Officers of Northwest Orient Airlines*

Donald W. Nyrop
Chairman & Chief Executive Officer

M. Joseph Lapensky
President & Chief Operating Officer

James. A. Abbott
Vice President-Law

Clayton R. Brandt
Vice President-Purchasing and Stores

Robert W. Campbell
Vice President-Budgets

J. William Campion
Vice President-Regulatory Proceedings

Roy K. Erickson
Vice President-Public Relations

A.E. Floan
Secretary

Robert J. Glischinski
Vice President-Communications
and Computer Services

Benjamin G. Griggs, Jr.
Vice President-Assistant
to the President

John F. Horn
Assistant Vice President-Properties

William E. Huskins, Jr.
Vice President-Maintenance
and Engineering

Reginald C. Jenkins
Vice President-Orient Region

Ronald McVickar
Vice President

Bryan G. Moon
Vice President-Advertising

Robert J. Phillips
Vice President-Finance and Treasurer

James F. Redeske
Vice President-Personnel

C.L. Stewart
Vice President-
Transportation Services

Robert J. Wright
Vice President-Sales

*As of March 15, 1977

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

NORTHWEST ORIENT AIRLINES

GOLDEN ANNIVERSARY

1976 ANNUAL REPORT