

**NORTHWEST ORIENT** 1978 Annual Report



## Cities Presently Served by Northwest Orient

### North America

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

### The Orient

Hong Kong	Osaka	Taipei
Manila	Seoul	Tokyo
Okinawa		

**Europe** (Service to these European cities was authorized by the United States government on January 26, 1978. Service to some of these points will begin in 1979.)

Bergen	Goteborg	Reykjavik
Copenhagen	Helsinki	Stavanger
Glasgow	Oslo	Stockholm

**Mainland China** (Service to Mainland China by Northwest Airlines was authorized by the United States government on July 20, 1946. The operation of these routes has been suspended for many years.)

Dairen	Nanking	Shenyang
Harbin	Peking	Shanghai

## 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 33,300 route miles and serves directly cities in 20 states of the 48 contiguous states, as well as Alaska, Hawaii, the District of Columbia, Canada, countries in Asia, including Japan, Korea, Taiwan, Hong Kong and the Philippines and countries in Europe including Norway, Sweden, Denmark, Iceland, Finland and Scotland. The European countries were recently awarded to Northwest Airlines and service will begin to some of these points this year. Authorizations to serve Shanghai, Peking and other points in continental China remain in effect although presently inoperative.

## Highlights of 1978

	1978*	1977
Total Operating Revenues .....	\$790,161,892	\$1,046,354,772
Operating Income .....	67,284,667	104,583,565
Net Earnings for the Year .....	61,841,389	92,718,790
Per Common Share .....	2.86	4.29
Per Dollar of Revenues .....	7.8¢	8.8¢
Stockholders' Equity .....	\$793,691,090	\$ 747,671,847
Per Common Share .....	36.70	34.60
Dividends Paid .....	16,210,260	10,803,648
Operating Expenses:		
Per Available Ton-Mile .....	27.9¢	22.9¢
Per Revenue Ton-Mile .....	65.7¢	54.4¢
Revenue Traffic:		
Passengers Carried .....	6,574,901	10,354,808
Passenger-Miles Flown .....	7,018,305,000	11,100,412,000
Ton-Miles, Mail, Freight and Express .....	377,851,000	566,428,000
Common Shares at Year End .....	21,626,284	21,606,686
Employees:		
Number at Year End .....	10,680	11,445
Total Wages and Benefits Paid .....	\$222,187,657	\$279,194,841

\* Operating results were affected by a major strike which extended from April 29 through August 15, 1978.



FOUR NEW CITIES AND THREE NEW COUNTRIES! . . . Pictured on the front cover are scenes from four new cities - Las Vegas, Orlando, St. Louis and Fairbanks - and three new countries - Sweden, Denmark and Scotland - that Northwest Orient Airlines will be serving in 1979.

# 52nd Annual Report to the Shareholders

Northwest Airlines' net earnings of \$61,841,389 in 1978 were the third highest in the company's 52-year history. While this is a good performance in itself, 1978 would have seen Northwest Airlines break the revenue and earnings records set in 1977 if the 109-day strike by the airline pilots' union had not taken place in mid-year.

Recovery from that strike is now essentially complete. Service has been restored, all personnel have long since been recalled, and traffic in February, 1979 showed gains over February a year ago.

### Major Expansion Underway

The new year sees Northwest Airlines embarked on one of the largest expansions of its route structure in the company's history.

The Airline Deregulation Act of 1978 provided the mechanism for NWA to acquire authority in 18 new non-stop markets, including rights to serve three U.S. cities — St. Louis, Las Vegas and Orlando — that are new to Northwest's route system.

Provisions of the new law also resulted in the award of a key San Francisco - Seattle non-stop route to NWA as well as non-stop authority in the Los Angeles - Seattle market. Service will begin on these routes in spring, 1979.

Late in 1978, NWA sought authority from the Civil Aeronautics Board to provide non-stop service between Seattle and Fairbanks, Alaska when another air carrier left this market. Within 10 days after CAB approval, Northwest had begun this badly-needed service with a daily DC-10 flight in each direction.

Thus, new cities, new routes and new services in old cities will be combined for better traffic growth and for more economical use of manpower, facilities and fleet.

### Trans Atlantic Service Set

On March 31, 1979, Northwest Airlines will inaugurate its passenger service between the U.S. and Scandinavia. All-cargo flights between New York/Boston and Scotland/Denmark began in February, 1979 and are already carrying heavy freight and mail loads.

Our 1979 trans Atlantic operation to Scandinavia and Scotland will feature gateways at New York and at Boston, both backed up by the expanding NWA domestic system.

All of these new routes will take time to develop, but there is excellent long-term potential for a good return on investment.

### New Aircraft Ordered

The route expansion that Northwest Airlines has mapped in both domestic and international markets will require additional jet aircraft.

To provide for this further route development, the company has ordered six new Boeing jet aircraft for 1980 delivery. The order includes one 747-200B passenger aircraft, one 747F all-cargo freighter and four advanced model 727-200A jets.

Together with the eight Boeing aircraft ordered in March, 1978 — six 747-200B's and two 727-200A's, the new order will give Northwest a fleet of 120 jets by the end of 1980 (compared to the 106 aircraft in our fleet at present).

Based on current orders, NWA will — by year-end 1980 — be operating 51 wide-bodied, new generation 747's and DC-10's, which will be the largest such fleet of any U.S. airline.

### Balance Sheet Strength

Northwest Airlines today can lay claim to one of the strongest balance sheets in the U.S. airline industry with net worth of nearly \$800,000,000 and outstanding debt of only \$100,000,000.

Based on this financial strength and 1978's earnings performance of \$61.8 million, Northwest Airlines' board of directors voted on March 5, 1979 to increase the annual dividend rate from 75 to 80 cents per share payable March 31, 1979.

This is the third consecutive year in which the dividend rate has been increased and there have now been 95 consecutive quarterly dividends paid by Northwest Airlines.

### New Officers Elected

Northwest Airlines has elected four new corporate officers since last year's annual report.

• Steven G. Rothmeier was elected to the post of vice president for finance. He has had an excellent background in areas relating to NWA's budget administration, economic planning and regulatory affairs.

• Thomas E. McGinnity was named as vice president for purchasing and stores, having served as director of aircraft equipment purchasing for a number of years.

• Thomas J. Koors was elected vice president for transportation services early in 1979. He had been general sales manager for NWA immediately preceding his new appointment.

• William A. Kutzke was appointed as vice president in charge of NWA's Washington, D.C. office, joining the company after outstanding service in the U.S. Department of Transportation.

Two senior officers of the company — Robert J. Phillips, vice president - finance and treasurer, and Clayton R. Brandt, vice president - purchasing and stores — passed away in 1978. Both men made important contributions in their careers of more than 30 years each with NWA.

Former corporate secretary A. E. Floan, who was one of the very early officers of Northwest Airlines, also passed away in 1978 after devoting more than 40 years of excellent service to the company.

### New Director Named

E. W. Blanch, Jr. was elected to the board of directors at last year's annual meeting. He is president and chief executive officer of E. W. Blanch Company, a re-insurance brokerage firm with world-wide operations.

Retiring in 1978 as NWA directors after long and distinguished careers were Hadley Case and Malcolm S. Mackay.

### Outlook for 1979

The year ahead is difficult to forecast:

- The new climate of airline deregulation presents both opportunities and uncertainties.
- The availability, and price, of jet fuel is of continued concern.

However, as prominent airline industry analysts have stated in recent reports, Northwest Airlines is better positioned than most of its competitors to capitalize on new opportunities and to meet the new challenges that lie ahead.

We will continue to emphasize good cost controls in the new airline environment and we believe that 1979 will be an excellent year for Northwest Airlines.

Sincerely,

*M. Joseph Lapensky*

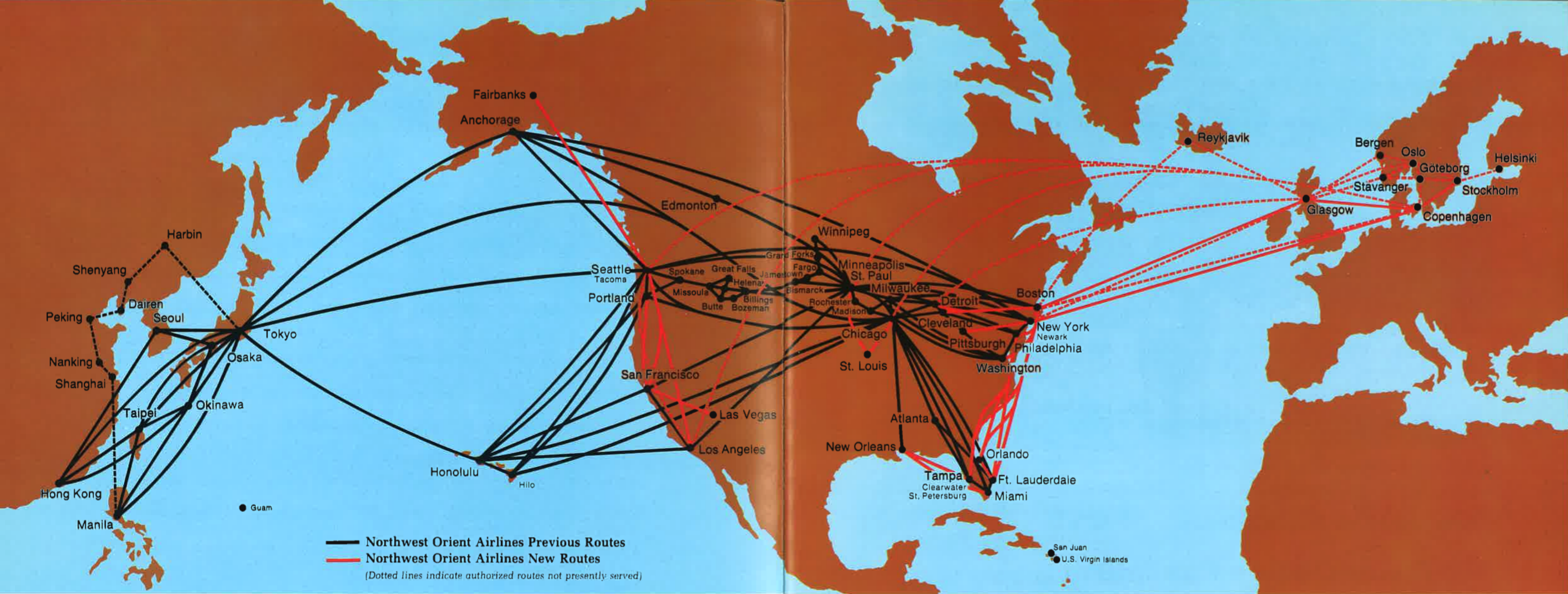
M. Joseph Lapensky  
President and  
Chief Executive Officer  
March 15, 1979

## An Expression of Appreciation to Donald W. Nyrop

On 31 December 1978, Donald W. Nyrop completed one of the finest performances of leadership in airline history. That date marked the culmination of 24 years of his devoted services to the safety, security and expansion of the company for the benefit of the traveling public, employees and the shareholders. When Mr. Nyrop became CEO of the company in the troublesome days of 1954, he inherited a company which was struggling in every respect; today his legacy to the traveling public, employees and the shareholders is an airline which is the envy of all — financially sound, superbly equipped in both aircraft and facilities, and operated by employees whose work product is one of the most efficient in the industry. During his tenure, the route system has been extended to such important markets as Miami, Tampa-St. Petersburg, Atlanta, New Orleans, Hilo, Hong Kong, Boston, Los Angeles and San Francisco. He also secured important new routes to Scotland and the Scandinavian countries. Mr. Nyrop, upon reaching retirement age last spring, had planned to retire. The board prevailed upon him to continue his leadership because of the labor altercations which prevailed at the time. Upon resumption of full operation, under Mr. Nyrop's direction, the airline recovered its position in the marketplace in a most exemplary manner — with an earlier recovery of traffic, a greater number and earlier return of employees, and a lesser drain on the corporate operating statement so as to protect the shareholders' interest. As a result of Mr. Nyrop's careful training and perceptive vision, the company today has outstanding, experienced management in all departments. At a time of deregulation, increased competition and a new generation of aircraft, Northwest is in the best position operationally and financially to maintain its superiority to the benefit of the employees and shareholders, thanks to Donald Nyrop's foresight. Each member of this board recognizes Donald Nyrop as the most outstanding airline executive in the industry. He has had the respect, unlimited confidence and complete support of this board throughout his 24 years of dedicated service to the company. We have prevailed upon him to continue to serve on the board and to be available to successor management as a consultant. Our appreciation for a job well done exceeds the expression stated here.



*J. A. Singer*  
*E. W. Blanch, Jr.*  
*R. W. Nyrop*  
*Clayton R. Brandt*  
*James H. Lind*  
*M. Joseph Lapensky*  
*Donald McKeely*  
*Lymon E. Wakefield, Jr.*



## Service Highlights

# Northwest Orient Launches Service to 4 New U.S. Cities and 3 New Countries in One of Company's Biggest Expansions

Service to four new cities — St. Louis, Orlando, Las Vegas and Fairbanks — and to three new countries — Scotland, Sweden and Denmark — has been launched by Northwest Orient in one of the largest route expansions ever undertaken by the company.

Northwest Airlines' February 1, 1979 schedule reflects the addition of non-stop service in 18 new domestic markets which were acquired under dormant authority provisions of the Airline Deregulation Act of 1978. A total of 45 new daily flights

and 100 hours of daily flying is involved in this domestic schedule expansion.

On February 28, 1979, Northwest was also awarded non-stop rights between Seattle and San Francisco under the dormant authority provisions. Service on this important new route is planned to begin sometime in April, 1979.

### First Trans Atlantic Service

Northwest's first scheduled flight across the Atlan-

tic took place on February 10, 1979 from Boston's Logan airport to Glasgow's Prestwick airport. The Boeing 747F freighter carried a load of 154,653 pounds of cargo with an estimated value in shipments of over \$2 million.

First scheduled passenger service by NWA will begin on March 31 from the U.S. to Denmark and Sweden. By April 29, service to Scotland will be added and Northwest will be operating two flights daily in each direction in the U.S. — northern Europe market. All flights will be operated with NWA's 369-passenger Boeing 747 wide-cabin jets.

### Expansion Benefits Cited

Several key objectives were achieved by Northwest in the domestic route expansion reflected in the February 1 schedule:

- NWA gained entry to Orlando and Las Vegas,

major U.S. vacation spots and two of the prime U.S. destinations for the Japanese tourists which Northwest carries across the Pacific.

- NWA became an important carrier in the Northeast U.S. — Florida vacation markets, giving added seasonal balance to its operations.

- NWA's recently acquired Chicago-New Orleans route now has been linked beyond New Orleans to Tampa and to Miami.

- NWA's Boston station becomes a major hub of operations with 12 daily domestic flights now scheduled at Logan International airport. With inauguration of daily trans Atlantic flights to Scotland and Scandinavia starting April 29, NWA will also use Boston as one of its principal gateways for U.S.-Europe service.

Continued on page 27



# Financial Review and Management Analysis for 1978

## Revenue

Total operating revenues for 1978 amounted to \$790,161,892 compared with \$1,046,354,772 in 1977 and \$963,808,065 in 1976. This reduction in total operating revenue resulted from a major curtailment in operations due to the 109 day pilot strike against the Company in 1978. Consequently, comparisons of individual revenue categories for the current and prior years are not meaningful. Operating revenues in 1978 included mutual aid payments of \$104,863,790.

In 1978 the Civil Aeronautics Board approved domestic 48-state passenger fare increases of 3% in May and 2.5% in December. The CAB also approved a 3% fare increase in Mainland-Hawaii markets in May with an additional 3% increase in September.

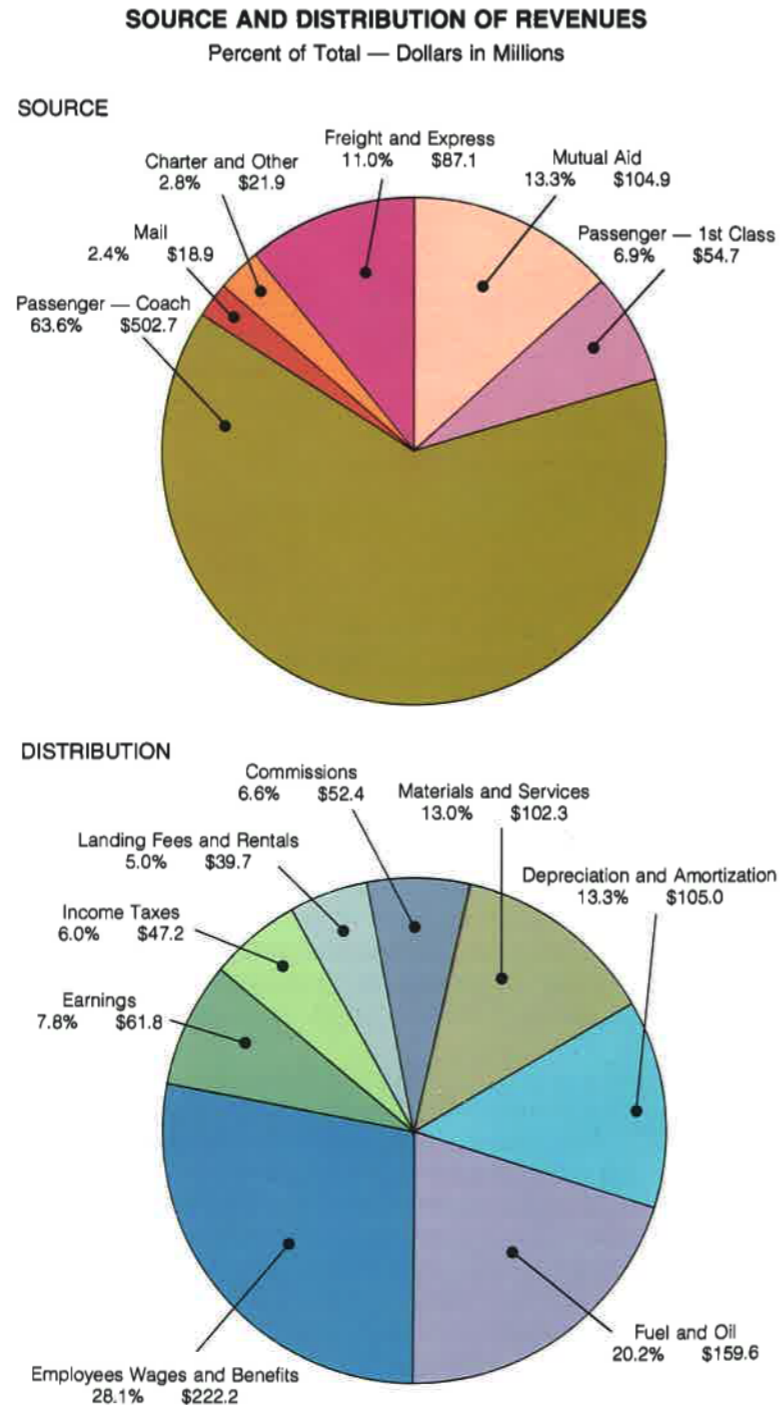
Northwest's system passenger-mile yield increased to 7.94¢ in 1978 or a 2.3% increase in the 1977 yield of 7.76¢. This increase was attributable to limited usage of discount fares in 1978 as a result of the strike curtailed operations during the peak summer vacation months. March 1978 brought the introduction of systemwide Super Saver fares at 30-40% discounts from coach fare levels. Despite fare advances, increasing usage of the Super Saver and other discount fares is eroding passenger-mile yields.

The Civil Aeronautics Board also approved freight rate increases of 10% for all domestic cargo in May of 1978 following a 7% increase in domestic cargo container rates that occurred in March.

Total revenues from charter and other transportation were \$10,996,783 in 1978. This revenue included \$8,028,741 from commercial charters and other income, and \$2,968,042 from military charters.

## Expenses

Total operating expenses for 1978 amounted to \$722,877,225, down significantly from operating expenses of \$941,771,207 in 1977 and \$860,860,038 in 1976 as a result of the strike. Depreciation and amortization expenses



totaled \$104,969,627 in 1978 compared with \$103,152,530 in 1977 and \$102,713,531 in 1976. This increase in depreciation and amortization expense reflected the addition of new, more modern aircraft which was partially offset by the disposal of older, less productive aircraft.

Operating expenses per available ton-mile increased to 27.86¢ in 1978 from 22.92¢ in 1977 and 21.61¢ in 1976. This unusually large increase in unit production expense is in large part due to the curtailment of operations resulting from the strike. Inflation trends continue to increase costs in the airline industry particularly in wages, rentals, fuel, services and cost of materials and supplies.

## Earnings and Dividends

Net earnings for 1978 amounted to \$61,841,389 or \$2.86 per average share of common stock outstanding compared with \$92,718,790 or \$4.29 per share in 1977. Total interest on long-term debt net of capitalized interest declined from \$6,517,695 in 1977 to \$3,376,357 in 1978.

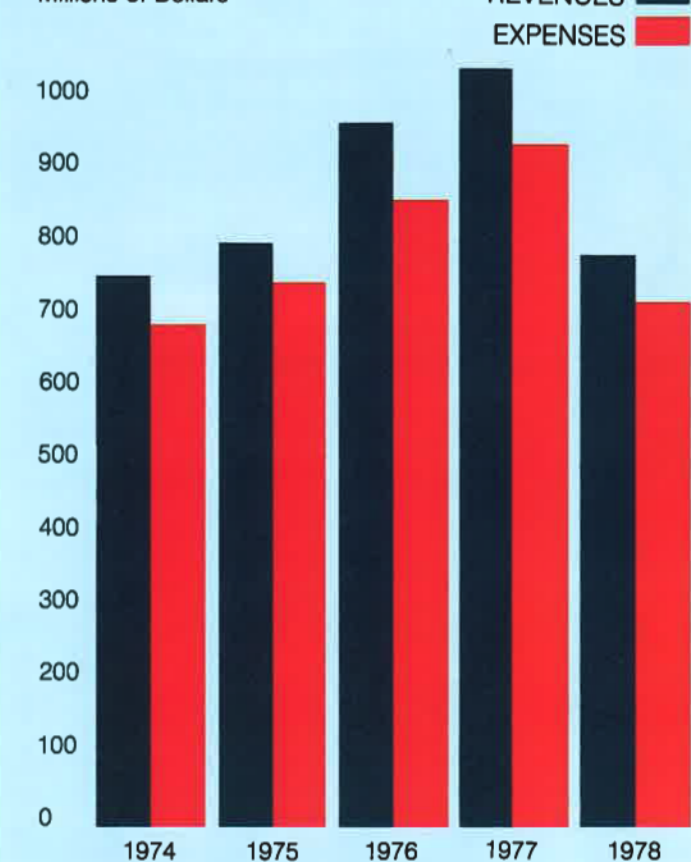
Gain on disposal of property declined to \$34,290,447 from \$51,053,719 a year ago.

The Company increased its cash dividend to \$.75 per share in 1978 and paid out a dividend for the twenty-fourth consecutive year. Dividends paid to shareholders in 1978 totaled \$16,210,260.

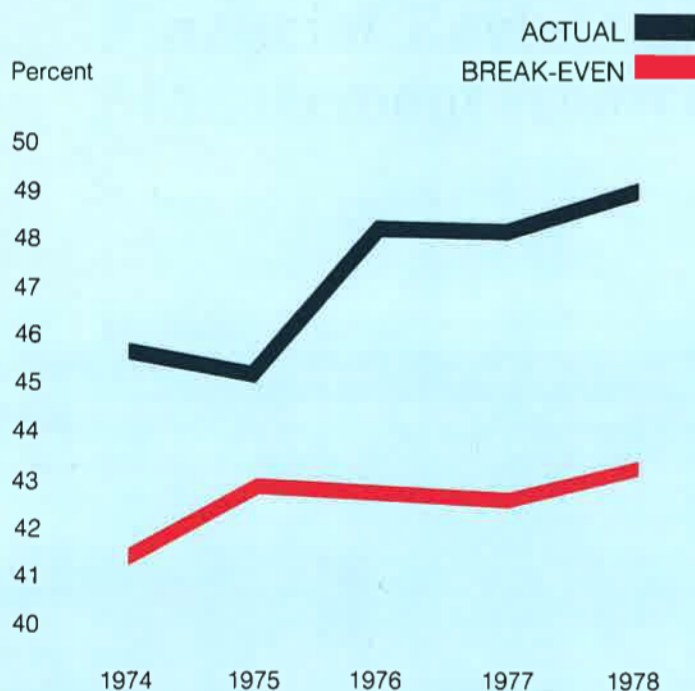
Quarter	Sales Price of Common Shares		Dividends Per Share	
	1977	1978	1977	1978
1st	High	26	.1250	.1875
	Low	22½		
2nd	High	32½	.1250	.1875
	Low	22¾		
3rd	High	37½	.1250	.1875
	Low	20¾		
4th	High	32¾	.1250	.1875
	Low	19¾		

## OPERATING REVENUES AND EXPENSES

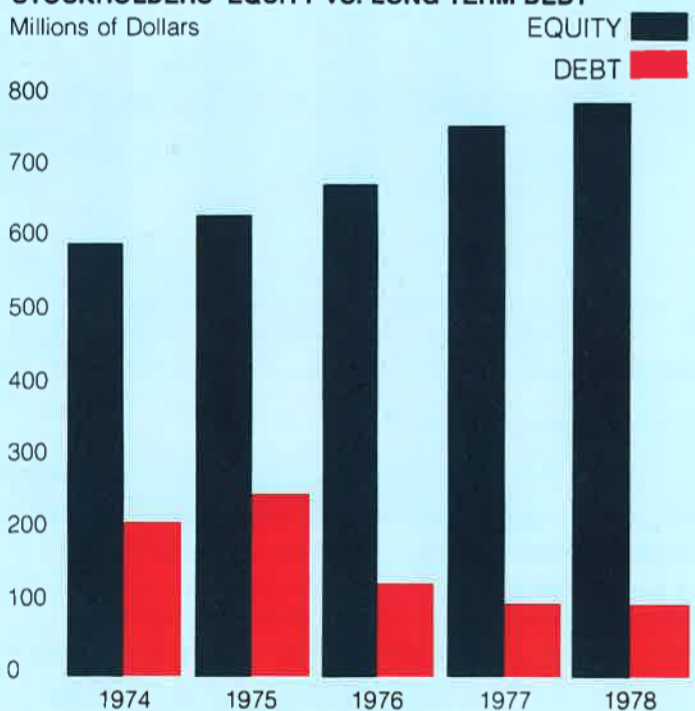
Millions of Dollars



### ACTUAL AND BREAK-EVEN PASSENGER LOAD FACTOR



### STOCKHOLDERS' EQUITY VS. LONG-TERM DEBT



## Financial Review for 1978

(continued from page 11)

### Taxes on Earnings

In 1978 income taxes on earnings amounted to \$47,194,200 compared with \$60,425,200 in 1977. Investment tax credit earned declined from \$14,850,900 in 1977 to \$6,319,800 in 1978. The Company continues to use accelerated depreciation methods for income tax purposes.

### Cash Flow

Funds provided from all sources totaled \$208,426,244 in 1978, consisting of net earnings, depreciation and amortization, deferred income taxes and proceeds from sale of property. Application of funds in 1978 totaled \$166,615,614 and consisted of flight equipment and other property additions, advance deposits on aircraft and cash dividends.

### Traffic and Services

Traffic results showed reductions in all areas during 1978 reflecting the effect of the strike. Individual traffic category comparisons, therefore, are not meaningful.

Passenger and cargo traffic recovered at an encouraging rate during the fourth quarter of 1978 and continues to show strength through February of 1979. Northwest embarked on a significant expansion program in January and February of 1979 which aided in the strike recovery.

### Financial Condition

The financial condition of Northwest continues to be one of the healthiest in the U.S. airline industry. Long-term debt totals \$100,000,000 with repayment beginning in April 1981 and terminating in January 1983.

Northwest's debt to equity ratio on December 31, 1978 was 12.6%. This favorable debt equity ratio is one of the lowest, if not the lowest, in the U.S. airline industry.

Stockholders equity increased to \$793,691,090 in 1978 from \$747,671,847 at the end of 1977. The book value per average common share increased to \$36.70 from \$34.60 a year ago.

At year end, the Company had on order an additional six B-747 and two B-727 passenger jet aircraft and spare engines for delivery in 1979 and 1980. In addition the Company announced in February, 1979 the purchase of four B-727-200, one B-747 passenger aircraft and one B-747F all-cargo jet for 1980 delivery. It is planned that internally generated funds and the existing financial arrangements will be used to purchase all aircraft on order.

## Statement of Earnings

NORTHWEST AIRLINES, INC.

Year Ended December 31

	1978*	1977
<b>Operating Revenues</b>		
Passenger .....	\$ 557,400,881	\$ 861,053,058
Cargo .....	87,076,726	121,185,084
Mail .....	18,944,410	29,893,962
Charter and other transportation .....	10,996,783	25,870,610
Mutual Aid .....	104,863,790	38,416
Nontransport .....	10,879,302	8,313,642
	<u>790,161,892</u>	<u>1,046,354,772</u>
<b>Operating Expenses</b>		
Flying operations .....	241,740,611	351,480,978
Maintenance .....	72,233,045	105,146,793
Passenger service .....	60,748,751	86,526,853
Aircraft and traffic servicing .....	117,409,858	148,871,186
Reservations, sales and advertising .....	100,614,747	122,031,763
Administrative and general .....	25,160,586	24,561,104
Depreciation and amortization .....	104,969,627	103,152,530
	<u>722,877,225</u>	<u>941,771,207</u>
	67,284,667	104,583,565
<b>Other Income (Expenses)</b>		
Interest on long-term debt, net of capitalized interest of \$4,678,643 (1977 — \$2,362,672) — Note A .....	( 3,376,357)	( 6,517,695)
Gain on sale of flight equipment .....	34,290,447	51,053,719
Other .....	10,836,832	4,024,401
	<u>41,750,922</u>	<u>48,560,425</u>
<b>Earnings Before Income Taxes</b> .....	109,035,589	153,143,990
Income taxes — Note D .....	47,194,200	60,425,200
<b>Net Earnings</b> .....	<u>\$ 61,841,389</u>	<u>\$ 92,718,790</u>
<b>Average shares of Common Stock outstanding during the year</b> .....		
	21,618,144	21,606,544
<b>Earnings per share of Common Stock</b> .....	\$2.86	\$4.29

See notes to financial statements

\*Operating results were affected by a major strike which extended from April 29 through August 15, 1978.

# Statements of Financial Position

NORTHWEST AIRLINES, INC.

ASSETS	December 31	
	1978	1977
<b>Current Assets</b>		
Cash and short-term investments	\$ 184,028,308	\$ 129,717,280
Accounts receivable, less allowance of \$1,400,000 (1977 — \$1,300,000)	79,782,195	83,413,519
Flight equipment spare parts, less allowance for depreciation of \$17,340,236 (1977 — \$15,728,241)	28,979,870	29,731,581
Maintenance and operating supplies	7,660,768	7,714,326
Prepaid expenses	6,057,410	5,707,249
<b>Total Current Assets</b>	<b>306,508,551</b>	<b>256,283,955</b>
<b>Other Assets</b>	<b>19,566,429</b>	<b>16,064,461</b>
<b>Property and Equipment</b>		
Flight equipment	1,525,442,014	1,510,447,264
Less allowance for depreciation	602,827,242	547,490,198
	922,614,772	962,957,066
Advance payments on new flight equipment — Note E	98,106,465	13,145,496
	1,020,721,237	976,102,562
Other property and equipment	129,587,886	127,595,835
Less allowance for depreciation	83,519,022	76,595,835
	46,068,864	51,000,000
	1,066,790,101	1,027,102,562
	<u>\$1,392,865,081</u>	<u>\$1,299,450,978</u>

LIABILITIES AND STOCKHOLDERS' EQUITY	December 31	
	1978	1977
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 122,693,609	\$ 122,060,666
Employee compensation	27,909,236	27,029,098
Unredeemed ticket liability	20,321,703	22,041,670
Income taxes	15,923,167	3,302,315
Current maturities of long-term debt	-0-	4,000,000
<b>Total Current Liabilities</b>	<b>186,847,715</b>	<b>178,433,749</b>
<b>Long-Term Debt — Note B</b>	<b>100,000,000</b>	<b>100,000,000</b>
<b>Deferred Credits and Other Liabilities</b>		
Income taxes — Note D	290,660,200	261,349,600
Other	21,666,076	11,995,782
	312,326,276	273,345,382
<b>Stockholders' Equity — Note C</b>		
Common Stock \$1.25 par value, authorized 40,000,000 shares; issued and outstanding 21,626,284 shares (1977 — 21,606,686 shares)	27,032,855	27,008,357
Capital surplus	124,551,536	124,187,920
Retained earnings	642,106,699	596,475,570
	793,691,090	747,671,847
<b>Commitments and Contingencies — Notes E and F</b>		
	<u>\$1,392,865,081</u>	<u>\$1,299,450,978</u>

See notes to financial statements



## Statements of Changes in Financial Position

NORTHWEST AIRLINES, INC.

	Year Ended December 31	
	1978	1977
<b>Funds Provided</b>		
Net earnings .....	\$ 61,841,389	\$ 92,718,790
Items not affecting working capital:		
Depreciation and amortization .....	104,969,627	103,152,530
Increase in deferred income taxes .....	29,310,600	59,558,000
Total From Operations	<u>196,121,616</u>	<u>255,429,320</u>
Proceeds from sale of flight equipment less gain included in earnings .....	6,795,353	15,780,836
Other .....	5,509,275	2,154,110
Total Provided	<u>208,426,244</u>	<u>273,364,266</u>
<b>Funds Used</b>		
Flight equipment and other property additions .....	52,298,889	118,449,788
Advance deposits on aircraft .....	98,106,465	13,145,496
Cash dividends .....	16,210,260	10,803,648
Reduction of long-term debt .....	-0-	22,000,000
Total Used	<u>166,615,614</u>	<u>164,398,932</u>
<b>Increase In Working Capital</b> .....	<u>\$ 41,810,630</u>	<u>\$108,965,334</u>
<b>Changes in working capital consist of</b>		
Increase (decrease) in current assets:		
Cash and short-term investments .....	\$ 54,311,028	\$115,173,101
Receivables .....	( 3,631,324)	7,896,320
Inventories .....	( 805,269)	6,747,644
Prepaid expenses .....	350,161	2,886,766
Total	<u>50,224,596</u>	<u>132,703,831</u>
Increase (decrease) in current liabilities:		
Accounts payable and accrued expenses .....	632,943	21,575,559
Other accrued liabilities .....	13,500,990	( 2,991,646)
Unredeemed ticket liability .....	( 1,719,967)	4,154,584
Current maturities of long-term debt .....	( 4,000,000)	1,000,000
Total	<u>8,413,966</u>	<u>23,738,497</u>
<b>Increase in working capital</b> .....	<u>\$ 41,810,630</u>	<u>\$108,965,334</u>

See notes to financial statements

## Statements of Stockholders' Equity

NORTHWEST AIRLINES, INC.

	Common Stock		Capital Surplus	Retained Earnings
	Shares	Amount		
<b>Balance December 31, 1976</b> .....	21,606,036	\$27,007,545	\$124,176,019	\$514,560,428
Exercise of stock options .....	650	812	11,901	
Net earnings for 1977 .....				92,718,790
Cash dividends — \$.50 a share .....				( 10,803,648)
<b>Balance December 31, 1977</b> .....	21,606,686	27,008,357	124,187,920	596,475,570
Exercise of stock options .....	19,598	24,498	363,616	
Net earnings for 1978 .....				61,841,389
Cash dividends — \$.75 a share .....				( 16,210,260)
<b>Balance December 31, 1978</b> .....	<u>21,626,284</u>	<u>\$27,032,855</u>	<u>\$124,551,536</u>	<u>\$642,106,699</u>

See notes to financial statements

### APPLICATION OF INVESTMENT TAX CREDIT

Period	Available* and Reflected in Earnings	Applied† on Tax Returns
1962-1977 .....	\$139,608,600	\$123,504,800
1978 .....	6,319,800	22,423,600
Total .....	\$145,928,400	\$145,928,400
Applied on Returns .....	<u>145,928,400</u>	
To be Applied .....	<u>\$ -0-</u>	

\*The Company uses the flow-through method of accounting for investment credits and records the credits as a reduction of income tax expense in the year earned.

†Investment credits are applied on tax returns as allowed by income tax regulations. Credits not applied currently are offset against deferred taxes.

### NORTHWEST AIRLINES FLEET

Aircraft Type	Year End		On Order
	1977	1978	
B727 & B727C-100 .....	25	19	—
B727-200 .....	40	44	6
B707-320B & 320C .....	2	0	—
DC10-40 .....	22	22	—
B747 .....	17	17	7
B747F .....	4	4	1
Total .....	110	106	14

See Note E to financial statements

## Notes to Financial Statements

NORTHWEST AIRLINES, INC.

December 31, 1978

### Note A — Accounting Policies

A summary of significant accounting policies of the Company is set forth below:

#### Basis of Presentation

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

#### Short-Term Investments

Short-term investments are stated at cost which approximates market and amounted to \$171,690,041 and \$122,463,076 at December 31, 1978 and 1977, respectively.

#### Flight Equipment and Property

Provision for depreciation is computed by the straight line method over the estimated useful lives of the assets. Useful lives are estimated at 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.

Depreciation of flight equipment spare parts, rotables and assemblies is provided by the straight line method at rates which depreciate cost, less residual value, over the estimated useful lives of the related aircraft.

The Company charges expenditures for maintenance and repairs to operating expense. Expenditures which materially increase values or extend useful lives are capitalized. Book value of assets sold or otherwise disposed of is eliminated from the accounts in the year of disposal and the resulting gain or loss is included in operations.

Interest on long-term debt relating to deposits advanced to manufacturers prior to the delivery of new aircraft is capitalized and amortized over the useful life of the aircraft. If such interest was not capitalized, net earnings would have been decreased by \$1,145,000 (\$.05 a share) in 1978 and increased by \$15,000 in 1977.

#### Pension Plans

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

#### Income Taxes

Income taxes are provided at statutory rates to earnings before income taxes regardless of when such taxes are paid. Deferred income taxes arise principally from timing differences between financial and tax methods of accounting for depreciation and capitalized interest.

## Notes to Financial Statements

### Note A — Accounting Policies (Continued)

The Company uses the flow-through method of accounting for investment credits. 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.

#### Operating Revenues

Passenger and cargo revenues are recognized when the transportation is provided.

#### Earnings Per Share

Earnings per share are based on the average number of shares of Common Stock outstanding. No material dilution would result upon exercise of outstanding stock options.

### Note B — Long-Term Debt

	December 31	
	1978	1977
Term Credit with banks is payable \$12.5 million quarterly beginning April 1, 1981. Interest paid is based on a formula related to prime commercial loan rates; however, total interest paid shall not exceed 7 $\frac{3}{8}$ % per annum over the term of the loan .....	\$100,000,000	\$100,000,000
Note purchase agreements with twelve insurance companies matured on October 1, 1978. Interest was at 6% per annum .....	-0-	4,000,000
	<u>100,000,000</u>	<u>104,000,000</u>
Less current maturities .....	-0-	4,000,000
	<u>\$100,000,000</u>	<u>\$100,000,000</u>

The Company was in compliance with the covenants of the debt agreements at the end of both years. At December 31, 1978, approximately \$195,000,000 of retained earnings was unrestricted under the terms of the agreement.

Long-term debt maturities are as follows: 1981 — \$37,500,000; 1982 — \$50,000,000; and 1983 — \$12,500,000.

### Note C — Stockholders' Equity

	Shares	
	1978	1977
Cumulative Preferred Stock, \$25 par value:		
Authorized .....	1,000,000	1,000,000
Issued December 31 .....	None	None

## Notes to Financial Statements

### Note C — Stockholders' Equity (Continued)

Common Stock options at prices which were not less than 100% of market at date of grant are as follows:

	Shares	Price Per Share
Outstanding December 31, 1976 .....	79,100	\$19.13/20.06
Exercised .....	( 650)	19.13/20.06
Lapsed .....	( 1,150)	19.13/20.06
Outstanding December 31, 1977 .....	77,300	19.13/20.06
Granted .....	75,680	22.75/24.00
Exercised .....	(19,598)	19.13/20.06
Lapsed .....	(28,472)	19.13/24.00
Outstanding December 31, 1978 .....	<u>104,910</u>	19.13/24.00
Options exercisable:		
At December 31, 1977 .....	77,300	\$19.13/20.06
At December 31, 1978 .....	33,250	19.13

The stock option plan terminated in 1978; however, options granted prior to the termination are not affected. Shares available for future stock option and other plans were 283,078 and 330,286 at December 31, 1978 and 1977, respectively.

### Note D — Taxes on Earnings

The provision for taxes on earnings consists of the following:

	Year ended December 31	
	1978	1977
Current:		
Provision for the year .....	\$39,918,700	\$55,384,800
Investment credit applied:		
Earned in current year .....	( 6,319,800)	-0-
Earned in prior years .....	( 16,103,800)	( 52,274,700)
	<u>17,495,100</u>	<u>3,110,100</u>
Deferred:		
Provision for the year .....	13,595,300	19,891,300
Investment credit:		
Earned in current year .....	-0-	( 14,850,900)
Transferred to current (earned in prior years, applied on tax return in current year) .....	<u>16,103,800</u>	<u>52,274,700</u>
	<u>29,699,100</u>	<u>57,315,100</u>
Total income tax expense .....	<u>\$47,194,200</u>	<u>\$60,425,200</u>
The deferred expense consists of:		
Net current items .....	\$ 388,500	(\$ 2,242,900)
Net noncurrent items .....	<u>29,310,600</u>	<u>59,558,000</u>
	<u>\$29,699,100</u>	<u>\$57,315,100</u>

## Notes to Financial Statements

### Note D — Taxes on Earnings (Continued)

The Company's effective tax rate was 43.3% for 1978 and 39.5% for 1977. The rates are lower than the statutory federal rate of 48% primarily because of investment tax credits earned.

### Note E — Commitments

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

At December 31, 1978 the Company has contracted to purchase six B 747-200B and two B 727-200 jet aircraft and spare engines for delivery in 1979 and 1980 which will require expenditures of \$179,372,000 in 1979 and \$30,422,000 in 1980. Of these amounts, deposits of \$98,106,465 have been made with the manufacturers.

The Company has agreed to purchase four B 727-200, one B 747-200B and one B 747-200F jet aircraft for delivery in 1980; however, no firm prices have been contracted.

Leased property consists of space in air terminals, land and buildings at airports, and ticket, sales and reservation offices under noncancelable operating leases which expire in various years through 2008. Portions of these facilities are subleased under noncancelable operating leases expiring in various years through 1988.

Future minimum rental commitments at December 31, 1978 for noncancelable operating leases with initial or remaining terms of one year or more, of which \$186,053,000 is for air terminal and airport facilities, are as follows:

1979 .....	\$ 14,057,000
1980 .....	13,297,000
1981 .....	12,904,000
1982 .....	12,131,000
1983 .....	11,356,000
Thereafter .....	<u>136,014,000</u>
	199,759,000
Sublease rental income .....	( 7,187,000)
	<u>\$192,572,000</u>

Rental expense for all operating leases consisted of:

	1978	1977
Minimum .....	\$16,568,000	\$14,984,000
Sublease rental income .....	( 724,000)	( 610,000)
	<u>\$15,844,000</u>	<u>\$14,374,000</u>

## Notes to Financial Statements

### Note F — Contingencies

The Company is a defendant in a class action brought in 1970 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. The Court of Appeals for the District of Columbia affirmed the trial judge on all substantive issues and remanded the case for further consideration including (1) a redetermination as to whether plaintiffs seeking recovery under the Equal Pay Act may be entitled to liquidated damages which could effectively double the Company's liability to certain of the plaintiffs and (2) a determination of the appropriate statute of limitations applicable to the alleged Civil Rights Act violations which could also increase the Company's liability. After a denial of a motion for rehearing by the Court of Appeals, the Company petitioned the Supreme Court of the United States to review the decision of the Court of Appeals. That petition was denied on February 21, 1978. The case has been remanded to the trial court to decide the unresolved issues and to identify specific plaintiffs and the amounts to which they are entitled.

The Company estimates that its ultimate liability may range from approximately \$1 million to approximately \$50 million. However, either party has the right to seek appellate review of the case again following the trial court's further decision, so that no specific amount of ultimate liability may be estimated as probable.

The Company has brought action against the unions that represented the plaintiffs in the class action described above. The Company seeks indemnification and contribution from the unions for any liability for which the Company may ultimately be held responsible. The District Court held that the unions may be liable for contribution under the Civil Rights Act but not under the Equal Pay Act. Both parties have appealed the decision to the Court of Appeals. The outcome of the lawsuit cannot be predicted.

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. Company management does not believe that these actions will result in material liability to the Company.

### Note G — Pension Plans

The Company's pension expense was \$27,941,000 in 1978 and \$26,359,000 in 1977. Unfunded prior service costs at January 1, 1978 were estimated by consulting actuaries to be \$29,619,000.

The market value of the assets in all pension funds was \$187,368,000; \$14,889,000 less than the vested benefits estimated by the consulting actuaries.

## Notes to Financial Statements

### Note H — Export Sales

Northwest Airlines, Inc. is a scheduled air carrier engaged in commercial transportation of passengers, mail and cargo, and operates under certificates of public convenience and necessity issued by the Civil Aeronautics Board. Operating revenues include export sales of \$132,081,000, principally associated with countries in Asia. Revenue from sales consummated in foreign countries is considered to be export sales.

### Note I — 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, 1978 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 J — Quarterly Results of Operations (Unaudited)

The following is a tabulation of the unaudited quarterly results of operations for the two years ended December 31, 1978:

	Operating Revenues	Operating Expenses	Net Earnings	Earnings Per Share of Common Stock
<b>1978</b>				
First quarter . . . . .	\$ 275,616,289	\$250,983,242	\$16,563,127	\$ .77
Second quarter . . . . .	160,309,383	140,144,524	20,545,906	.95
Third quarter . . . . .	115,804,036	111,247,056	11,551,930	.53
Fourth quarter . . . . .	238,432,184	220,502,403	13,180,426	.61
	<u>\$ 790,161,892</u>	<u>\$722,877,225</u>	<u>\$61,841,389</u>	<u>\$2.86</u>
<b>1977</b>				
First quarter . . . . .	\$ 238,555,071	\$227,892,025	\$12,160,183	\$ .56
Second quarter . . . . .	251,588,606	224,975,908	27,238,413	1.26
Third quarter . . . . .	281,319,813	243,295,659	29,401,907	1.36
Fourth quarter . . . . .	274,891,282	245,607,615	23,918,287	1.11
	<u>\$1,046,354,772</u>	<u>\$941,771,207</u>	<u>\$92,718,790</u>	<u>\$4.29</u>

# 10 Year Summary\*

## NORTHWEST AIRLINES, INC.

(Dollars in thousands except per share figures)

	1978†	1977	1976	1975	1974	1973	1972†	1971†	1970†	1969
<b>Operating Revenues</b>										
Passenger .....	\$ 557,401	\$ 861,053	\$ 786,414	\$ 659,849	\$ 628,488	\$ 476,794	\$ 277,891	\$ 331,966	\$ 260,335	\$ 350,504
Cargo .....	87,077	121,185	119,882	88,308	76,157	55,280	34,694	39,641	30,053	51,006
Mail .....	18,944	29,894	25,137	23,280	22,911	18,415	13,309	19,443	18,958	29,386
Charter and other transportation .....	10,997	25,871	25,955	29,019	27,322	28,517	20,009	31,588	20,800	35,090
Nontransport .....	115,743	8,352	6,420	107	4,113	5,342	46,598	2,881	48,894	1,952
<b>Total Operating Revenues</b>	<b>\$ 790,162</b>	<b>\$ 1,046,355</b>	<b>\$ 963,808</b>	<b>\$ 800,563</b>	<b>\$ 758,991</b>	<b>\$ 584,348</b>	<b>\$ 392,501</b>	<b>\$ 425,519</b>	<b>\$ 379,040</b>	<b>\$ 467,938</b>
<b>Operating Expenses</b>										
Depreciation and amortization .....	\$ 104,970	\$ 103,152	\$ 102,713	\$ 98,880	\$ 96,213	\$ 87,642	\$ 81,054	\$ 77,245	\$ 69,173	\$ 60,833
Other .....	617,907	838,619	758,147	651,983	584,993	445,401	296,348	330,108	258,784	324,979
<b>Total Operating Expenses</b>	<b>\$ 722,877</b>	<b>\$ 941,771</b>	<b>\$ 860,860</b>	<b>\$ 750,863</b>	<b>\$ 681,206</b>	<b>\$ 533,043</b>	<b>\$ 377,402</b>	<b>\$ 407,353</b>	<b>\$ 327,957</b>	<b>\$ 385,812</b>
Operating income .....	\$ 67,285	\$ 104,584	\$ 102,948	\$ 49,700	\$ 77,785	\$ 51,305	\$ 15,099	\$ 18,166	\$ 51,083	\$ 82,126
Interest expense on long-term debt .....	(3,377)	(6,518)	(14,035)	(16,120)	(19,554)	(14,758)	(8,356)	(13,051)	(6,296)	(2,334)
Other income and (deductions) — net .....	45,127	55,078	9,351	13,509	40,148	19,133	10,510	6,685	(227)	1,181
Earnings before taxes .....	\$ 109,035	\$ 153,144	\$ 98,264	\$ 47,089	\$ 98,379	\$ 55,680	\$ 17,253	\$ 11,800	\$ 44,560	\$ 80,973
Income taxes .....	47,194	60,425	46,527	3,693	33,631	3,830	(429)	(9,561)	121	29,507
<b>Net Earnings</b> <sup>(1)</sup> .....	<b>\$ 61,841</b>	<b>\$ 92,719</b>	<b>\$ 51,737</b>	<b>\$ 43,396</b>	<b>\$ 64,748</b>	<b>\$ 51,850</b>	<b>\$ 17,682</b>	<b>\$ 21,361</b>	<b>\$ 44,439</b>	<b>\$ 51,466</b>
Earnings per average share <sup>(1)</sup> .....	\$ 2.86	\$ 4.29	\$ 2.39	\$ 2.01	\$ 3.00	\$ 2.40	\$ .83	\$ 1.01	\$ 2.11	\$ 2.55
Cash dividends .....	16,210	10,804	9,707	9,710	9,722	9,722	9,620	9,518	9,465	9,117
Dividends per share .....	.75	.50	.45	.45	.45	.45	.45	.45	.45	.45
Stockholders' equity .....	793,691	747,672	665,744	623,677	589,991	534,965	492,837	477,054	465,210	426,797
Number of shares outstanding at end of year .....	21,626,284	21,606,686	21,606,036	21,604,136	21,604,136	21,604,136	21,604,136	21,149,756	21,149,756	20,914,272
Book value per share at end of year <sup>(2)</sup> .....	\$ 36.70	\$ 34.60	\$ 30.81	\$ 28.87	\$ 27.31	\$ 24.76	\$ 22.81	\$ 22.56	\$ 22.00	\$ 20.41
<b>Assets and Long-Term Debt</b>										
Flight property at cost .....	\$ 1,525,442	\$ 1,510,447	\$ 1,448,402	\$ 1,420,670	\$ 1,282,556	\$ 1,216,632	\$ 1,008,041	\$ 1,012,568	\$ 929,181	\$ 697,938
Flight property at net book value .....	922,615	962,957	924,537	977,062	907,935	861,231	682,020	709,433	668,129	492,241
Total assets .....	1,392,865	1,299,451	1,151,562	1,215,146	1,121,153	1,085,632	920,418	944,302	923,126	742,732
Long-term debt .....	100,000	100,000	122,000	246,000	213,900	284,000	208,000	252,500	260,915	112,000
<b>Unit Expenses</b>										
Per available ton-mile .....	27.9¢	22.9¢	21.6¢	20.6¢	19.9¢	15.8¢	16.9¢	14.5¢	18.0¢	15.2¢
Per revenue ton-mile .....	65.7¢	54.4¢	50.5¢	50.2¢	48.2¢	42.5¢	49.6¢	42.1¢	43.5¢	34.5¢
Per cent of operating revenues .....	91.5%	90.0%	89.3%	93.8%	89.8%	91.2%	96.2%	95.7%	86.5%	82.4%
<b>Statistics — Scheduled Services</b>										
Revenue plane-miles (000) .....	66,420	111,271	108,474	104,104	105,295	108,853	79,025	100,992	83,177	123,966
Available seat-miles (000) .....	14,302,037	22,968,489	22,228,259	20,910,966	20,016,107	19,593,379	12,963,054	15,614,614	10,234,060	13,504,111
Revenue passenger-miles (000) .....	7,018,305	11,100,412	10,758,683	9,471,282	9,173,875	8,007,850	4,565,618	5,553,043	4,506,256	6,208,725
Passenger load factor .....	49.1%	48.3%	48.4%	45.3%	45.8%	40.9%	35.2%	35.6%	44.0%	46.0%
Revenue passengers carried .....	6,574,901	10,354,808	9,818,343	8,865,263	8,948,373	7,987,299	5,150,636	6,089,273	4,682,812	7,517,780
Freight and express ton-miles (000) .....	302,153	458,143	467,399	386,309	317,437	251,865	150,973	161,345	110,215	198,494
Total revenue ton-miles (000) .....	1,079,681	1,676,470	1,647,317	1,428,381	1,330,803	1,140,983	672,035	813,403	655,339	942,050
<b>Statistics — Total Operations</b>										
Revenue plane-miles (000) .....	67,471	114,643	112,279	107,721	110,519	115,726	84,098	110,045	89,938	135,563
Available ton-miles (000) .....	2,594,632	4,109,110	3,982,743	3,642,650	3,431,038	3,370,694	2,236,069	2,806,407	1,819,439	2,535,137

\*Not covered by Accountants' Report

†Strikes adversely affected 1970, 1972 and 1978 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 1970 and 1972.

## Report of Ernst & Ernst, Independent Accountants

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, 1978 and 1977, 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, 1978 and 1977, 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, 1979

## 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 such 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.

## Service Highlights

(continued from page 7)

• NWA's route system became better integrated and provided a number of new single plane services to Northwest cities. For example, several Montana cities served by NWA now have one-plane flights to San Francisco.

### Mainland China Flights

Northwest Airlines was authorized by the United States government to serve mainland China on July 20, 1946. During the period from 1947-1949, NWA operated scheduled flights between Manila, Shanghai and Tokyo and this service represented nearly 30 per cent of Northwest's international passenger traffic at that time.

NWA has indicated both its ability and its desire to resume scheduled service from the U.S. to mainland China to the appropriate agencies of the U.S. government.

### Automatic Entry Program

One of the provisions of the newly-enacted Airline Deregulation Act of 1978 permits each U.S. scheduled airline to select one new non-stop route each year for the next three years. These routes will automatically be awarded regardless of how many other carriers select them.

NWA selected the Seattle-Los Angeles market for its first automatic route entry. The prime reasons for its selection were:

- The market has 575,000 passengers annually.
- NWA anticipates an increased share of Los-Angeles-Orient and Alaska traffic via connections and single plane services through Seattle.
- NWA has existing operations at both cities.
- The route is a major step in closing the gap on the western end of Northwest's domestic route-structure.

Under the Deregulation Act, each scheduled airline was also permitted to protect one of its non-stop routes from added competition for a one year period. NWA selected its Seattle-Twin Cities route, which it pioneered in 1933 and which has been a strategic part of the airline's system since.

### Other Route Expansion

During the past year, a number of other route expansions has occurred. On January 9, 1978, the CAB issued an all-cargo certificate to Northwest which authorizes it to operate between any two points in the United States, between any point in the United States and Puerto Rico or the U.S. Vir-

gin Islands and between any point in Puerto Rico and the U.S. Virgin Islands.

Northwest also received authority to operate nonstop between Pittsburgh and Midway Airport; a route between Chicago and Boston via Syracuse and Albany; and a route between Des Moines and Atlanta via Quad Cities and Peoria. In addition, it was granted exemption authority to provide service between Amsterdam and New York/Chicago; between Honolulu and Taipei via Guam and Okinawa; and between Chicago or Miami and San Juan/St. Croix. None of this authority is currently being operated.

Further expansion of NWA's domestic and international route structure in 1979 is possible. Northwest has already tentatively been awarded, or is seeking, additional route authority in a number of other proceedings before the Civil Aeronautics Board. These are summarized in the table below.

### Status of NWA Route Authority Requests

1. A Show Cause Order has been issued which would eliminate certain of the operating restrictions in Northwest's certificate.

2. Interlocutory Orders have been issued and the required documentation submitted which would secure for Northwest the following nonstop authority:

- Boston/Chicago/New York/Philadelphia/Washington-Fort Myers
- Atlanta-San Francisco and San Jose
- Atlanta-Cleveland and Detroit
- Dallas/Fort Worth-New Orleans and Albuquerque
- Boston/New York/Newark/Philadelphia-San Juan and New York/Newark-St. Thomas and St. Croix
- Colorado Springs-Denver/Dallas/Fort Worth/St. Louis/Chicago
- Denver-Los Angeles
- Denver-San Francisco and San Jose
- Memphis-Norfolk/Denver/Las Vegas/San Diego/San Francisco/Oakland/San Jose/Houston/Seattle
- Salt Lake City-Albuquerque/Atlanta/Boise/Dallas/Fort Worth/San Antonio
- Denver-Detroit
- Dallas/Fort Worth and Houston-Detroit/Cleveland/Pittsburgh
- Las Vegas-Chicago and New York
- Pittsburgh-Charlotte and Raleigh/Durham
- Cleveland-Orlando/Daytona Beach/Sarasota/Fort Myers
- Dallas/Fort Worth-Denver/Portland/Seattle
- Atlanta-Dallas/Fort Worth
- Reno-Chicago
- Albuquerque-St. Louis/Atlanta
- Atlanta-Dallas/Fort Worth/Houston and Denver-Atlanta
- Dallas/Fort Worth-Denver/Seattle/Portland with a long haul restriction that all flights over this segment serve Dallas/Fort Worth.
- Birmingham-Cleveland/Dallas/Fort Worth/Houston/Philadelphia/Pittsburgh/St. Louis/Tampa/Washington
- St. Louis/Des Moines/Norfolk and Salt Lake City-San Francisco/San Jose/Oakland/Los Angeles/Ontario/Portland/Seattle/Sacramento/San Diego.

## Orient Region Highlights

# NWA Opens New Hotel at Narita Airport; Trans Pacific Traffic Continues Strong Growth

The past year was one of 'grand openings' and continued growth for the division of Northwest Airlines commonly called 'The Orient Region'.

Created 31 years ago when NWA acquired its rights in 1947 to serve Japan, Korea, mainland China and the Philippines, the Orient Region is headquartered in Tokyo.

### NWA Hotel Opens

In 1978, NWA's Orient Region saw the long-delayed opening of Narita International Airport take place on May 20. The very next day, the Orient Region staff opened the airline's new Narita International Hotel.

With 212 rooms, the hotel was designed primarily to accommodate NWA's international passengers transiting Tokyo to other destinations. Situated on 25 landscaped acres, the hotel is just 15 minutes from Narita International Airport.

### Osaka Gets 747's

Another 'opening' took place on April 24 when Osaka's airport began permitting operations by Boeing 747 aircraft. This had not been permitted previously and, as a result, Northwest had been forced to use a Boeing 727-200 to provide service between Osaka and Tokyo and Taipei.

Today, NWA conducts its operations into and out of Osaka exclusively with Boeing 747 equipment.

### Tokyo-Chicago Non-Stops

Non-stop 747 service between Tokyo and Chicago was increased to daily frequency on December 1, 1978 by Northwest.

This service, which is the fastest way to and from Tokyo for most American cities east of the Mississippi River, has been exceptionally well received since it was inaugurated on June 8, 1977.

Today, NWA operates four daily 747 flights across the Pacific in each direction — a total of 28 times each week. In addition, 747 service is provided twice weekly between Tokyo and Anchorage.

### Tour Sales Strong

Orient tour sales were very strong in 1978. As an example, Northwest's exclusive 'Orient Escape'

program produced nearly 4,000 passengers alone during the first four months of 1978 — making it the most popular Orient tour sold in North America.

Tours from Japan to the U.S. mainland and Honolulu showed a total of 41,292 passengers during the first four months of 1978 and 30,245 passengers during the last four months of 1978.

### Cargo Grows Too

Air freight shipments to and from the Orient also registered encouraging gains during 1978 — especially in west-bound traffic, which helped create a better balance in movements.

An NWA 747F freighter set a west-bound single plane record on September 3, 1978 when it carried 179,314 pounds of cargo. East-bound, NWA's freighters frequently carry in excess of 200,000 pounds of cargo.

NWA's exclusive ability to cool the 747F's main deck has permitted the carriage of fresh and frozen seafood to Japan. In September of 1978 alone, a total of 500,000 pounds of seafood was carried on NWA's scheduled freighter service without the need for special containers.

### Left top

**HONG KONG STREET SCENE . . .** Three NWA cargo sales executives pause to review their day's activity in a downtown section of Kowloon. Two Northwest air freight containers are shown on a Star Air Freight truck in the background.

### Right top

**RESERVATIONS NERVE CENTER . . .** Serving the five million residents of Hong Kong as well as much of southeast Asia is this NWA reservations center located at No. 2 Ice House Street on Hong Kong Island.

### Right center

**LOTS OF LIFT . . .** One of NWA's four Boeing 747F all-cargo freighters awaits loading at Hong Kong's Kai Tak airport while a Northwest cargo executive checks a container.

### Bottom

**NWA's NARITA HOTEL . . .** Just 15 minutes from Tokyo's new Narita International Airport lies Northwest Airline's new Narita Hotel. With 212 rooms, it is situated on 25 lovely landscaped acres.



# Northwest Orient's Fan-Jet Fleet

Total 106 as of December 31, 1978



**22** McDonnell Douglas  
DC10-40 Fan-Jets  
Range of 5,100 miles with  
236 passengers.



**17** Boeing 747 Fan-Jets  
12 with range of 5,460 miles  
with 369 passengers.  
5 with range of 6,670 miles  
with 363 passengers.



**4** Boeing 747F Freighters  
All cargo aircraft capable of  
carrying a structural payload  
of 262,900 pounds.



**44** Boeing 727-200 Fan-Jets  
Range of 1,760 miles with  
128 passengers.



**19** Boeing 727-100 Fan-Jets  
Range of 2,380 miles with  
93 passengers.

## The Directors of Northwest Orient Airlines\*

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

E. W. Blanch, Jr. †  
President & Chief Executive Officer  
E. W. Blanch Company  
Minneapolis, Minnesota  
*(Re-insurance brokerage)*

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

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

James N. Land, Jr. †  
Financial Consultant  
New York, New York

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

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

Donald W. Nyrop †  
Consultant to  
Northwest Airlines, Inc.  
St. Paul, Minnesota

Lyman E. Wakefield, Jr. †  
Chairman of the Board, Resource Trust Co.  
Minneapolis, Minnesota

†Member, Audit Committee

## The Officers of Northwest Orient Airlines\*

M. Joseph Lapensky  
President & Chief Executive Officer

James A. Abbott  
Vice President-Law

Robert W. Campbell  
Vice President-Budgets

J. William Campion  
Vice President-Regulatory Proceedings

Roy K. Erickson  
Vice President-Public Relations

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

T. J. Koors  
Vice President-Transportation Services

William A. Kutzke  
Vice President

Thomas E. McGinnity  
Vice President-Purchasing and Stores

Bryan G. Moon  
Vice President-Advertising

James F. Redeske  
Vice President-Personnel

Steven G. Rothmeier  
Vice President-Finance and Treasurer

Robert E. Strite  
Vice President-Comptroller

Steven D. Wheeler  
Assistant Secretary

Robert J. Wright  
Vice President-Sales

\*As of March 15, 1979

### 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 Exchange,  
Pacific Coast Stock Exchange and Midwest Stock Exchange

### General Offices:

Minneapolis-St. Paul International Airport, St. Paul, Minnesota 55111



