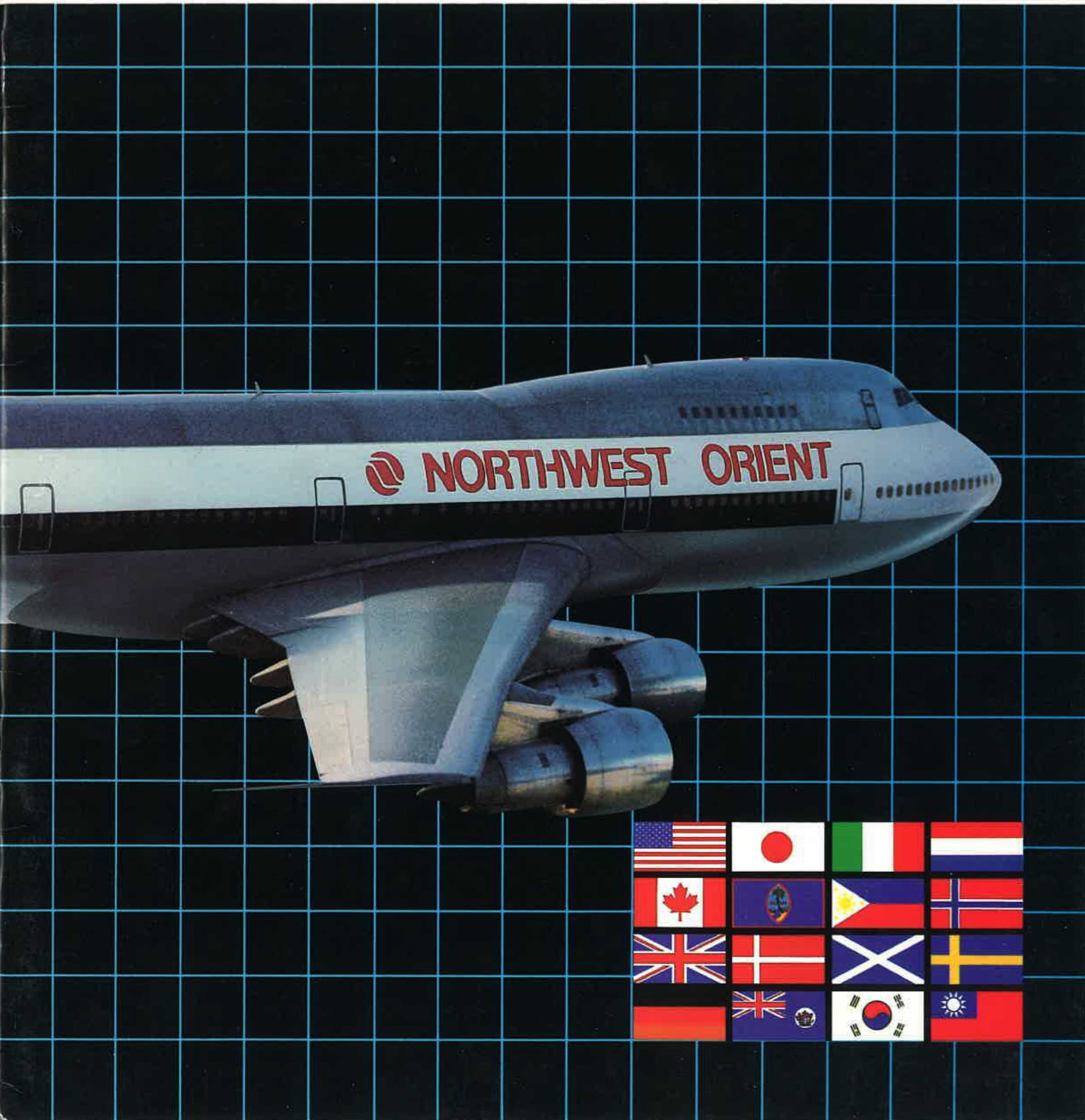
NORTHWEST ORIENT AIRLINES

ANNUAL REPORT 1982



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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 37,000 route miles and serves directly cities in 26 states of the 48 contiguous states, as well as Alaska, Hawaii, Guam, the District of Columbia, Canada, countries in Asia, including Japan, Korea, Taiwan, Hong Kong and the Philippines and countries in Europe including Sweden, Denmark, England, Netherlands, Ireland, Germany, Norway, and Scotland.

NORTHWEST ORIENT AIRLINES HIGHLIGHTS

	1982*	1981	1980
Total Operating Revenues	$1,877,568,000	$1,854,290,000	$1,639,330,000
Operating Income (Loss)	(8,375,000)	1,747,000	(24,134,000)
Net Earnings for the Year	5,019,000	10,460,000	7,084,000
Per Common Share	.23	.48	.33
Per Dollar of Revenue	.3¢	.6¢	.4¢
Stockholders' Equity	820,605,000	832,510,000	839,042,000
Per Common Share	37.85	38.43	38.76
Dividends Paid	17,332,000	17,326,000	17,317,000
Operating Expenses:			
Per Available Ton-Mile	40.7¢	41.0¢	37.0¢
Per Revenue Ton-Mile	80.3¢	83.9¢	80.6¢
Revenue Traffic:			
Passengers Carried	11,356,000	11,145,000	11,501,000
Passenger-Miles Flown	15,675,194,000	14,251,932,000	13,810,889,000
Ton-Miles, Mail & Freight	739,955,000	761,622,000	667,260,000
Common Shares at Year End	21,678,000	21,661,000	21,647,000
Employees:			
Number at Year End	13,754	13,096	12,748
Total Wages and Benefits	$478,953,000	$444,054,000	$403,452,000

*Operating results were affected by a major strike which extended from May 22, 1982 to June 17, 1982

NORTHWEST ORIENT AIRLINES FLEET

Aircraft Type	As of February 28 1983	1982
B727-100	8	8
B727-200	54	52
DC-10-40	22	22
B747	24	24
B747F	5	5
Total	113	111

FROM THE PRESIDENT
THE 56TH ANNUAL REPORT TO SHAREHOLDERS

Northwest Airlines reported net earnings of $5,019,000 in 1982, making this carrier one of only three major U.S. airlines to record a profit for the year.

Although net earnings were down from the $10,460,000 posted in 1981, our 1982 earnings were realized in the face of an extremely difficult environment—the weak state of the U.S. and worldwide economy; extensive fare discounting on an industry-wide basis; and increased competition for the generally lower traffic available. More importantly to Northwest, a difficult 26-day strike by our machinists' union in May-June adversely affected operating income during those months, and to some extent in July.

These conditions notwithstanding, we succeeded in increasing Northwest's passenger-miles for the year by 10 percent, improved our passenger load factor to nearly 60 percent; and we continued to hold the line on operating expenses.

PROGRESS IN 1982

Northwest Airlines made progress in several important areas of our operation to strengthen the company:

- The last of Northwest's $100,000,000 term loan was retired late in 1982, making NWA the only major U.S. airline to carry no long-term debt at year end.
- We continued our program to increase aircraft seating capacity and to improve passenger comfort at a cost far less than the purchase of new aircraft. When this program is completed in 1984 we will have added 2,840 new seats to our fleet—the equivalent of 14 new airplanes. In addition, weight reduction from the installation of lighter seats will result in fuel savings.
- We established a new airline planning department designed to coordinate Northwest's route development, scheduling and pricing policies.
- We settled the new machinists contract on reasonable pay terms and with several concessions from the union, including cross utilization of employees; redefinition of jobs for greater productivity; job transfer restrictions; and extended contract duration. Altogether, we successfully negotiated long-term contracts with twelve union groups in 1982, covering more than 65 percent of our unionized work force.

ROUTE DEVELOPMENT IN 1982

Northwest became the only airline offering full-size Boeing 747 nonstop flights between New York and Tokyo. We also increased to daily our nonstop service between Los Angeles and Tokyo, and increased the frequency of nonstop flights between Seattle and Seoul, Korea. All in all, we provided 50 transpacific passenger and cargo round trips per week in 747 aircraft from New York, Chicago, Los Angeles, Seattle, Anchorage and Honolulu to points in the Orient.

We also strengthened our domestic system by adding eight new cities—for the most part feeding our growing hub and spoke operation at the Twin Cities. With the addition of Denver, Dallas/Ft. Worth, Omaha, Wichita, Kansas City, San Diego, West Palm Beach and Grand Rapids, we now serve 57 cities in 28 states, extending also to 14 foreign countries.

Freighter services were added at San Francisco to strengthen our West Coast–Orient market, and at Atlanta providing that city with its only 747 all-cargo service. Finally, Oslo was added as our new Scandinavian freighter destination.

NEW OFFICERS—NEW DIRECTOR

We accomplished strengthening of our top management team during the past year. Steven G. Rothmeier was named executive vice president-finance and administration and was elected as a member of Northwest's Board of Directors. Thomas J. Koors was elected executive vice president-marketing and sales early in 1983. William A. Kutzke was elected vice president of the newly created airline planning department and Terry M. Erskine was elected vice president of industrial relations to handle all union contract negotiations and related matters. Bjarnie R. Anderson was elected to the post of vice president–Washington.

Robert A. Charpie president of Cabot Corporation of Boston was elected to Northwest Airline's Board of Directors at its January 28, 1983 meeting.

OUTLOOK

Fare discounting and a weak economy will continue to bear adversely on our financial results until we see a meaningful upturn in U.S. and world business, perhaps at some point in 1983. However, Northwest Airlines is fully prepared to maintain its strong position in the industry during the coming year. Many airlines are in difficult straits with overwhelming debt loads and inadequate cash flow, but your company stands strong and ready for whatever may come—be it continued hard times or a surge of new prosperity.

Northwest Airlines is staffed with highly trained, and dedicated employees whom we thank for their outstanding work in 1982. To our shareholders—we appreciate your continued confidence and we will do everything possible to make 1983 a successful year for Northwest Airlines.

Sincerely,

M. J. Lapensky

M.J. Lapensky
President and Chief Executive Officer
March 25, 1983

Northwest Airlines is the only airline to offer reclining sleeper seats in Executive class.

MARKETING HIGHLIGHTS

STRATEGIC PLANNING PAYS MARKETING DIVIDENDS

Northwest's aggressive marketing program is a key to increasing traffic and revenues. Since the advent of deregulation, Northwest has made significant progress developing as a marketing-oriented company. Northwest will continue to generate those areas of traffic flow it lacked prior to deregulation and will capitalize on its current strengths in domestic and international markets.

The key support tool for Northwest's marketing efforts was the airline's advertising plan. In the United States a proliferation of low fares escalated toward year end. Northwest's domestic advertising, already geared to segmented marketing, provided ongoing tactical support to each of the system's 57 on-line markets in a manner designed to protect those markets without further escalating fare wars. Coincident advertising introduced Northwest to eight new domestic markets and by year end the airline's service identity was established in these markets.

Other successful campaigns included Free Flight Plan II and the winter-vacation Sunship promotion. Northwest introduced an expanded Free Flight program in 1982 designed to encourage the repeat traveler. The new program permits flyers to earn round-trip transportation to any of the 75 cities served by Northwest in 28 states and 14 foreign countries except Canada. Northwest's Free Flight Plan II is unique among free-travel programs in that it is based simply on the number of segments traveled, not complicated mileage computations. In addition, it is the only free-travel program extended to the passenger's professional travel planner.

As part of Northwest's winter-vacation Sunship promotion, special first-class Sunship fares to Florida, California and Arizona were offered in northern states between January and March 31, 1983. A Northwest Sunship ticket entitled the holder to the added incentives of one free night of lodging at participating Holiday Inns when two additional nights were purchased, and one day free use of a rental car.

INCENTIVE AND CHARTER SALES SHOW GROWTH

Northwest's incentive travel sales increased dramatically in 1982 as travel continued to be the number one motivational tool used by large corporations and dealerships to increase sales. International guaranteed airfare agreements were signed with major incentive houses across the United States to spur incentive sales.

In early 1982, Northwest transported more passengers to Las Vegas on a charter or scheduled basis than any other carrier. Eight weekly 747 charters to Las Vegas dominated the upper midwest market. In other markets, Northwest charters were involved with transporting professional football teams, corporation and leisure travel programs, cargo and live animals.

The past year also marked the successful introduction of part charters. Under this program, limited seat inventory on regularly scheduled flights to Honolulu is contracted to tour operators.

Due to the recession, convention, conference and meeting attendance became discretionary in 1982 as many businesses sought to reduce their expenses. In response, Northwest introduced new convention air-fare programs, designed to meet the heightened airline price competition and encourage delegate attendance.

TRAVEL AGENTS AND COMMUTER AIRLINES IMPORTANT TO MARKETING PLAN

Sales by retail travel agents account for about 80 percent of Northwest's total passenger sales, and the company is strongly emphasizing the development of automated reservation and ticketing programs for travel agents.

Northwest is participating in the MARS/PLUS multi-access and American Airlines SABRE reservation systems, which permit nearly 7,000 U.S. travel agents to access Northwest's flight schedules in a more efficient manner. The company is also in the process of negotiating agreements to enhance its participation in the reservation systems of four other U.S. and Canadian airlines. In addition, Northwest is involved with or developing plans for automated reservation systems in England, Ireland, Scotland, Japan and Hong Kong.

Airline deregulation has resulted in a tremendous increase in the number of commuter carriers and in the number of cities they serve. Northwest is working to establish closer working relationships with these carriers to provide additional interline feed potential from cities not served by Northwest.

FIELD AND TOUR SALES REFLECT MARKETING STRENGTH OF NORTHWEST

Northwest's field sales organization includes 59 sales offices handling nearly 58,000 accounts. This organization was expanded in 1982 by the addition of four sales districts in Kansas City, Omaha, Fort Lauderdale and Denver.

The Sales Support Team Program that was developed in 1981 for North Dakota was expanded to all offices in Montana, plus Edmonton, Winnipeg and Orlando. Field Sales also continued its extensive sales and promotions training program for all reservation sales personnel in New York, Tampa, Minneapolis/St. Paul, Seattle and Los Angeles.

Northwest's Tour Sales division reported substantially higher revenues and traffic in 1982. These gains were partially due to Northwest's expansion into new domestic markets such as Denver, where a strong base of business from tour operators and wholesalers was established during the year. The strength of the U.S. dollar and increased buying power overseas also made international travel extremely attractive for tour passengers in 1982.

An example of transatlantic tour development was the consolidation of Northwest service to London, Glasgow and Shannon, Ireland, into a single tour itinerary in 1982. This generated over 5,000 passengers and an expanded program is planned for 1983. The Peoples' Republic of China was also a popular destination for Northwest tour travelers in 1982. Tours featuring China, but also including visits to other Northwest destinations in the Orient, recorded sizeable increases during the year.

CARGO SALES

Northwest is the third largest air-cargo carrier in the United States in terms of freight ton-miles and sixth largest in the world. Freighters generate the majority of Northwest's freight revenue ton-miles, with 60 percent of the total moving in the 747F. In addition, all of Northwest's passenger 747s and DC-10s are equipped to handle efficient cargo containers.

Due to the prolonged impact of the weak global economy and the 26-day strike by Northwest's Machinist's Union, total freight ton-miles declined 2.6 percent in 1982. Total freight revenues were also down 7.5 percent in comparison to 1981. Northwest's cargo sales respond directly to the level of economic activity in the United States and abroad. This sensitivity to prevailing economic conditions explains the lower volume of cargo business in 1982 and is why this segment should be an early beneficiary of a strengthening economy.

However, significant strides were made in increasing the average daily utilization of all-freighter aircraft. These improvements resulted from a thorough analysis of air-freighter scheduling which, in turn, led to a number of schedule changes. Moreover, to further penetrate its share of the air freight market, Northwest expanded its service into several key world markets.

The inauguration of 747 freighter service to San Francisco positioned Northwest in the strategic West Coast-Orient market. With service already in place at Los Angeles and Seattle, Northwest is a major participant in the growing volume of trade with the nations of the Pacific basin. In addition, shipments of California produce continue to expand through the San Francisco gateway.

In October, Northwest also inaugurated service to the two important freight hubs of Atlanta and Oslo. The new service to Atlanta, which bolsters Northwest's growing presence in the Sunbelt, provides the city with its only all-cargo 747 service. Distributors in the Southeast now have superior overnight export-import service with the Orient and Europe.

Oslo replaced Stockholm as Northwest's Scandanavian freighter destination. This move is intended to help Northwest capitalize fully on the developing global market for Norwegian seafood.

Northwest continued to bolster its position in the energy-related Houston market and took steps that should further strengthen its market share of the freighter service linking the Texas oil equipment supply industry with oil fields in the North Sea, Alaska's North Slope and Southeast Asia. Earlier in the year, an oil rig flex joint weighing 66,952 pounds was boarded in Houston and flown to the North Sea. This was the largest piece of cargo ever moved by Northwest's cargo system.

Northwest also became a major competitor in the livestock and meat charter market in 1982. In June, 300 Holstein breeder heifers were shipped from Minneapolis to Seoul, South Korea, thus clearing the way for future air exports of livestock from the Upper Midwest. Later in the year, Northwest shipped 3,200 pounds of steaks and roasts from Minneapolis to London, becoming the first air carrier to ever transport meat to the United Kingdom.

Ground was broken for a new $5 million Northwest cargo facility at Boston's Logan Airport. The new Boston facility at Bird Island Flats will occupy seven acres adjacent to the airport, include 60,000 square feet under roof with plant maintenance facilities and parking capability for two 747 freighters. At New York's JFK Airport $7.7 million will be spent in 1983 to modernize the cargo-handling system. Other Northwest cargo terminal enhancements are being completed in Milwaukee, Honolulu, Ft. Myers, Orlando, New Orleans and Winnipeg, Canada.

Robert J. Wright

Robert J. Wright, vice president of sales retired early in 1983 after 37 years of service with Northwest Airlines. He began his career in Seattle in 1946 and soon was transferred to Anchorage. During the next 12 years Wright held sales positions of increased responsibility in Washington, D.C., Cleveland, Honolulu, Detroit and Minneapolis/St. Paul. He was elected vice president of sales in 1961. Robert J. Wright's ability to get things done earned him the respect of his fellow employees and also of his marketing associates throughout the airline industry.

New York to Tokyo non-stop service was inaugurated in 1982. Northwest operates the only full size 747 in the market and expanded frequencies to four times each week and in 1983 to 5 times each week.

SERVICE HIGHLIGHTS

NEW INTERNATIONAL AND DOMESTIC ROUTES

In 1982 Northwest marked its 35th year of service to the Orient and became the only airline offering full-size, Boeing 747, non-stop service between New York and Tokyo. Inaugurated on the basis of two round-trips per week, the service was later increased to four per week. This new service also allows Northwest to offer one-stop, same airline service to seven other cities in the Orient: Hong Kong, Seoul, Manila, Taipei, Okinawa, Osaka and Guam. The daily non-stop New York-Tokyo service brings the number of non-stop and one-stop flights in the New York-Tokyo market to nine each week.

In addition, daily non-stop service between Los Angeles and Tokyo, and additional Seattle-Seoul non-stop service, were added to the existing daily non-stop flights between Chicago, Seattle and Tokyo. Northwest remains the only U.S. airline operating non-stop service between Chicago and Japan. Further improvements in Northwest's service to the Far East are planned for 1983.

Northwest began service to the Orient in 1947 and by 1982 provided 50 transpacific passenger and cargo round trips each week from the gateways of New York, Chicago, Los Angeles, Seattle, Anchorage and Honolulu.

In another expansion of its international routes, Northwest added new non-stop flights from Miami to Copenhagen, which continue to Stockholm. The added frequency and convenience of this new service on full-size 747s supplements Northwest's extensive transatlantic schedule, which included 29 flights per week in each direction during the peak season of 1982. Northwest now offers non-stop or direct service to eight European cities from the Twin Cities, Boston and other U.S. cities.

Northwest strengthened several areas of its domestic service in 1982. Altogether, Northwest added eight new cities to its 37,000-mile route system. The airline now serves 75 cities in 28 states and 14 foreign countries.

Daily round-trip service was inaugurated between Minneapolis/St. Paul and Denver, Dallas/Fort Worth, Omaha, Wichita and Kansas City. Northwest entered the San Diego market, inaugurating service to Los Angeles, Seattle and Minneapolis/St. Paul. In addition, service was introduced between Grand Rapids, Michigan and Detroit, Washington D.C. and Minneapolis/St. Paul, and daily, non-stop service was added between Seattle and Denver. Also in 1982, Northwest expanded service between Minneapolis/St. Paul and New York, Washington, D.C., San Francisco, Spokane, Seattle and several cities in North Dakota. Northwest became the only airline offering daily, non-stop, low-fare, roundtrip service between Chicago and Washington, D.C.'s Dulles Airport.

Northwest also expanded its Florida service in 1982, introducing two direct flights daily from Minneapolis/St. Paul and Chicago to West Palm Beach, via Northwest's Tampa/St. Petersburg hub. West Palm Beach became the seventh Florida city served by Northwest.

To further expand its Florida service, Northwest signed an agreement with Dolphin Airways of Tampa providing air travelers with superior service to many key cities in Florida. Under this agreement, Dolphin is using Northwest's gate and ticket-counter facilities at Tampa, Orlando, Miami and New Orleans, thus facilitating connecting service between Northwest and Dolphin through these cities. This will benefit travelers by offering lower fares, greater convenience in booking reservations and easier connecting service to many Florida destinations.

AUTOMATED SYSTEMS EXPANDED

Northwest continued making strides in 1982 as an industry leader in the area of automated systems employing state-of-the-art computer technology. Resulting from strategic planning, much of this activity focused on major enhancements to the $15 million POLARIS computerized reservations system that was activated in 1981. Other advancements to upgrade the airline's communications capabilities as well as refining and expanding the extensive on-line computerized data base are under way.

One such communications improvement underway is Northwest's computerized flight planning system in which all of the complex factors governing every Northwest flight will be pre-programmed into the computer system. Computerized flight plans are already used for Northwest's international flights and will now be extended to shorter domestic routes. As an automated system, this program has the potential for significant fuel savings, since all manual calculations and estimates on such factors as required fuel loads will be eliminated.

In addition to enhancing its computerized flight planning system, Northwest is developing its own high-speed private-line weather distribution network. Weather data will be programmed into Northwest's systemwide computer system and distributed via computer terminals to every point served by Northwest aircraft. This will result in significantly faster weather communications and will be totally owned and operated by Northwest.

Automated Ticket Printers and Call Distribution System

By mid-1983, new state-of-the-art, fully automated ticket printers will be installed at all Northwest airport ticket counters and city ticket offices. An enhancement to the POLARIS system, these high-volume printers produce a more legible ticket at faster speeds. About 115 of these printers will replace the 30 existing machines. The greater number of machines, combined with their improved capabilties, will permit this automated system to handle nearly 95 percent of Northwest's ticket printing needs.

Northwest's Automatic Call Distribution System (ACD) was completed in 1982 with the installation of sophisticated, electronic telephone systems at the New York and Los Angeles reservations centers. The rerouting of customer calls from a busy reservation center to one where a ticket agent is available can now be accomplished between the six centers from coast to coast. Each costing more than $1 million, the ACD system will greatly reduce reservation response time, permit call load balancing, increase reservation sales productivity and insure reliability and its uninterruptible back-up power supply.

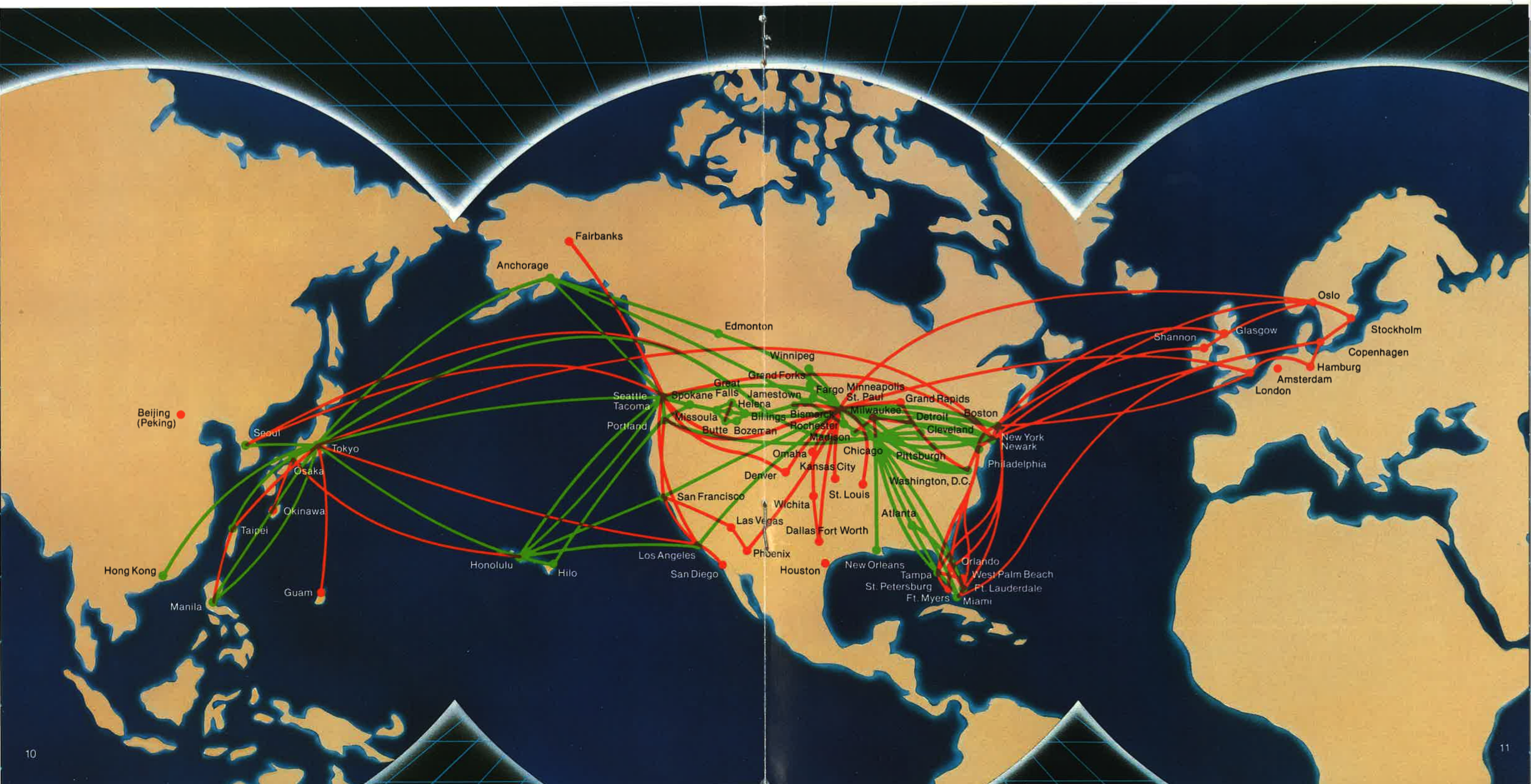
An additional improvement implemented by Northwest in 1982 to benefit its customers was the introduction of a new, single 800 (800-225-2525) number in 1982 for making reservations anywhere in the continental United States, Puerto Rico and the Virgin Islands.

Cargo Container Control System

Every Northwest DC-10 and Boeing 747 is equipped to handle cargo containers, which represent the most efficient way to handle large volumes of freight. A new, fully automated control system is being implemented which will track Northwest's container fleet and monitor where containers are positioned at any given moment around the

NORTHWEST ORIENT AIRLINES ROUTE SYSTEM

Route system prior to deregulation
Routes added after deregulation



world. The result of this computerized system will be higher utilization of the container fleet as well as the ability to provide containers when and where they are needed.

NEW SERVICES FOR BUSINESS PASSENGERS

Northwest Airlines introduced Executive Suite service, a new concept in business travel between the United States and Scandinavia, Ireland and Scotland. It offers all the amenities of first class travel at a business class fare.

Northwest Airlines executive class is the only business class service in the airline industry to offer reclining sleeper seats without additional charge. Northwest executive class service is offered on all international flights and occupies Zone B and the upper deck section of the airline's 747 aircraft. Other features include advance seat selection, special check-in, upgrading to first class on the domestic segments of the flight—space permitting—Regal Imperial cocktail and dining service. Executive suite and executive class have gained wide customer acceptance.

INCREASED SEATING CAPACITY AND COMFORT

Northwest continued its program of increasing aircraft seating capacity and improving passenger comfort at a total cost far less than that for purchasing additional airplanes. Reconfiguration work on the fleet of 24 Boeing 747s will be completed in 1983, with work on the 22 McDonnell-Douglas DC-10s beginning this spring and scheduled for completion in early 1984. Together with the increased seating capacity attained on the 727-200 aircraft in 1982, these new seating reconfiguration programs will result in total seat additions equal to 14 new aircraft: seven new 727-200s, five new DC-10s and two new 747s.

The 747 reconfiguration increased capacity from 367 to 394 seats on each plane. In additon, the executive-class compartment was made more spacious, has specially designed seats and provides the business traveler with seating in either the upper lounge or main deck of the aircraft.

The DC-10 conversion in 1983 and 1984 will involve complete refurbishment of the aircraft's interior and an increase in seating capacity from 236 to 293 seats. This will be achieved by reducing the first-class cabin to 22 seats and installing 271 new slim-line, lightweight seats in the tourist section. Weight reductions from the new, nine-abreast tourist seating will recover conversion costs in a short period of time due to savings in fuel costs.

The program of increasing seating capacity will result in a gain of 2,840 seats for the entire fleet at a cost of nearly $33 million. This will require a low capital outlay of $12,000 per seat, compared with the new aircraft cost of $150,000 to $200,000 per seat. All of the seating reconfiguration and refurbishment will be performed by Northwest maintenance personnel at the airline's main overhaul base in Minneapolis/St. Paul.

FACILITIES

Underscoring Northwest's commitment to superior customer service, Northwest implemented its own passenger and boarding ramp operations during the year at Grand Rapids, Dallas/Fort Worth, San Diego, Wichita, Kansas City and Omaha.

At Minneapolis/St. Paul, a $54,000 modification to an existing hangar made it capable of handling a 747, thus permiting a delay in constructing an eighth hangar at a cost of $18 million.

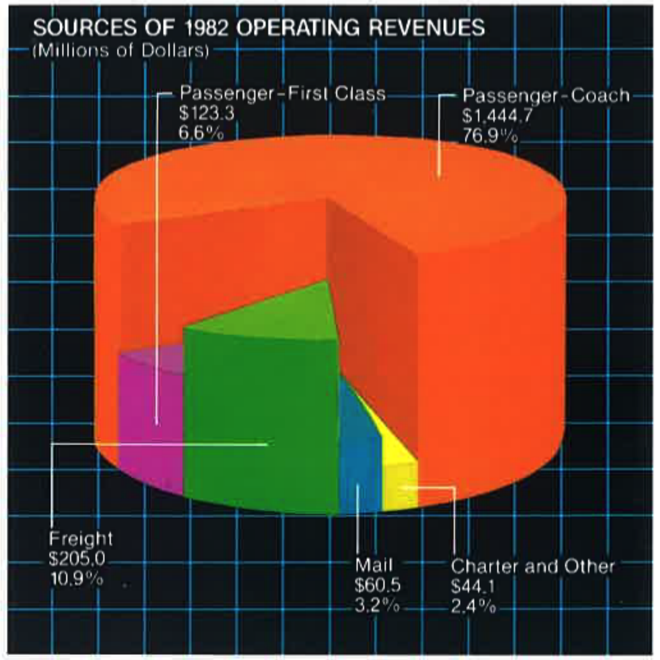
The development of an alternative glycol-filling system that halves the amount of time required for refilling spray trucks that de-ice aircraft was implemented at Minneapolis/St. Paul. This new system enables Northwest maintenance personnel to do a better job of keeping up with de-icing requirements and minimizing flight delays.

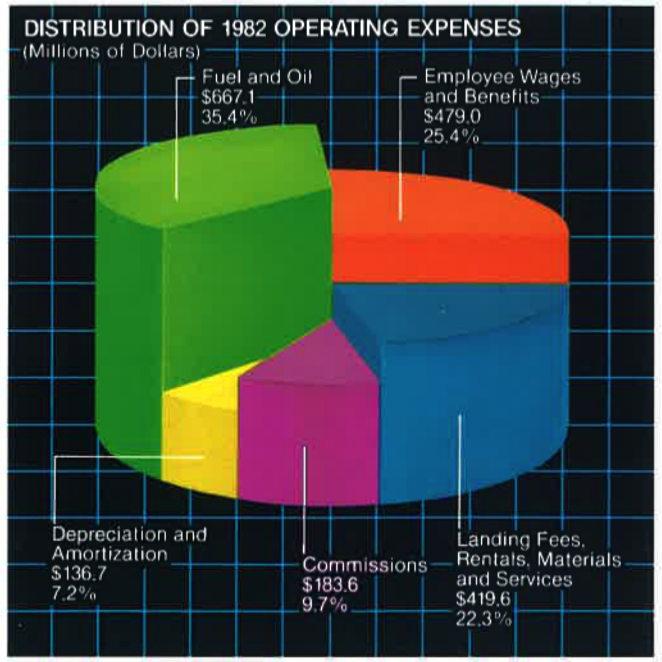
Reginald C. Jenkins

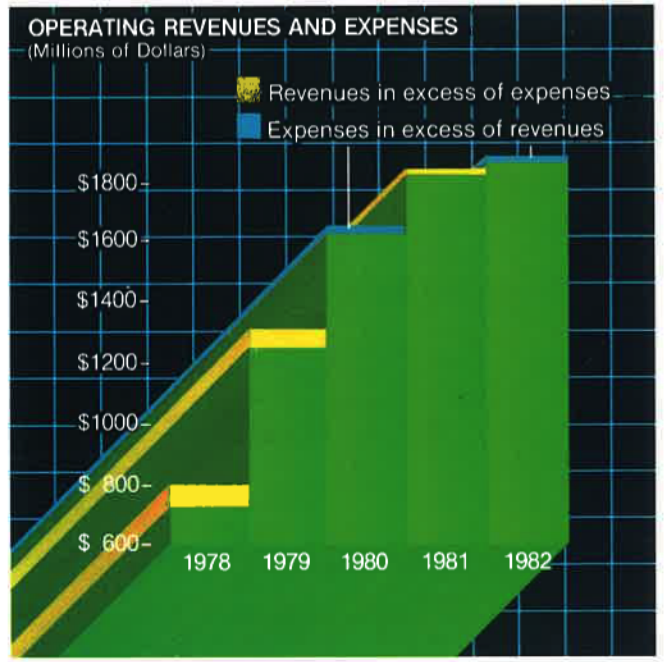
Reginald C. Jenkins, formerly vice president-Orient region, retired after 35 years of service with Northwest Airlines. Jenkins was a true pioneer of early NWA days in the Orient beginning his career in 1947 as flight superintendent in Shanghai. In 1970 he was elected vice president-Orient region, a position he held until a brief assignment at the General Office. During his long career in the Far East, Reginald Jenkins was a leader in the aviation community in Japan, and under his leadership Northwest Airlines grew to its dominant position in the Orient.

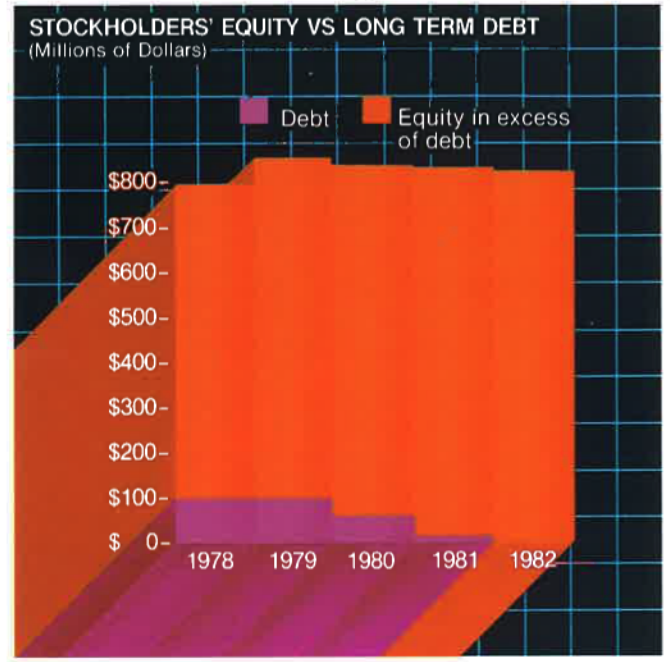
Northwest's state-of-the-art high temperature vacuum furnace is used to temper metals.

FINANCIAL HIGHLIGHTS AND MANAGEMENT DISCUSSION FOR 1982









OPERATING REVENUES

Total operating revenues for 1982 increased $23,278,000 to a record $1,877,568,000. 1981 revenues totaled $1,854,290,000, a 13% increase over 1980. Passenger revenues from scheduled operations for 1982 totaled $1,567,986,000, a 3% increase over the prior year. Revenue passenger-miles increased 10% over 1981 while the yield (revenue per passenger mile) decreased 6.4% to 10¢.

The 10% gain in revenue passenger miles was achieved with a 5.8% increase in available seat miles, resulting in a 2.3 percentage point increase in load factor to 59.7%.

While passenger fare increases of up to 10% were implemented in many markets during 1982, the yield actually declined 6.4%, reflecting a greater availability and use of special discount and promotional fares. Price wars continued to plague the industry in 1982.

Freight revenues decreased $16,673,000 to $205,018,000 as revenue ton-miles declined 2.6% and the yield per ton-mile slipped 5%. 747F freighter operations were limited during the strike and price competition in freight was as severe as price competition for passenger service. Mail revenues increased by $665,000 over 1981 to $60,451,000 and charter and other transportation revenues increased $12,992,000 to $34,758,000.

OPERATING EXPENSES

Total operating expenses were $1,885,943,000 in 1982 compared with $1,852,543,000 in 1981 and $1,663,464,000 in 1980. The moderate 1.8% increase in 1982 reflects the results of Northwest's continued emphasis on cost control, a reduction in fuel expense, and the 26 day machinists strike. Operating expenses per available ton-mile decreased to 40.7¢ from 41.0¢ in 1981, and Northwest continues to be the most efficient trunk carrier in the industry.

Aircraft fuel expense decreased 5.1% to $667,074,000 in 1982 as the average price per gallon declined 5.3¢. This was a sharp turnaround from 1981 and 1980 where the average fuel price per gallon increased 12.6¢ and 35.5¢ respectively.

Agency commissions expense rose 7.6% in 1982 reflecting modest increases in commission rates and a significant increase in the ratio of travel agents sales to total sales. Other cash expenses including salaries and related costs increased 6.3% over 1981.

Depreciation and amortization expense totaled $136,651,000 in 1982 compared with $133,489,000 in 1981 and $124,078,000 in 1980. Northwest continues its conservative policy of depreciating 727 aircraft over 10 years and wide body aircraft over 15 years. The impact and effect of inflation and changing prices is discussed in Footnote J to the financial statements.

EARNINGS AND DIVIDENDS

1982 earnings were $5,019,000 ($.23 per share), compared with $10,460,000 ($.48 per share) in 1981 and $7,084,000 ($.33 per share) in 1980.

Operating revenues increased 1.3% while operating expenses rose 1.8%, resulting in an operating loss of $8,375,000 in 1982 compared to a $1,747,000 profit in 1981. Gain from the sale of flight equipment, combined with reduced interest expense, produced earnings before income taxes of $688,000 for the current year.

Interest expense in 1982 decreased by $6,919,000 to $7,216,000 as a result of the repayment of all long-term debt. At December 31, 1982, Northwest was the only U.S. major carrier with no long-term borrowings. Gain from disposal of property was $12,425,000 in the current year, down $4,550,000 from 1981. 1980 gains totaled $143,000. The 1982 gain reflects the sale of five Boeing 727-100C aircraft while the 1981 gain resulted from the sale of seven such aircraft. No additional aircraft dispositions are planned.

For the third year in a row, the continuing U.S. recession has had a depressing effect on the demand for air travel. This has created excess capacity within the industry, and certain carriers have resorted to extreme fare discounting in order to fill empty seats. While Northwest has avoided initiating below-cost fares, it has met the competition whenever necessary to preserve market share and achieve maximum revenues. This has resulted in reduced revenue yields in 1982. In addition to suffering from some of the problems that plagued the rest of the industry during 1982, Northwest also experienced reduced traffic levels as a result of a 26 day machinists strike which extended from May 22, 1982 to June 17, 1982. However, in spite of these negative factors, Northwest still achieved a modest profit and was one of only three U.S. major carriers to report positive earnings for 1982.

Northwest Airlines continued its dividend policy in 1982 with quarterly payments for the 28th consecutive year. Cash dividends of 80¢ per share were paid during 1982 totaling $17,332,000. Northwest common stock is principally traded on the New York Stock Exchange. A table showing sales prices and dividends paid per share in 1982 and 1981 is included in the accompanying graphs and charts.

TAXES ON EARNINGS

Income tax credits were $4,331,000 in 1982 compared with $2,551,000 in 1981 and $43,187,000 in 1980. Earned investment tax credits totaled $3,128,000 in 1982, $4,837,000 in 1981, and $24,554,000 in 1980. Investment tax credits are applied on tax returns as allowed by income tax regulations. Credits not currently applied are offset against deferred income taxes, and as of December 31, 1982 these credits totaled $60,585,000. No investment tax credit benefits were "sold" during 1982 as Northwest believes it will be in a position to apply all of its credits on tax returns. The Company continues to use accelerated depreciation methods for income tax purposes as provided by law.

CASH FLOW, LIQUIDITY, AND CAPITAL RESOURCES

In 1982 Northwest revised the format of its Statement of Changes in Financial Position to better reflect its sources and applications of cash. Changes in financial position for 1981 and 1980 are also provided in this new format.

Cash generated from operations in 1982 totaled $132,895,000 compared with $139,863,000 in 1981 and $77,934,000 in 1980. Included in cash from operations are the benefits from the Company's policy of owning its equipment rather than leasing, which in 1982 provided cash through depreciation and amortization totaling $136,651,000. Cash and short-term investments declined by $2,070,000 to $32,500,000 in 1982 as the Company repaid $62,500,000 of long-term debt and expended $17,332,000 in shareholders' dividends and $55,070,000 for property additions. Outstanding commercial paper at the end of the year was $40,593,000 below the prior year, while $43,528,000 in interest receivable was collected. While no new aircraft were acquired during 1982, five used 727's were purchased.

During 1982 the Company retired its remaining long-term debt, and at December 31, 1982 was the only U.S. major carrier with no long-term debt on its balance sheet. In February, 1983, Northwest sold $100,000,000 of 7½% Convertible Subordinated Debentures due in 2007 which are convertible into common stock at a rate of $50.75 per share. Northwest presently has no orders or commitments for the purchase of additional aircraft, and the proceeds from the debenture sale are being used to reduce outstanding short-term borrowings and for general corporate purposes. With the debenture proceeds, a commercial paper rating at the highest A-1/P-1 level, and stockholders' equity in excess of $820,000,000 the Company believes it will have no difficulty in generating adequate cash to meet future corporate needs. At December 31, 1982, Northwest had $143,000,000 in bank lines of credit. Book value per share of common stock outstanding was $37.85 at December 31, 1982 compared with $38.43 at the end of the prior year.

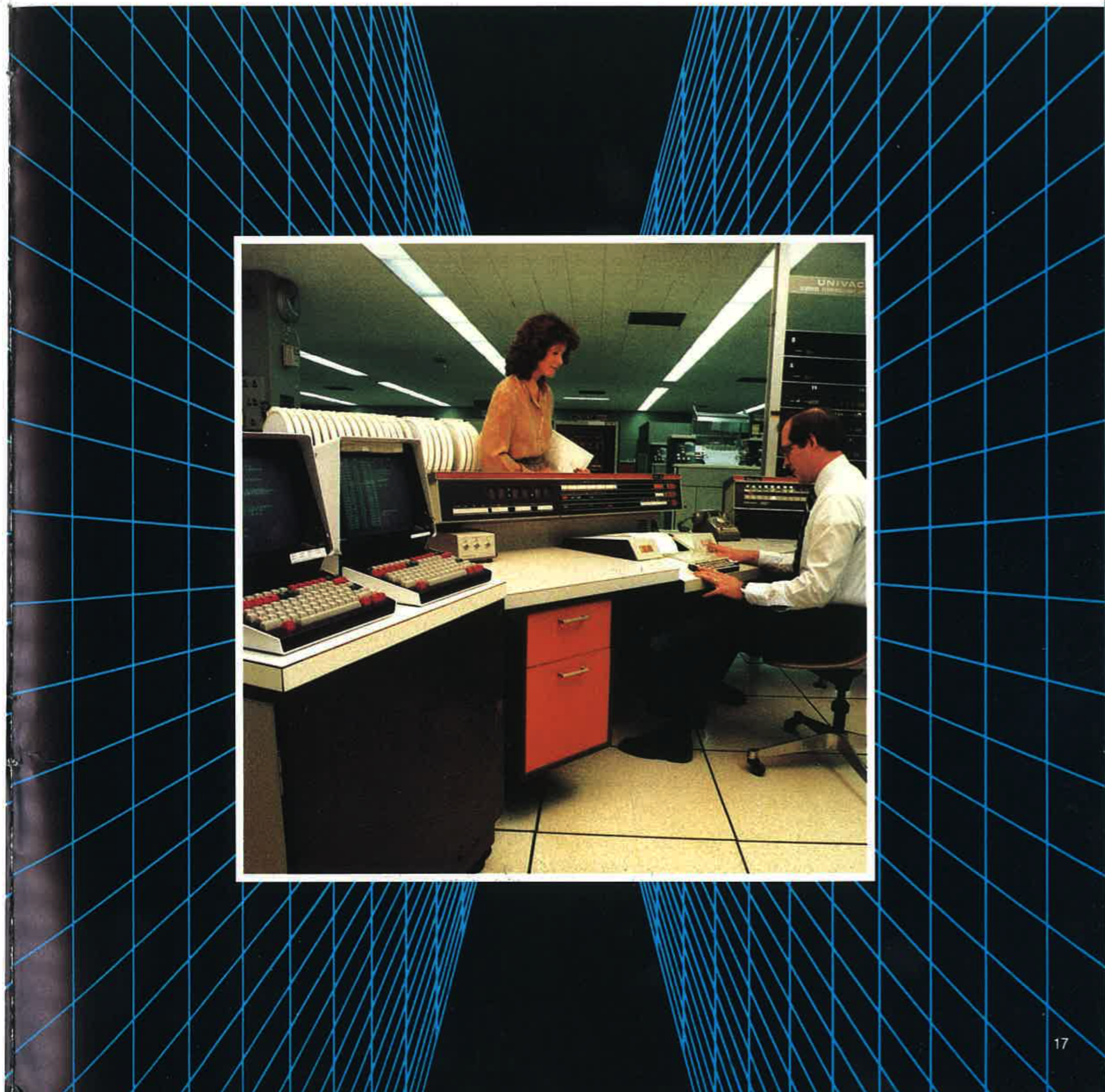
FUEL EFFICIENCY INCREASES

	Revenue Ton-Miles Per Gallon	Percent of Increase Over 1978
1978	2.81	—
1979	3.05	9%
1980	3.15	12%
1981	3.43	22%
1982	3.66	30%

STOCK PRICES AND DIVIDENDS

Quarter		Sales Price of Common Shares 1982	Sales Price of Common Shares 1981	Dividends Per Share 1982	Dividends Per Share 1981
1st	High	$32	$31 5/8	$.20	$.20
	Low	22 1/4	23 3/4		
2nd	High	31 3/4	38 3/4	$.20	$.20
	Low	24	28		
3rd	High	34	32 3/4	$.20	$.20
	Low	23 7/8	26		
4th	High	50 3/4	33 1/4	$.20	$.20
	Low	29	26 1/4		

The nucleus of Northwest's global multi processor computer complex.



FINANCIAL HIGHLIGHTS AND MANAGEMENT DISCUSSION FOR 1982 (continued)

TRAFFIC AND SERVICE

Despite the weak traffic demand within the industry and a 26 day machinists strike, Northwest was still able to produce a 10% gain in scheduled passenger traffic over the prior year. Freight traffic declined 2.6% from 1981. The increase in passenger traffic resulted from the expansion of the domestic route structure with the addition of eight new cities in 1982, and from strong growth in the Pacific where the Company increased its market share.

FINANCIAL CONDITION

With its strong balance sheet which includes $820,605,000 of stockholders' equity, Northwest continues as one of the strongest carriers in the airline industry. Even though Northwest incurred a major strike and was affected by many of the negative conditions which were common throughout the industry, the Company was able to produce positive earnings for the 34th consecutive year.

Because of its strong balance sheet, excellent liquidity, modern fleet of aircraft, dedicated people and efficiency of operations, Northwest stands apart from many of its competitors in its ability to compete and profit in a deregulated environment. While the results for 1983 will be largely dependent upon the health of the U.S. and world-wide economy, Northwest is well positioned to benefit significantly from an economic upturn.

NWA's new $1.1 million computerized machining center.

SELECTED FINANCIAL DATA
(in Thousands)

	Year Ended December 31 1982*	1981	1980	1979	1978*
Operating Revenues	$1,877,568	$1,854,290	$1,639,330	$1,310,558	$ 790,162
Net Earnings	5,019	10,460	7,084	72,475	61,841
Total Assets	1,377,387	1,492,381	1,532,539	1,528,921	1,392,865
Long-Term Debt	—	12,500	62,500	100,000	100,000
Per Common Share:					
Earnings	.23	.48	.33	3.35	2.86
Cash Dividends	.80	.80	.80	.80	.75

*Operating results were affected by major strikes which extended from April 29, 1978 to August 15, 1978 and May 22, 1982 to June 17, 1982.

STATEMENTS OF EARNINGS
NORTHWEST AIRLINES, INC.
(In Thousands)

Year Ended December 31	1982*	1981	1980
Operating Revenues			
Passenger	**$1,567,986**	$1,521,856	$1,347,830
Freight	**205,018**	221,691	190,837
Mail	**60,451**	59,786	57,305
Charter and other transportation	**34,758**	21,766	16,303
Nontransport	**9,355**	29,191	27,055
	1,877,568	1,854,290	1,639,330
Operating Expenses			
Flying operations	**838,693**	858,997	776,862
Maintenance	**149,749**	156,450	139,833
Passenger service	**158,816**	147,650	133,922
Aircraft and traffic servicing	**265,764**	248,766	226,153
Reservations, sales and advertising	**298,611**	271,344	229,148
Administrative and general	**37,659**	35,847	33,468
Depreciation and amortization	**136,651**	133,489	124,078
	1,885,943	1,852,543	1,663,464
OPERATING INCOME (LOSS)	**(8,375)**	1,747	(24,134)
Other Income (Expenses)			
Interest, net of capitalized interest (1982-$1,681; 1981-$672; 1980-$3,393)—Note A	**(7,216)**	(14,135)	(15,831)
Gain on sale of flight equipment	**12,425**	16,975	143
Other	**3,854**	3,322	3,719
	9,063	6,162	(11,969)
EARNINGS (LOSS) BEFORE INCOME TAXES	**688**	7,909	(36,103)
Income tax credit—Note D	**(4,331)**	(2,551)	(43,187)
NET EARNINGS	**$ 5,019**	$ 10,460	$ 7,084
Average shares of Common Stock outstanding during the year	**21,662**	21,656	21,646
Earnings per share of Common Stock	**$ .23**	$ .48	$ .33

*Operating results were affected by a major strike which extended from May 22, 1982 to June 17, 1982.

See notes to financial statements.

STATEMENTS OF FINANCIAL POSITION
NORTHWEST AIRLINES, INC.
(Dollars In Thousands)

December 31	1982	1981
ASSETS		
Current Assets		
Cash and short-term investments	$ 32,500	$ 34,570
Accounts receivable, less allowance of $1,800 (1981—$1,700)	143,647	138,112
Flight equipment spare parts, less allowance for depreciation of $27,086 (1981—$23,369)	41,417	41,418
Maintenance and operating supplies	20,171	18,868
Prepaid expenses	14,597	11,583
TOTAL CURRENT ASSETS	252,332	244,551
Other Assets	10,159	50,498
Property And Equipment		
Flight equipment	1,996,925	1,992,015
Less allowance for depreciation	977,854	881,050
	1,019,071	1,110,965
Other property and equipment	199,161	190,397
Less allowance for depreciation	103,336	104,030
	95,825	86,367
	1,114,896	1,197,332
	$1,377,387	$1,492,381

December 31	1982	1981
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Commercial paper	$ 4,958	$ 45,551
Accounts payable and accrued expenses	173,357	152,183
Employee compensation	40,016	36,030
Air traffic liability	77,205	88,233
Income taxes	2,790	1,735
Current maturities of long-term debt	—	50,000
TOTAL CURRENT LIABILITIES	298,326	373,732
Long-Term Debt—Note B	—	12,500
Deferred Credits And Other Liabilities		
Income taxes—Note D	247,239	256,014
Other	11,217	17,625
	258,456	273,639
Stockholders' Equity—Note C		
Common Stock $1.25 par value, authorized 40,000,000 shares; issued and outstanding 21,678,458 shares (1981—21,661,367 shares)	27,098	27,077
Capital surplus	125,643	125,256
Retained earnings	667,864	680,177
	820,605	832,510
Commitments And Contingencies—Notes E and F		
	$1,377,387	$1,492,381

See notes to financial statements.

STATEMENTS OF CHANGES IN FINANCIAL POSITION
NORTHWEST AIRLINES, INC.
(In Thousands)

Year Ended December 31	1982	1981	1980
Cash Provided			
Net earnings	**$ 5,019**	$ 10,460	$ 7,084
Add (deduct) non-cash items:			
Depreciation and amortization	**136,651**	133,489	124,078
Decrease in deferred income taxes	**(8,775)**	(4,086)	(53,228)
TOTAL FROM OPERATIONS	**132,895**	139,863	77,934
Decrease in interest receivable	**43,528**	—	—
Increase (decrease) in accounts payable and accrued expenses	**21,174**	9,840	(21,057)
Net book value of property dispositions	**4,731**	6,274	433
Other	**5,450**	8,394	28,226
TOTAL CASH PROVIDED	**207,778**	164,371	85,536
Cash Used			
Flight equipment and other property additions	**55,070**	50,676	154,875
Decrease (increase) in commercial paper	**40,593**	(11,383)	(34,168)
Reduction of long-term debt including current maturities	**62,500**	37,500	—
Decrease (increase) in air traffic liability	**11,028**	18,780	(47,469)
Increase in accounts receivable	**5,535**	13,155	13,525
Dividends	**17,332**	17,326	17,317
Other	**17,790**	24,261	35,525
TOTAL CASH USED	**209,848**	150,315	139,605
INCREASE (DECREASE) IN CASH AND SHORT-TERM INVESTMENTS	**$ (2,070)**	$ 14,056	$ (54,069)

See notes to financial statements.

STATEMENTS OF STOCKHOLDERS' EQUITY
NORTHWEST AIRLINES, INC.
(In Thousands)

	Common Stock Shares	Common Stock Amount	Capital Surplus	Retained Earnings
Balance January 1, 1980	21,640	$ 27,049	$ 124,797	$ 697,276
Exercise of stock options	7	10	143	
Net earnings for 1980				7,084
Cash dividends—$.80 a share				(17,317)
Balance December 31, 1980	21,647	27,059	124,940	687,043
Exercise of stock options	14	18	316	
Net earnings for 1981				10,460
Cash dividends—$.80 a share				(17,326)
Balance December 31, 1981	21,661	27,077	125,256	680,177
Exercise of stock options	17	21	387	
Net earnings for 1982				5,019
Cash dividends—$.80 a share				(17,332)
Balance December 31, 1982	21,678	$ 27,098	$ 125,643	$ 667,864

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
NORTHWEST AIRLINES, INC.
December 31, 1982

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 $18,330,000 and $19,098,000 at December 31, 1982 and 1981, 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 value for 727 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.

Pension Plans: The Company has several noncontributory pension plans covering substantially all of its employees. The Company's policy is to annually fund pension costs accrued, which includes amortization of prior service costs over periods of ten to 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.

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.

NOTE A—ACCOUNTING POLICIES (continued)

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.

Reclassifications: Certain amounts in the 1981 and 1980 financial statements have been reclassified to conform with 1982 presentation.

NOTE B—LONG-TERM DEBT AND CREDIT ARRANGEMENTS

The Company has line of credit arrangements with banks for short-term borrowings up to $143,000,000 through April 15, 1983. Borrowings under the credit lines bear interest at the prime rate. Commitment fees which are 3/8% per annum on outstanding balances of commercial paper amounted to $170,000 in 1982. At December 31, 1982, $4,958,000 of the lines were assigned to support outstanding commercial paper.

Long-term debt at December 31, 1981 consisted of borrowings from banks payable $12.5 million quarterly. Interest was payable based on a formula related to prime commercial loan rates; however, total interest could not exceed 7 7/8% per annum over the term of the loan. The balance of the loan was repaid during 1982.

In February 1983, the Company sold $100 million of 7½% Convertible Subordinated Debentures due in 2007. The debentures are convertible into Common Stock at a rate of $50.75 per share.

NOTE C—STOCKHOLDERS' EQUITY

	Shares 1982	Shares 1981
Cumulative Preferred Stock, $25 par value:		
Authorized	1,000,000	1,000,000
Issued	None	None

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 at January 1, 1981	63,765	$22.75/24.00
Exercised	(14,087)	22.75/24.00
Lapsed	(5,560)	22.75/24.00
Outstanding at December 31, 1981	44,118	22.75/24.00
Granted	130,000	23.31
Exercised	(17,091)	22.75/24.00
Lapsed	(2,700)	23.31
Outstanding at December 31, 1982	154,327	$22.75/23.31/24.00
Options exercisable:		
At December 31, 1981	44,118	$22.75/24.00
At December 31, 1982	27,027	22.75/24.00

Shares available for stock option and other plans were 181,487 and 308,787 at December 31, 1982 and 1981, respectively.

NOTE D—TAXES ON EARNINGS
(In Thousands)

Reconciliation of the Company's effective income tax rate and the statutory federal income tax rate follows:

	Year Ended December 31 1982	1981	1980
Statutory rate applied to pre-tax income	$ 316	$ 3,637	$ (16,607)
Add (deduct):			
Investment tax credit earned	(3,128)	(4,837)	(24,554)
Rate change on timing differences	(1,152)	(1,390)	(1,521)
Other	(367)	39	(505)
Total income tax credit	$ (4,331)	$ (2,551)	$ (43,187)

Federal, foreign and state income taxes (credit) consisted of the following:

	1982 Current	1982 Deferred	1981 Current	1981 Deferred	1980 Current	1980 Deferred
Federal provision (credit)	$ 1,619	$ (6,821)	$ 22	$ (3,598)	$ 9,274	$ (52,222)
Foreign	855		788		620	
State	1,009	(993)	(207)	444	(825)	(34)
	$ 3,483	$ (7,814)	$ 603	$ (3,154)	$ 9,069	$ (52,256)

The deferred income tax expense (credit), which results from timing differences in recognizing items for financial reporting and income tax purposes, consists of the following:

	1982	1981	1980
Accelerated depreciation	$ (3,947)	$ 1,919	$ 3,273
Investment tax and other credits	13,127	(11,064)	(60,218)
Prepaid expenses	(51)	1,525	1,958
Interest	(18,724)	5,452	6,217
Deferred employee benefits	3,437	(25)	(1,893)
Rate change on timing differences	(1,152)	(1,160)	(318)
Other	(504)	199	(1,275)
	$ (7,814)	$ (3,154)	$ (52,256)

Investment tax credits of $60,585 not applied on tax returns but offset against deferred income taxes at December 31, 1982 will expire $514 in 1993; $27,373 in 1994; $24,724 in 1995; $4,796 in 1996; and $3,178 in 1997.

NOTE E—COMMITMENTS

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

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 2011. Portions of these facilities are subleased under noncancelable operating leases expiring in various years through 1991.

Future minimum rental commitments at December 31, 1982 for noncancelable operating leases with initial or remaining terms of one year or more, of which $295,820,000 is for air terminal and airport facilities, are as follows:

1983	$ 22,761,000
1984	22,144,000
1985	19,782,000
1986	18,635,000
1987	17,727,000
Thereafter	208,332,000
	309,381,000
Sublease rental income	(5,424,000)
	$ 303,957,000

Rental expense for all operating leases consisted of:

	1982	1981	1980
Minimum	$29,571,000	$25,238,000	$24,352,000
Sublease rental income	(1,075,000)	(917,000)	(988,000)
	$28,496,000	$24,321,000	$23,364,000

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 and the Court of Appeals for the District of Columbia affirmed the trial judge on all substantive issues and remanded the case for further consideration by the trial court. 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 Courts of Appeals. That petition was denied on February 21, 1978. The case was then remanded to the trial court.

On remand the trial court resolved several outstanding issues and determined an award of damages to each of the plaintiffs. Judgment was entered on November 30, 1982 with total awards amounting to approximately $52.4 million. Both the Company and the plaintiffs have filed appeals to the U.S. Court of Appeals for the District of Columbia Circuit. However, if the plaintiffs prevail and the Company does not prevail on the appeals, the ultimate liability might be increased by an amount which the Company cannot presently quantify.

The ultimate outcome of this litigation cannot be predicted and, therefore, no specific amount of ultimate liability may be estimated as probable. The Company estimates that its ultimate liability may range from approximately $1,000,000 to $52,400,000 plus plaintiffs' attorneys fees and court costs and interest accruing on part of the judgment after November 30, 1982.

The Company is also involved in other legal actions relating to environmental issues (primarily noise and air pollution), alleged employee discrimination, and other matters relating to the Company's business. While the Company is unable to predict the ultimate outcome of these actions, it is the opinion of management that their disposition will not have a material adverse effect on the Company's financial position.

NOTE G—PENSION PLANS

The Company's pension expense was $23,469,000 in 1982, $27,254,000 in 1981 and $33,692,000 in 1980.

Certain estimates relating to actuarial assumptions were changed in 1982 and 1981. The changes resulted in reduced pension expense of approximately $10.2 million and $9.8 million in the respective periods. Approximately $7.2 million of the 1982 change occurred in the fourth quarter. The changes in estimates have no effect on pension benefits to employees.

Accumulated plan benefit information, as estimated by consulting actuaries, and plan net assets for the Company's plans are:

	Year Ended December 31	
Acturarial present value of accumulated plan benefits:	1982	1981
Vested	$323,122,000	$323,205,000
Non-vested	30,067,000	30,362,000
	$353,189,000	$353,567,000
Net assets available for benefits	$470,826,000	$363,213,000

The interest rate used in computing the present value of accumulated plan benefits for all participants was 7% in 1981. In 1982, a separate securities portfolio with an actual earnings rate of 14% was established for the payment of retirees' pension benefits. Because of the dedicated portfolio, the interest rate used in computing the present value of accumulated plan benefits for retirees was adjusted to 14% in 1982, thus decreasing the present value of December 31, 1982 accumulated plan benefits by approximately $31 million.

No change was made in 1982 in the 7% interest rate assumption for all other participants.

NOTE H—EXPORT SALES

Northwest Airlines, Inc. is a scheduled air carrier engaged in commercial transportation of passengers, freight and mail, and operates under certificates of public convenience and necessity issued by the Civil Aeronautics Board. Export sales were $536,000,000 in 1982, $453,000,000 in 1981, and $375,000,000 in 1980, principally associated with countries in Asia and Europe. Revenue from sales consummated in foreign countries is considered to be export sales.

NOTE I—QUARTERLY RESULTS OF OPERATIONS (Unaudited)

The following is a tabulation of the unaudited quarterly results of operations for the two years ended December 31, 1982:

	(In Thousands)			
	Operating Revenues	Operating Expenses	Net Earnings (Loss)	Earnings (Loss) Per Share of Common Stock
1982*				
First quarter	$ 415,438	$ 451,588	$ (17,968)	$ (.83)
Second quarter	414,106	419,290	(1,453)	(.07)
Third quarter	574,995	527,103	27,010	1.25
Fourth quarter	473,029	487,962	(2,570)	(.12)
	$ 1,877,568	$ 1,885,943	$ 5,019	$ .23
1981				
First quarter	$ 418,939	$ 438,017	$ (7,384)	$ (.34)
Second quarter	470,802	467,461	3,402	.16
Third quarter	527,322	498,174	17,537	.81
Fourth quarter	437,227	448,891	(3,095)	(.15)
	$ 1,854,290	$ 1,852,543	$ 10,460	$ .48

*Operating results were affected by a major strike which extended from May 22, 1982 to June 17, 1982.

See also Note G.

NOTE J—SUPPLEMENTAL INFORMATION ON THE EFFECTS OF CHANGING PRICES (UNAUDITED)

AS REQUIRED BY FINANCIAL ACCOUNTING STANDARDS BOARD (FASB) STATEMENT NO. 33, "FINANCIAL REPORTING AND CHANGING PRICES", THE COMPANY MUST PROVIDE SUPPLEMENTAL INFORMATION CONCERNING THE EFFECT OF CHANGING PRICES ON ITS FINANCIAL STATEMENTS. The disclosures are intended to address two different aspects of an inflationary environment: (1) the effect of a rise in the general price level on the exchange value or purchasing power of the dollar (called "general inflation") and (2) the specific price changes in the individual resources used by the Company. Because there is presently no consensus on which aspect of inflation (if any) should be reported, FASB has devised an experiment requiring certain large, publicly held companies to present supplemental information reflecting both types of inflation measurements.

IT IS IMPORTANT THAT FINANCIAL STATEMENT USERS UNDERSTAND WHAT THE INFLATION ADJUSTED DATA IS INTENDED TO REPRESENT, AND ALSO RECOGNIZE ITS INHERENT LIMITATIONS. THE COMPANY HAS SERIOUS RESERVATIONS ABOUT THE USEFULNESS OF THIS DATA.

The Company believes that the following information is essential for a proper understanding and assessment of the data presented:

THE SUPPLEMENTAL INFORMATION ON CHANGING PRICES DOES NOT REFLECT A COMPREHENSIVE APPLICATION OF EITHER TYPE OF INFLATION ACCOUNTING. During the experimental period the FASB decided to focus on those items most affected by changing prices, that is: (1) the effect of both general inflation and specific price changes on properties and related depreciation expense, and (2) the effect of general inflation on monetary assets and liabilities.

STATEMENT OF EARNINGS ADJUSTED FOR CHANGING PRICES
Year Ended December 31, 1982
(In Thousands)

	As Reported in the Primary Statements	Adjusted for General Inflation	Adjusted for Changes in Specific Prices (Current Costs)
Operating revenues	$1,877,568	$1,877,568	$1,877,568
Depreciation and amortization	136,651	240,952	296,313
Other operating expenses	1,749,292	1,749,292	1,749,292
Gain on sale of flight equipment	(12,425)	(5,135)	
Other expenses, net	3,362	3,362	3,362
	1,876,880	1,988,471	2,048,967
Earnings (loss) before income taxes	688	(110,903)	(171,399)
Income tax credit	4,331	4,331	4,331
Net earnings (loss)	$ 5,019	$ (106,572)	$ (167,068)

Other Information	Adjusted for General Inflation	Adjusted for Changes in Specific Prices (Current Costs)
Purchasing power gain from holding net monetary liabilities during the year	$ 13,638	$ 13,638
Increase in specific prices (current costs) of property and equipment held during the year*		$ 330,688
Less effect of increase in general price level		97,789
Excess of increase in specific prices over increases in the general price level		$ 232,899

*At December 31, 1982, current cost of property and equipment, net of accumulated depreciation, was $2,605,193,000 (historical amount—$1,114,896,000).

NOTE J—SUPPLEMENTAL INFORMATION ON THE EFFECTS OF CHANGING PRICES (UNAUDITED)
(continued)

FIVE YEAR COMPARISON OF SELECTED SUPPLEMENTARY FINANCIAL DATA ADJUSTED FOR EFFECTS OF CHANGING PRICES
(In Average 1982 Dollars)

(In thousands of dollars, except per share data)	Year Ended December 31				
	1982	1981	1980	1979	1978
Operating revenues	$1,877,568	$1,967,971	$1,920,301	$1,742,789	$1,169,068
Historical Cost Information Adjusted for General Inflation					
Net earnings (loss)	(106,572)	(94,314)	(73,431)	17,336	
Per share data	(4.92)	(4.35)	(3.40)	.80	
Net assets at year-end	1,560,326	1,647,838	1,721,698	1,761,380	
Current Cost Information					
Net earnings (loss)	(167,068)	(143,384)	(104,813)	(26,548)	
Per share data	(7.71)	(6.61)	(4.83)	(1.22)	
Excess of increase in specific prices of property and equipment over increase in the general price level	232,899	108,890	159,493	45,317	
Net assets at year-end	2,315,733	2,312,651	2,359,707	2,316,533	
Other Information					
Purchasing power gain from holding net monetary liabilities during the year	13,638	41,259	61,778	62,951	
Cash dividends declared per common share	$ .80	$ .85	$ .94	$ 1.06	$ 1.11
Market price per common share at year-end	47.00	28.66	27.82	36.74	42.17
Average consumer price index	289.1	272.4	246.8	217.4	195.4

NOTES TO FINANCIAL STATEMENTS
NORTHWEST AIRLINES, INC.

NOTE J—SUPPLEMENTAL INFORMATION ON THE EFFECTS OF CHANGING PRICES (UNAUDITED)
(continued)

STATEMENT OF EARNINGS
The accompanying supplemental statement of earnings presents income data under three measurement methods. These are:

a. **As Reported in the Primary Statements**—This amount is net earnings as reported in the primary financial statements on the historical cost basis of accounting. Under generally accepted accounting principles the effects of changing prices generally are not recognized for assets and liabilities.

b. **Adjusted for General Inflation**—This represents the historical amounts of revenues and expenses stated in dollars of the same (constant) general purchasing power, as measured by the average level of the Consumer Price Index (CPI) for 1982. Under this measurement method, historical amounts of depreciation expense and the gain on the sale of properties are adjusted to reflect the change in the level of the CPI that has occurred since the date the related properties were acquired. The amounts of revenues and other costs and expenses already approximate average 1982 constant dollars and remain unchanged from those amounts presented in the primary financial statements.

c. **Adjusted for Changes in Specific Prices** (Current Costs)—Income under current cost accounting attempts to deal with a different issue than income adjusted for general inflation. The specific prices of the Company's property have risen at a different rate than the general inflation rate as measured by the CPI. Current cost accounting measures properties at their current cost (rather than their historical cost) at the balance sheet date; depreciation is computed on average current cost for the year.

INCOME TAXES
Current tax laws do not recognize deductions for current cost depreciation expense; therefore, no adjustments have been made to the provisions for income tax.

PURCHASING POWER GAIN FROM HOLDING NET MONETARY LIABILITIES DURING THE YEAR
When prices are increasing, the holding of monetary assets (e.g., cash and receivables) results in a loss of general purchasing power. Similarly, liabilities are associated with a gain of general purchasing power because the amount of money required to settle the liabilities represents dollars of diminished purchasing power. The net gain in purchasing power is shown separately in the accompanying supplemental data. The amount has been calculated based on the Company's average net monetary liabilities for the year multiplied by the change in the CPI for the year. Such amount does not represent funds available for distribution to stockholders.

INCREASES IN CURRENT COST OF PROPERTIES
Under current cost accounting, increases in specific prices (current cost) of properties held during the year (including realized gains and losses on those sold) are not included in income from continuing operations but are presented separately. The current cost increase is reduced by the effect of general inflation measured by applying the annual rate of change in the CPI to the average current cost balances of properties.

CURRENT COST MEASUREMENTS
The current cost of property and equipment has been estimated by management using pricing data furnished to the airline industry by the Air Transport Association. Flight equipment represents approximately 91% of the property and equipment.

Current cost depreciation is based on the average current cost of properties during the year. The depreciation methods (straight-line), salvage values and useful lives are the same as those used in preparing the primary financial statements.

Current cost calculations involve a substantial number of judgments as well as use of various estimating techniques that have been employed to limit the cost of accumulating the data. The data reported should not be thought of as precise measurements of the assets and expenses involved, but instead represent reasonable approximations of the price changes that have occurred in the business environment in which the Company operates.

Current cost does not purport to represent the amount at which the assets could be sold.

ACCOUNTANT'S 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, 1982 and 1981, and the related statements of earnings, stockholders' equity and changes in financial position for each of the three years in the period ended December 31, 1982. 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, 1982 and 1981, and the consolidated results of their operations and changes in their financial position for each of the three years in the period ended December 31, 1982, in conformity with generally accepted accounting principles applied on a consistent basis.

Ernst & Whinney

Saint Paul, Minnesota
February 17, 1983

NOTICE TO STOCKHOLDERS
Northwest Airlines, Inc.

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 acquistion, 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 Aeronautics Board, Washington, D.C. 20428.

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

Stock Listed: Common Stock listed on New York Exchange, Pacific Coast Stock Exchange and Midwest Stock Exchange. There were 7,771 stockholders of record as of March 10, 1983.

10 YEAR SUMMARY*
NORTHWEST AIRLINES, INC.
(Dollars in Thousands Except Per Share Figures)

Years Ended December 31	**1982†**	1981	1980	1979	1978†	1977	1976	1975	1974	1973
Operating Revenues										
Passenger	**$ 1,567,986**	$ 1,521,856	$ 1,347,830	$ 1,067,214	$ 557,401	$ 861,053	$ 786,414	$ 659,849	$ 628,488	$ 476,794
Freight	**205,018**	221,691	190,837	160,716	87,077	121,185	119,882	88,308	76,157	55,280
Mail	**60,451**	59,786	57,305	38,685	18,944	29,894	25,137	23,280	22,911	18,415
Charter and other transportation	**34,758**	21,766	16,303	15,093	10,997	25,871	25,955	29,019	27,322	28,517
Nontransport	**9,355**	29,191	27,055	28,850	115,743	8,352	6,420	107	4,113	5,342
TOTAL OPERATING REVENUES	**$ 1,877,568**	$ 1,854,290	$ 1,639,330	$ 1,310,558	$ 790,162	$ 1,046,355	$ 963,808	$ 800,563	$ 758,991	$ 584,348
Operating Expenses										
Depreciation and amortization	**$ 136,651**	$ 133,489	$ 124,078	$ 106,401	$ 104,970	$ 103,152	$ 102,713	$ 98,880	$ 96,213	$ 87,642
Other	**1,749,292**	1,719,054	1,539,386	1,148,805	617,907	838,619	758,147	651,983	584,993	445,401
TOTAL OPERATING EXPENSES	**$ 1,885,943**	$ 1,852,543	$ 1,663,464	$ 1,255,206	$ 722,877	$ 941,771	$ 860,860	$ 750,863	$ 681,206	$ 533,043
Operating income (loss)	**$ (8,375)**	$ 1,747	$ (24,134)	$ 55,352	$ 67,285	$ 104,584	$ 102,948	$ 49,700	$ 77,785	$ 51,305
Interest expense	**(7,216)**	(14,135)	(15,831)	(1,635)	(3,376)	(6,518)	(14,035)	(16,120)	(19,554)	(14,758)
Other income and (deductions)–net	**16,279**	20,297	3,862	30,643	45,126	55,078	9,351	13,509	40,148	19,133
Earnings (loss) before taxes	**$ 688**	$ 7,909	$ (36,103)	$ 84,360	$ 109,035	$ 153,144	$ 98,264	$ 47,089	$ 98,379	$ 55,680
Income taxes (credit)	**(4,331)**	(2,551)	(43,187)	11,885	47,194	60,425	46,527	3,693	33,631	3,830
Net Earnings[1]	**$ 5,019**	$ 10,460	$ 7,084	$ 72,475	$ 61,841	$ 92,719	$ 51,737	$ 43,396	$ 64,748	$ 51,850
Earnings per average share[1]	**$ .23**	$ .48	$ .33	$ 3.35	$ 2.86	$ 4.29	$ 2.39	$ 2.01	$ 3.00	$ 2.40
Cash dividends	**17,332**	17,326	17,317	17,306	16,210	10,804	9,707	9,710	9,722	9,722
Dividends per share	**.80**	.80	.80	.80	.75	.50	.45	.45	.45	.45
Stockholders' equity	**820,605**	832,510	839,042	849,122	793,691	747,672	665,744	623,677	589,991	534,965
Number of shares outstanding at end of year	**21,678,458**	21,661,367	21,647,280	21,639,589	21,626,284	21,606,686	21,606,036	21,604,136	21,604,136	21,604,136
Book value per share at end of year	**$ 37.85**	$ 38.43	$ 38.76	$ 39.24	$ 36.70	$ 34.60	$ 30.81	$ 28.87	$ 27.31	$ 24.76
Assets and Long-Term Debt										
Flight property at cost	**$ 1,996,925**	$ 1,992,015	$ 1,995,168	$ 1,779,770	$ 1,525,442	$ 1,510,447	$ 1,448,402	$ 1,420,670	$ 1,282,556	$ 1,216,632
Flight property at net book value	**1,019,071**	1,110,965	1,200,495	1,094,556	922,615	962,957	924,537	977,062	907,935	861,231
Total assets	**1,377,387**	1,492,381	1,532,539	1,528,921	1,392,865	1,299,451	1,151,562	1,215,146	1,121,153	1,085,632
Long-term debt	**—**	12,500	62,500	100,000	100,000	100,000	122,000	246,000	213,900	284,000
Unit Expenses										
Per available ton-mile	**40.7¢**	41.0¢	37.0¢	29.4¢	27.9¢	22.9¢	21.6¢	20.6¢	19.9¢	15.8¢
Per Revenue ton-mile	**80.3¢**	83.9¢	80.6¢	63.4¢	65.7¢	54.4¢	50.5¢	50.2¢	48.2¢	42.5¢
Per cent of operating revenues	**100.4%**	99.9%	101.5%	95.8%	91.5%	90.0%	89.3%	93.8%	89.8%	91.2%
Statistics-Scheduled Services										
Revenue plane-miles (000)	**119,189**	120,139	120,709	116,105	66,420	111,271	108,474	104,104	105,295	108,853
Available seat-miles (000)	**26,257,466**	24,813,981	24,904,355	24,028,928	14,302,037	22,968,489	22,228,259	20,910,966	20,016,107	19,593,379
Revenue passenger-miles (000)	**15,675,194**	14,251,932	13,810,889	13,298,161	7,018,305	11,100,412	10,758,683	9,471,282	9,173,875	8,007,850
Passenger load factor	**59.7%**	57.4%	55.5%	55.3%	49.1%	48.3%	48.4%	45.3%	45.8%	40.9%
Revenue passengers carried	**11,356,165**	11,144,785	11,501,148	11,636,170	6,574,901	10,354,808	9,818,343	8,865,263	8,948,373	7,987,299
Freight ton-miles (000)	**600,198**	616,285	529,434	504,753	302,153	458,143	467,399	386,309	317,437	251,865
Total revenue ton-miles (000)	**2,307,475**	2,186,815	2,048,349	1,956,217	1,079,681	1,676,470	1,647,317	1,428,381	1,330,803	1,140,983
Statistics-Total Operations										
Revenue plane-miles (000)	**120,378**	120,761	121,243	117,027	67,471	114,643	112,279	107,721	110,519	115,726
Available ton-miles (000)	**4,635,415**	4,519,768	4,495,666	4,265,640	2,594,632	4,109,110	3,982,743	3,642,650	3,431,038	3,370,694

*Not covered by Accountants' Report.
†Strikes adversely affected 1978 and 1982.
[1]See Financial Highlights pages 14 through 18 for Management's Discussion of the Summary of Operations.

DIRECTORS AND OFFICERS OF NORTHWEST ORIENT AIRLINES
(As of March 25, 1983)

Directors

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

Robert A. Charpie†
President
Cabot Corporation
Boston, Massachusetts
Production of oil and gas products

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

Melvin R. Laird†
Senior Counselor
Reader's Digest Association
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†
Chairman of the Board
Space Center, Inc.
St. Paul, Minnesota
Logistics

Donald W. Nyrop†
President & Chief Executive Officer, 1954–1976; Chairman & Chief Executive Officer, 1976–1978
Northwest Airlines, Inc.
St. Paul, Minnesota

Steven G. Rothmeier
Executive Vice President-Finance and Administration
Northwest Airlines, Inc.
St. Paul, Minnesota

†Member, Audit Committee

Officers

M. J. Lapensky
President & Chief Executive Officer

James A. Abbott
Vice President–Law

Bjarnie R. Anderson
Vice President–Washington

Brent J. Baskfield
Vice President–Public Relations

Robert W. Campbell
Vice President–Budgets

J. W. Campion
Vice President–Regulatory Proceedings

Terry M. Erskine
Vice President–Industrial Relations

Bruce H. Fillips
Vice President–Comptroller

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

John F. Horn
Vice President–Orient Region

Thomas J. Koors
Executive Vice President–Marketing & Sales

William A. Kutzke
Vice President–Airline Planning

Benjamin H. Lightfoot
Vice President–Maintenance & Engineering

Thomas E. McGinnity
Vice President–Purchasing & Stores

Bryan G. Moon
Vice President–Advertising

James F. Redeske
Vice President–Personnel Administration

Steven G. Rothmeier
Executive Vice President–Finance & Administration

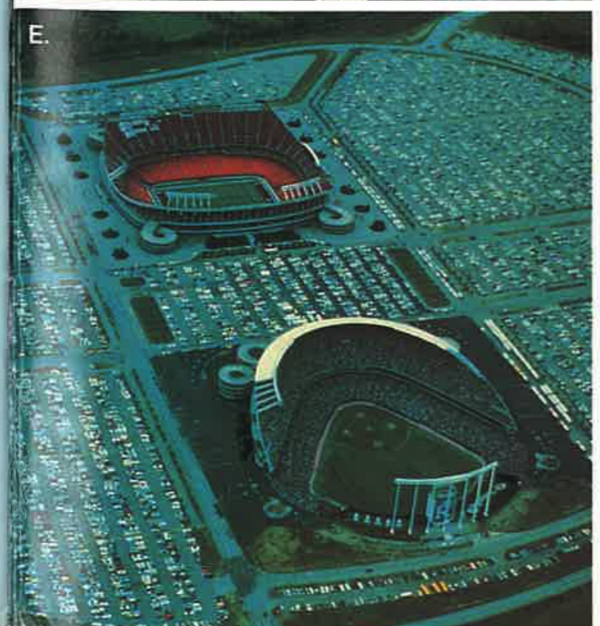
R. James Thorne
Vice President–Properties

Steven D. Wheeler
Corporate Secretary

Northwest's Eight New Cities in 1982

A. Downtown Omaha, Nebraska viewed from the Central Park Mall
B. Worth Avenue in West Palm Beach, Florida
C. Wichita, Kansas aerial view of skyline
D. San Diego, California viewed from San Diego Bay
E. The Harry S. Truman Sports Complex in Kansas City, Missouri
F. Dallas, Texas City Hall
G. The stabile "La Grande Vitesse" by Alexander Calder in downtown Grand Rapids, Michigan
H. Denver, Colorado Civic Center

NORTHWEST'S EIGHT NEW CITIES IN 1982



NORTHWEST ORIENT

Northwest Orient Airlines World Headquarters: Minneapolis-St. Paul International Airport, St. Paul, MN 55111

NORTHWEST ORIENT AIRLINES

ANNUAL REPORT 1982