Northwest Airlines growth record of sustained profitability and financial strength is unparalleled in an industry subject to dramatic cyclical swings. We have been profitable every year since 1950 and have consistently maintained the strongest balance sheet among major U.S. airlines.

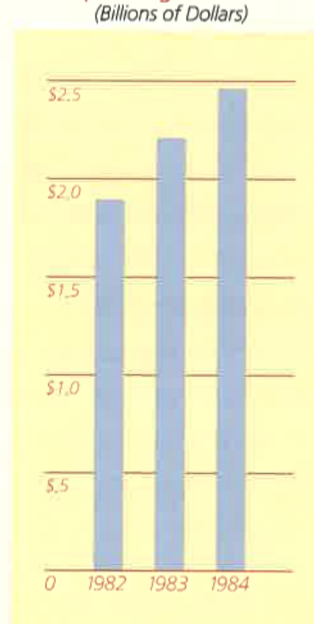
Contents

Highlights

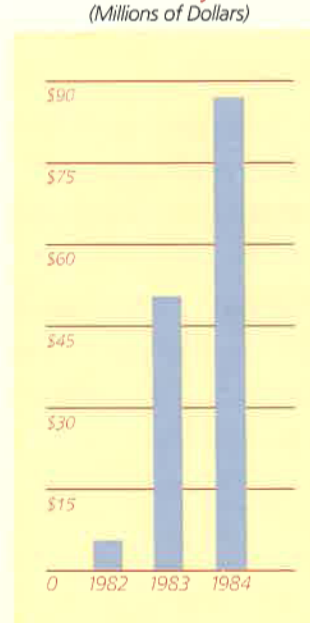
	1984	1983	1982*
Total Operating Revenues	$2,444,974,000	$2,196,036,000	$1,877,568,000
Operating Income (Loss)	96,276,000	68,886,000	(8,375,000)
Earnings for the Year	86,867,000**	50,073,000	5,019,000
Per Common Share	3.74**	2.19	.23
Per Dollar of Revenue	3.6¢**	2.3¢	.3¢
Stockholders' Equity	$ 892,923,000	$ 854,189,000	$ 820,605,000
Per Common Share	41.05	39.33	37.85
Dividends Paid	17,933,000	17,367,000	17,332,000
Operating Expenses:			
Per Available Ton-Mile	40.2¢	40.5¢	40.7¢
Per Revenue Ton-Mile	74.7¢	76.0¢	80.3¢
Revenue Traffic:			
Passengers Carried	13,216,000	12,718,000	11,356,000
Passenger-Miles Flown	19,772,355,000	17,711,929,000	15,675,194,000
Ton-Miles, Mail, Freight & Express	1,126,564,000	979,753,000	739,955,000
Common Shares at Year End	21,750,000	21,716,000	21,678,000
Employees:			
Number at Year End	15,185	14,187	13,754
Total Wages and Benefits Paid	$ 639,606,000	$ 569,535,000	$ 478,953,000

*Operating results were affected by a major strike which extended from May 22, 1982 to June 17, 1982.
**Before extraordinary loss of $30,903,000 or $1.30 per share resulting from the settlement of a lawsuit.

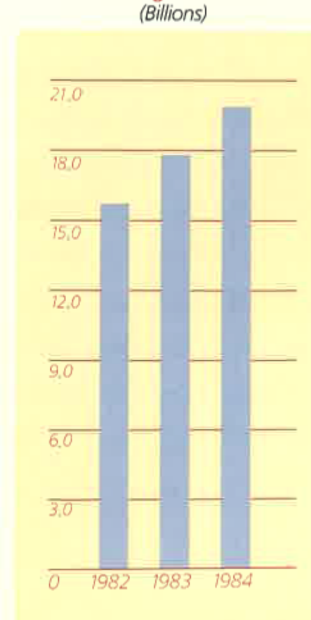
Operating Revenues
(Billions of Dollars)



Earnings Before Extraordinary Item
(Millions of Dollars)



Scheduled Revenue Passenger - Miles
(Billions)



NWA Inc. is the parent company of Northwest Airlines, Inc., a scheduled air carrier engaged in the commercial transportation of passengers, mail and freight. Northwest's current route system extends to 74 cities in 27 states and 16 countries in Western Europe and the Far East, where Northwest is the dominant U.S. carrier. Headquartered in Minneapolis/St. Paul, Northwest was the seventh largest U.S. carrier in terms of revenue passenger-miles in 1984, and its freight operations ranked number one in terms of freight ton-miles among U.S. combination carriers.

NWA Fleet

End of	1986*	1985*	1984	1983	1982
Boeing 727-100	9	9	9	9	7
Boeing 727-200	56	56	56	56	54
Douglas DC-10-40	19	19	19	22	22
Boeing 747	29	29	29	24	24
Boeing 747 Freighters	6	6	6	6	5
Boeing 757	20	10	—	—	—
Total Fleet	139	129	119	117	112

*Ten Boeing 757s to be delivered in 1985 and ten in 1986.

To Our Shareholders: Northwest Airlines had a most successful year in 1984 posting very strong operating and financial results in spite of an intensely competitive industry environment. Operating revenues totaled a record $2.4 billion, up 11.3% from 1983, while operating income rose 39.8% to $96.3 million. After a special one-time extraordinary charge in the fourth quarter, net earnings amounted to $56.0 million for the year.

Our net earnings for the year 1984 must be analyzed in two parts —

1) airline operations — Net earnings from operation of Northwest Airlines in 1984 amounted to $86,867,000, up 73.5% from $50,073,000 in 1983. Per share 1984 earnings before the one-time special item were $3.74 fully diluted compared to $2.19 per share in 1983.

2) one-time charge for an extraordinary item — In the fourth quarter of 1984, we recorded an extraordinary charge which reduced net income by $30,903,000 after taxes, or $1.30 per share. This charge resulted from the refusal by the U.S. Supreme Court to review a 15-year-old lawsuit involving claims under the Civil Rights Act and Equal Pay Act on behalf of 3,354 female cabin attendants. The one-time charge to net earnings from the lawsuit involved claims covering the years 1967 through 1978 and is not related to the operation of Northwest Airlines in any year after 1978.

NWA Inc. In a major organizational development, Northwest Airlines began operating late in 1984 as a wholly-owned subsidiary of NWA Inc. Approved by Northwest's shareholders, all of the outstanding shares of Northwest Airlines, Inc. have been automatically converted into shares of the new holding company, which will facilitate future expansion and business diversification.

Quality of Earnings Special note should be made of the high quality of Northwest Airlines' earnings based on our conservative accounting and sound fiscal policies.

— We have continued a longstanding policy of conservative, rapid depreciation of our aircraft. As a result, our cash flow from operations, before the extraordinary item and including depreciation, amounted to $274,410,000 in 1984, up 30.8% from 1983. Many airlines have "stretched" depreciation lives again and again to improve reported earnings. We have not.

— We have continued to own our airplanes and to enjoy the benefit of strong residual values at the end of service life. None of our airplanes is returnable to banks or other lending institutions but can be sold profitably to aid in our fleet modernization.

— We have not sold our tax benefits at a discount when that routine was in vogue. Full investment tax credit and full tax depreciation accrue to the benefit of Northwest Airlines' shareholders.

— We have not "washed out" pension plans as some carriers have done but have continued sound funding of all of our plans. Plan assets at year-end of $591,881,000 exceeded accumulated plan benefits by $118,536,000. We have no "catch up" or hidden liabilities to fund out of future earnings.

— We have not sold our fixed assets to shore up cash position as some airlines have done. In contrast, we have added new ground facilities at many locations to enhance our operating position.

— We have moderated wage increases and have obtained productivity gains from our skilled and loyal employees. We have no expensively bought concessions to "snap back" and damage future earnings, and we have engaged in no dilution of equity as a price paid to obtain wage concessions.

Thus, Northwest Airlines' earnings figures ring true. Our financial position at the end of 1984 is solid and strong with a net worth at $892,923,000 and a capital structure at 89.9% equity and only 10.1% debt. Recognizing the superior strength of Northwest Airlines, Standard and Poors recently raised the security rating on all debt issues of the company.

Fleet Expansion In February 1985, we took delivery of the first of 20 new-generation Boeing 757 passenger aircraft equipped with the new Pratt & Whitney 2037 engine. A total of 10 will be received in 1985 and the remaining 10 in 1986. Including engines and spare parts, this $800 million fleet acquisition will be financed primarily with internally-generated funds and some borrowing at the peak of the acquisition period. The most fuel-efficient jetliner now in service, the Boeing 757 will greatly enhance our ability to compete cost-effectively and will permit substantial expansion of our domestic route system.

Late in December 1984, Northwest Airlines purchased one used Boeing 747-200B aircraft, our 29th passenger 747. This airplane will serve to augment our capacity for long-range international operations in the Atlantic and Pacific. In addition, we are nearing the end of a three-year program to refurbish all of our aircraft, and, in the process, we have added nearly 3,000 seats to existing aircraft, the equivalent of 15 additional airplanes in the fleet.

Routes In 1984, our major development efforts were directed to our growing international route system. Results of this focus were highly successful as Northwest Airlines became the dominant U.S. carrier in the Pacific as well as a growing factor in transatlantic markets.

In a significant move with long-term potential for Northwest in re-emerging China, we returned to Shanghai with passenger service in the spring of 1984. We also instituted all-cargo flights to Singapore in September, our first venture beyond Hong Kong in Southeast Asia, and we look to start passenger service to Kuala Lumpur in 1985. Atlantic operations were profitable for the second consecutive year, and we added the important cities of Frankfurt and Dublin to our European route system.

We focused our overall thrust in 1984 on strengthening Northwest Airlines' existing route structure, which has grown substantially with the addition of 25 new cities in the U.S. since the beginning of deregulation. We increased service in high-density markets and have met the challenges posed by new, low-fare carriers. In addition, we engaged in new working relationships with regional airlines carrying passengers to and from important Northwest hub cities.

Left, M. Joseph Lapensky

Steven G. Rothmeier

Management Continuing an orderly process of management transition begun in 1983, M. Joseph Lapensky relinquished the position of Chief Executive Officer on January 1, 1985, remaining as Chairman of the Board. Also on January 1, Steven G. Rothmeier was named President and Chief Executive Officer, having been President and Chief Operating Officer since October 1983. In other management moves, James A. Abbott, formerly Senior Vice President and General Counsel, was elected Executive Vice President — Finance and Administration and General Counsel. In addition, Allen W. Johnson was named Vice President — Atlantic Region; Robert A. Magnuson was elected Vice President — Treasurer; and William C. Wren was appointed Vice President — Public Relations. In January 1985, John A. Edwardson was elected Vice President — Finance and Chief Financial Officer, and Allan K. Pray was elected Vice President — Assistant to the President. Northwest Airlines has in place a sound management team of seasoned veteran executives, who have the skill and expertise to advance Northwest as one of the world's leading airlines.

Looking Ahead From our present vantage point, 1985 should be another good year for Northwest Airlines. Our greatest challenge will remain the intense competition from low-fare carriers as well as the major competitive moves of large, well-funded airlines. We are making 1985 the "year of the domestic route system" — focusing added attention to our major hub cities of Seattle, the Twin Cities and Boston and gaining increased presence at secondary hubs in Detroit, Tampa and Phoenix. Our new Boeing 757's will be used to open up new routes featuring the unique, long-haul nature of this fine aircraft. We will continue to connect more of our on-line cities with nonstop service to our major international gateways at Boston, New York, Chicago, the Twin Cities, Seattle, Los Angeles and San Francisco.

In all this, we continue to develop as a marketing company with careful tailoring of product lines to our unique route structure and with greater emphasis on the quality of our service. In this regard, it is fitting that we salute our more than 15,000 skilled and dedicated employees for making 1984 an unqualified success.

With the continuing support of our shareholders, we look forward to bringing news of positive developments throughout the coming year.

Sincerely,

M. J. Lapensky

M. Joseph Lapensky
Chairman of the Board

Steven G. Rothmeier
President and Chief Executive Officer

Northwest has developed a two-ocean network welded to a strong domestic system. This is a balanced structure in which domestic operations function as a separate system as well as provide strong feed traffic to our eight international gateways.

Throughout the post-deregulation era, Northwest Airlines has followed a sound strategy in expanding a far-flung route system that now extends from Stockholm to Singapore and from Miami to Manila. We have mounted a spirited but carefully controlled growth program — avoiding the excesses which have caused problems for many other airlines in a volatile industry environment.

Northwest has built a unique two-ocean network welded to a strong domestic operation (see map inside front cover). This is a balanced structure in which domestic operations function as a separate system and also provide strong feed traffic to our eight international gateways. Careful, steady development of the international system has provided for earnings momentum in economic periods when domestic revenues have experienced only moderate growth. Thus, our overseas routes are a major contributing factor to Northwest's consistent financial performance over the long haul.

Northwest's experience in transpacific markets dates back 39 years to 1946, and today we are the leading U.S. airline serving the Orient and second-largest overall. Our system consists of six major U.S. gateways feeding our Tokyo hub, which in turn provides connecting service to nine key Asian capitals including Shanghai in the People's Republic of China. In 1984, we were operating 55 transpacific passenger round trip flights a week, nearly double the number only five years ago. In 1985, we will operate 61 — nearly nine round trips per day — featuring new service beyond Tokyo to Kuala Lumpur, Malaysia, and new nonstop Boeing 747 service from Los Angeles to Seoul, Korea.

Our service in transatlantic markets dates back to 1979 and became profitable within only four years. In 1984, we were operating 35 transatlantic flights per week from three U.S. gateways to nine European cities. And by the end of the year, we ranked seventh in passengers across the Atlantic among the 50 transatlantic carriers and added Frankfurt and Dublin as important new European destinations on our Atlantic route.

We have applied the same managed approach to our domestic system. During the early deregulation years and despite the recession of 1980-1982, we added twelve new domestic cities, which have provided a large number of new connections to and through our main Twin Cities hub. These include major traffic centers such as Dallas-Ft. Worth, Denver, Kansas City and San Diego — and Sun Belt markets in Phoenix and Tucson, Arizona, and Orlando, West Palm Beach and Fort Myers, Florida.

By weaving a stronger and more effective domestic network, these new cities also enhance our traffic flows on the Atlantic and Pacific routings. Thus, the Northwest Airlines unique "two ocean-domestic" route system is made a stronger and more competitive factor on the U.S. airline scene.

The 184-seat Boeing 757 is one of the most advanced passenger aircraft in production today. Given its sophisticated design, and powered by two Pratt & Whitney 2037 engines, the 757 is the most fuel-efficient jetliner currently in use.

Throughout our history, Northwest Airlines has always been committed to operating the most modern and advanced aircraft available. This is why we currently fly one of the largest fleets of full-size Boeing 747 aircraft in the world. And this commitment also was the reason behind our decision to purchase 20 new-generation Boeing 757 passenger aircraft.

Scheduled for delivery in 1985-1986, the 184-seat 757 is one of the most advanced aircraft in production today. Given its sophisticated design, and powered by two Pratt & Whitney 2037 engines, the 757's greatest economic feature is dramatically improved fuel economy. Stated simply, the 757 is the most fuel-efficient jetliner currently in use.

On a typical domestic segment from the Twin Cities to New York, the 757 will burn 31 percent fewer gallons of fuel than one of our 727-200's. And because the 757 will carry more passengers than a 727 — 184 vs. 146 — this will translate into a 46 percent saving in fuel gallons per seat on the Twin Cities-New York flight.

When compared to the larger DC-10-40, the 757 will burn 61 percent less fuel on the same Twin Cities-New York flight. In spite of having fewer seats than the DC-10, the 757 will still yield a savings of 40 percent in fuel gallons per seat on this run.

This kind of operating efficiency will greatly enhance Northwest's ability to compete cost-effectively against the new breed of low-cost carriers. We will realize not only lower operating costs, but also improved revenue per plane-mile and hence greater operating margins.

Given its state-of-the-art design technology, the Boeing 757 will offer other major advantages as well. It will operate efficiently over long and short segments alike, and its 3,000-mile range will make nonstop transcontinental flights a technical reality with great economic advantage.

Northwest's growing fleet of Boeing 757's will be used to strengthen and expand our domestic system over the next few years. This will permit renewed concentration on domestic scheduling and increased frequencies in our key point-to-point markets. In addition, the new Boeing 757's will provide more on-line cities with nonstop service to our eight international gateways, thus making for still greater traffic flow between our domestic and international route systems.

The size and scope of our air freight business differentiates Northwest from other U.S. airlines. Northwest has the largest cargo operation in terms of freight ton-miles by a wide margin among all U.S. combination carriers. We also have the fourth largest air-freight operation in the world.

Air freight and air mail are major and growing sources of Northwest's total revenue and at $413,675,000 in 1984 provided a revenue component equal to 20.8 percent of passenger revenue.

Our cargo operation is unique in many respects. The size and scope alone of our air freight business differentiates Northwest from other U.S. airlines. Among all U.S. combination carriers, Northwest — which is the seventh-largest airline in terms of revenue passenger miles — has the largest cargo operation in terms of freight ton-miles by a wide margin. We also have the fourth largest air-freight operation in the world. This dominance is due in large part to operation of six Boeing 747 all-cargo airplanes.

Northwest's freight ton-miles increased 15.6 percent in 1984 to 966 million, boosting our market share to over 25 percent of all the freight traffic carried by the major U.S. airlines. Only Flying Tigers — dedicated solely to air freight — recorded more freight ton-miles than Northwest.

We made major cargo facility improvements at our important gateway cities in 1984. At Boston Logan we occupied a new 60,000 square-foot $5.6 million freight facility, and in Los Angeles, we moved into a new 70,000 square foot cargo facility. We also completed installation of an automated cargo handling system at John F. Kennedy Airport in New York which will allow us to handle three 747 freighters simultaneously in less than three hours.

We have focused substantial resources on developing the rapidly growing all-cargo markets in the Pacific Basin. Throughout 1984, all six 747 freighters were operating in the Pacific, carrying a wide variety of commodities. From the Far East to the United States, major goods moved by Northwest included textiles, electronics, auto parts, and foot wear. From the United States to the Far East, Northwest carried computer parts, electrical supplies, office equipment and perishable goods. Other commodities moved by Northwest to the Far East included salmon from Anchorage and Seattle, asparagus from California, blue fin tuna from New York, Washington State cherries from Seattle, and live animals, including several cattle charters from the Midwest.

Cargo ton-miles increased 16.2 percent over Pacific routes in 1984, marking an all-time Northwest record for total freight and mail in this area. We will build upon this performance in 1984 with new freighter service to Singapore begun last September.

Atlantic system freight is carried in the cargo bellies of 747 passenger aircraft. Over domestic routes, Northwest also utilizes the substantial belly capacity in all of our passenger aircraft, in particular the large DC-10-40 which handles unit loading containers compatible with 747 equipment to facilitate our on-line transfer network.

Northwest's fully-automated cargo control system keeps track of our worldwide fleet of cargo containers, and a growing number of U.S. terminal facilities are being equipped with mechanized cargo-handling systems. Both systems are boosting the profitability of our air freight operations.

Northwest Airlines has demonstrated its ability to compete effectively in an intensely competitive industry environment. We succeeded in increasing our passenger load factor to 60.5 percent in 1984, and revenue passenger-miles rose nearly 12 percent, the third highest gain among the major carriers.

The shape of the airline industry was drastically changed in the late 1970's with passage of the Airline Deregulation Act. As a result of this legislation, the doors of a once highly regulated industry were thrown open to all newcomers, and existing carriers were freed to operate anywhere they wished — and set ticket prices as they pleased.

Three new facets of service and price competition have emerged:

1) We have seen a proliferation of low-fare, non-union carriers whose main competitive weapons are cut-rate prices;

2) Wage and productivity concessions have made financially-troubled major airlines more price competitive;

3) Large, financially-strong carriers are committing tremendous resources to expansion programs.

Against this threefold threat, Northwest Airlines has demonstrated its ability to compete effectively. We succeeded in increasing our passenger load factor to 60.5 percent in 1984, and revenue passenger-miles rose nearly 12 percent, the third highest gain among the major carriers. Finally, we have maintained or increased our market share in nearly all of our key domestic and international cities.

With our financial strength and operating efficiency, we have maintained our firm resolve to meet the new low-fare competition, while continuing to offer all of the service and customer amenities expected of a full-service major airline. Our varied fleet gives us the flexibility to increase frequencies and improve scheduling where needed. And we have taken steps to strengthen working relationships with regional carriers serving important Northwest cities. In 1984, we reached a comprehensive "Airlink" marketing agreement with Mesaba Airlines providing for enhanced feed traffic from regional markets in four midwestern states to our Minneapolis/St. Paul traffic hub.

Continued improvements in ground facilities are also contributing to Northwest's competitive edge. At our important Boston hub, we began work on a $4 million relocation to the Volpe terminal, which will give us more gates and the convenience of a joint domestic-international operation in one terminal. We relocated to Terminal 2 at Los Angeles, where our nonstop service to Tokyo and Seoul will also benefit from combined domestic-international service on one site. At Minneapolis/St. Paul, we entered a 30-year lease extension and began construction of a $22 million expansion of the Gold Concourse. This will add seven widebody gates with moving sidewalks, and use of the new cross-connect corridor will make for easy access to Northwest gates on the Red Concourse. We have also developed a hub capability at Phoenix with our relocation to modern Terminal 3 and full use of four permanent gates.

To improve airport customer service, we have equipped nearly half of Northwest's domestic cities with automated one-stop seat check-in; and the remainder will be completed by summer 1985.

The underlying earnings power of Northwest has been particularly evident since the advent of airline deregulation. Northwest is one of only two major carriers that has been profitable each year since deregulation, thus demonstrating our ability to operate effectively in a wide range of economic conditions.

Northwest Airlines' record of sustained profitability and financial strength is unparalleled in an industry subject to dramatic cyclical swings. We have been profitable every year since 1950 and have paid cash dividends to our shareholders for 30 consecutive years.

The underlying earnings power of Northwest has been particularly important since the advent of airline deregulation when a tremendous upsurge in competitive pressure, a severe recession and soaring fuel prices combined to destabilize the airline industry. The result for most airlines was heavy losses during the early 1980's.

Northwest is one of only two major carriers that have remained profitable each year since deregulation. Although our earnings in some years have fluctuated with volatile industry conditions, we have consistently demonstrated the ability to operate effectively in a wide range of economic conditions.

What is the basis for this unique record?

In foregoing sections, we have discussed the important aspects of our route policy, fleet plan, cargo emphasis, and competitive posture as they bear on our long-term strength. These are all essential elements of Northwest's basic philosophy to manage for long-term results, not simply short-term gains. Our commitment to the long-term continues to entail a strong emphasis on managed route growth, fleet expansion and expense control, and we believe this approach serves the best interests of shareholders, customers and employees alike.

For example, Northwest Airlines has not been forced to dilute shareholders' equity in order to extract wage concessions from its employees to stay in business. To compete effectively with carriers that must operate in this fashion, we will continue to monitor and control our expenses, improve our operating efficiencies and, in negotiation with our employee groups, seek moderation in wage agreements that will keep us competitive in our industry.

Maintaining a strong financial condition continues to be a key element in Northwest Airlines' long-term success. In an industry saddled with heavy debt, your company has consistently maintained the strongest balance sheet among major U.S. airlines and the industry's lowest debt/equity ratio. This is a significant accomplishment in light of ongoing investments to modernize our fleet and to upgrade ground facilities.

Our firm commitment to preserve a strong capital position will enable Northwest Airlines to grow in future years without having our operating earnings eroded by high interest expense. This will also give us ample flexibility to provide the resources that might be required to pursue any future opportunities that may arise.

As part of a plan of reorganization previously approved by our shareholders, Northwest Airlines, Inc. (Northwest) became a wholly-owned subsidiary of NWA Inc. (NWA) in the latter part of 1984. The creation of NWA as a holding company did not result in any changes in the operation of Northwest and the shareholders of Northwest automatically became shareholders of NWA.

Northwest is the only operating subsidiary of NWA and was responsible for all of its operating revenues and substantially all of its expenses in 1984.

Operating Revenues Operating revenues for 1984 rose 11.3% to $2,444,974,000 compared with $2,196,036,000 in 1983 and $1,877,568,000 in 1982. The largest component of operating revenues is passenger revenues, which increased 9.5% to $1,984,999,000 due to an 11.6% increase in revenue passenger-miles and a 1.9% decrease in yield (revenue per passenger-mile). 1983 passenger revenues totaled $1,812,227,000, a 15.6% increase over 1982. Revenues for 1982 were adversely impacted by a major strike which extended from May 22, 1982 to June 17, 1982.

During 1984, the increase in actual revenue passenger-miles was greater than the increase in capacity (available seat-miles) and, as a result, the passenger load factor rose .5 percentage points to 60.5%. The 1984 break-even passenger load factor was 57.6%, or 2.9 percentage points below the actual 1984 load factor. Break-even passenger load factors for 1983 and 1982 were 57.7% and 60.0%, respectively, and compare to actual load factors of 60.0% in 1983 and 59.7% in 1982. 1984 marks the seventh consecutive year in which year over year passenger load factor improvements have been achieved.

Freight revenues increased 22.9% in 1984 to a record $355,336,000 on a 15.6% increase in freight ton-miles and a 6.3% increase in yield per ton-mile. 1983 freight revenues totaled $289,170,000 and were 41% greater than 1982 when freight operations were negatively affected by a strike. Mail revenues increased 5% to $58,339,000 in 1984 and compare to $55,585,000 in 1983 and $60,451,000 in 1982. Charter and other transportation revenues were $38,559,000 in 1984, $36,198,000 in 1983 and $34,758,000 in 1982. Nontransport revenues totaled $7,741,000, $2,856,000 and $9,355,000 in 1984, 1983, and 1982, respectively.

Operating Expenses Operating expenses for 1984 totaled $2,348,698,000, a 10.4% increase over the prior year. 1983 operating expenses were $2,127,150,000, up 12.8% over 1982. Because capacity of the airline increased at a greater rate than expenses, operating expenses per available ton-mile decreased to 40.2¢ in 1984 from 40.5¢ in 1983 and 40.7¢ in 1982. 1984 marks the third year in a row in which unit costs have declined.

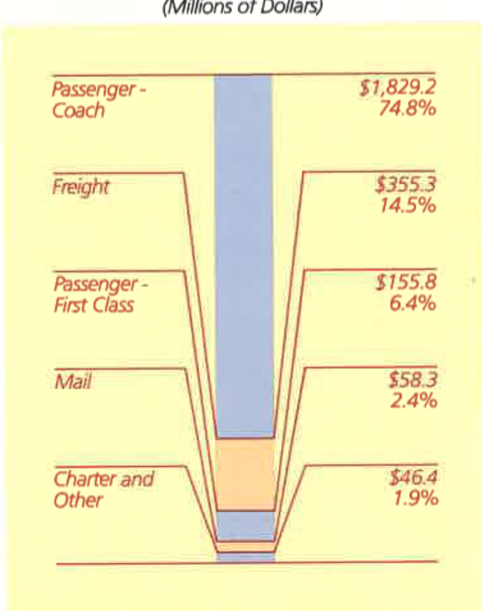
Aircraft fuel expense increased a modest 3.0% over 1983 even though revenue plane-miles flown were up 7.2% year to year. This is a result of the continued decline in the cost of jet fuel which, at an average price of 87.76¢ per gallon in 1984, was 4.82¢ lower than the 1983 average per gallon price.

Agency commission expenses increased 21.3% during 1984 reflecting higher levels of sales by commission agents and increased commission rates.

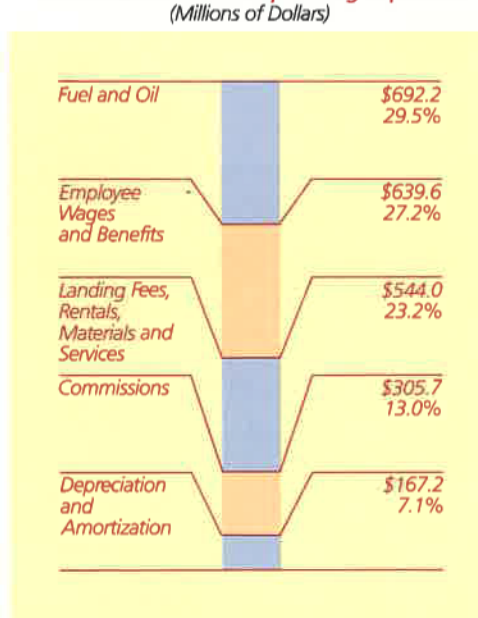
Salaries and related costs were up 12.3% in 1984 while other cash expenses increased 11.8% over the prior period. These increases result partially from additional numbers of personnel and higher levels of purchases which are related to increased capacity and traffic, and partially from moderate increases in wage rates and supplier price levels.

Depreciation and amortization expense rose 13.8% in 1984 to $167,203,000 compared with $146,908,000 in 1983 and $136,651,000 in 1982. The 1984 increase was primarily the result of the addition of four new 747 passenger aircraft early in the year. The impact and effect of inflation and changing prices are discussed in Footnote J to the financial statements.

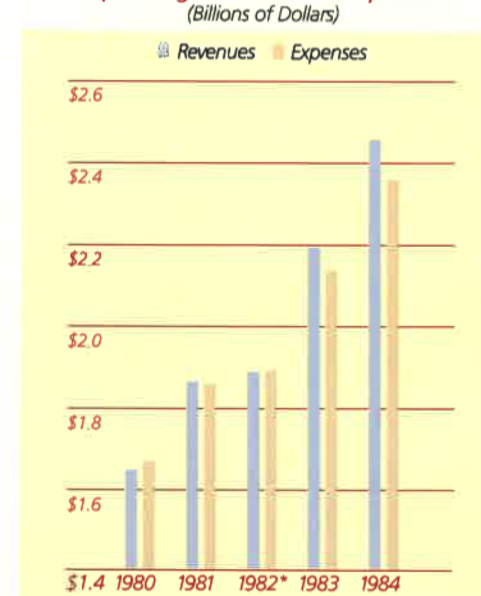
Sources of 1984 Operating Revenues
(Millions of Dollars)



Distribution of 1984 Operating Expenses
(Millions of Dollars)

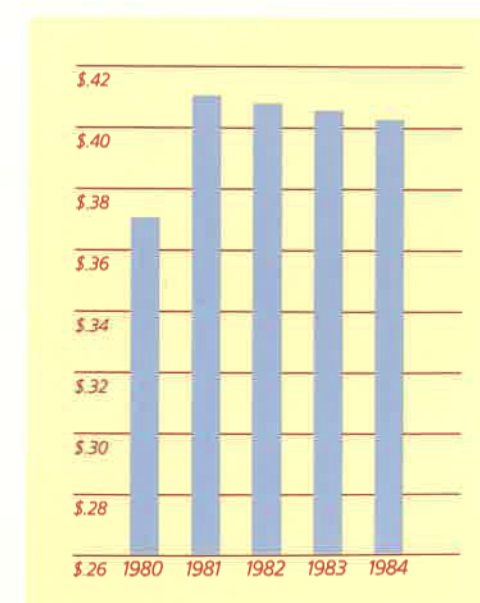


Operating Revenues and Expenses
(Billions of Dollars)



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

Operating Costs Per Available Ton-Mile



Earnings and Dividends Net earnings for 1984 totaled $55,964,000 ($2.44 per share) compared with $50,073,000 ($2.19 per share) in 1983 and $5,019,000 ($.23 per share) in 1982. The current year earnings are after an extraordinary after tax charge of $30,903,000 ($1.30 per share) resulting from a lawsuit. Earnings before the extraordinary charge were $86,867,000 ($3.74 per share), a 73% improvement over 1983 earnings. The $30,903,000 extraordinary charge was recorded in the fourth quarter of 1984 after the Supreme Court of the United States refused to review a 15-year-old lawsuit involving claims under the Civil Rights Act and the Equal Pay Act on behalf of 3,354 cabin attendants. The extraordinary charge to earnings involves claims covering the years 1967 through 1978 and is not related to the operations of the airline after 1978.

As previously stated, operating revenues increased 11.3% in 1984 while operating expenses were up 10.4%. As a result, operating income increased 39.8% to $96,276,000 from the $68,886,000 recorded in 1983. An operating loss in 1982 totaled $8,375,000.

Interest expense amounted to $4,268,000 in 1984, $3,548,000 in 1983, and $7,216,000 in 1982. Investment income totaled $7,214,000 in 1984 compared with $7,960,000 and $2,550,000 in 1983 and 1982, respectively.

Gain from the disposal of property during 1984 totaled $19,864,000, primarily the result of the sale of three McDonnell Douglas DC-10-40 aircraft. 1983 gains totaled $805,000 and 1982 gains were $12,425,000. The 1982 gains reflected the sale of five Boeing 727-100C aircraft.

Earnings before income taxes were $117,388,000, up $43,785,000 over 1983 pre-tax earnings of $73,603,000. 1982 earnings before taxes totaled $688,000.

Cash dividends of 82.5¢ per share totaling $17,933,000 were paid during 1984, continuing an unbroken string of quarterly dividend payments begun 30 years ago. NWA Inc. common stock is principally traded on the New York Stock Exchange. A table listing the sales prices and dividends paid per share in 1984 and 1983 is included on page 33.

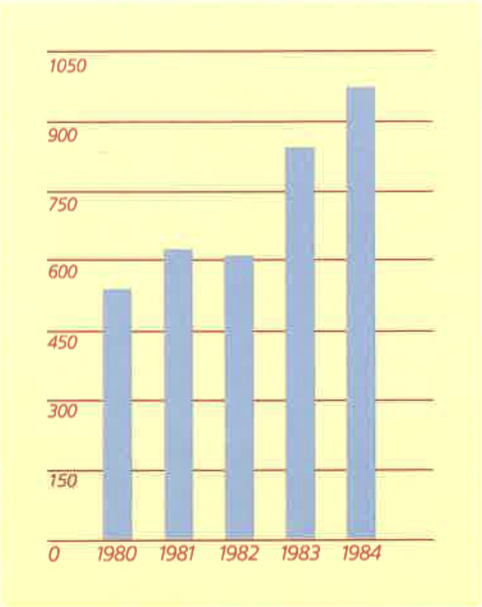
Taxes on Earnings Income tax expense without taking into consideration the extraordinary item amounted to $30,521,000 in 1984 compared to $23,530,000 in 1983 and a tax credit of $4,331,000 in 1982. After consideration of the $28,094,000 income tax credit resulting from the extraordinary item, total 1984 income tax expense was $2,427,000. Earned investment tax credits totaled $23,576,000 in 1984, $9,745,000 in 1983, and $3,128,000 in 1982. Investment tax credits are applied on tax returns as allowed by income tax regulations. Credits not currently applied are offset against deferred taxes for accounting purposes, and as of December 31, 1984 these credits totaled $20,504,000. The Company continues to use the shortest depreciation (ACRS) write-off periods for income tax purposes allowed by law.

Financial Condition Stockholders' equity at December 31, 1984 totaled $892,923,000 while long-term debt was $100,000,000. NWA has consistently maintained a strong balance sheet as emphasized by the low debt/equity ratio at the end of 1984. All aircraft are owned and paid for, and it is expected that the purchase of 20 Boeing 757 aircraft during 1985 and 1986 will be financed primarily with internally-generated funds supplemented by some borrowing at the peak of the acquisition period.

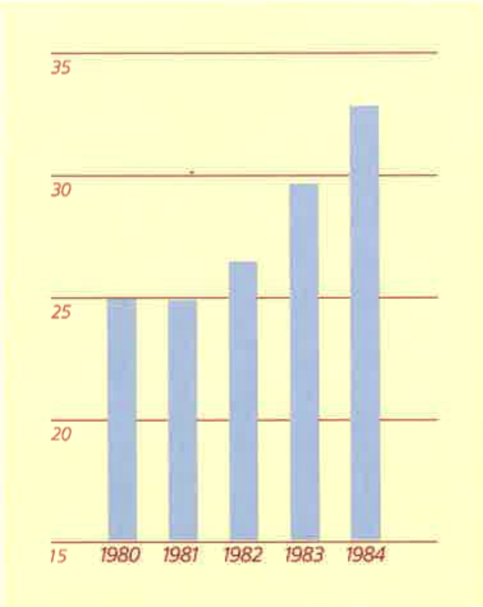
Despite a $30,903,000 net of tax extraordinary charge, the Company produced its largest net earnings since 1979, and continued its unbroken string of profitability dating back to 1950. Book value per share of common stock of NWA was $41.05 at December 31, 1984 compared to $39.33 and $37.85 at the end of 1983 and 1982, respectively.

NWA is committed to a philosophy which entails a strong emphasis on managed route growth, operation of the most modern and advanced aircraft available, and efficiency of operations. This philosophy, coupled with our strong financial position, should allow the Company to continue to grow and prosper in the future.

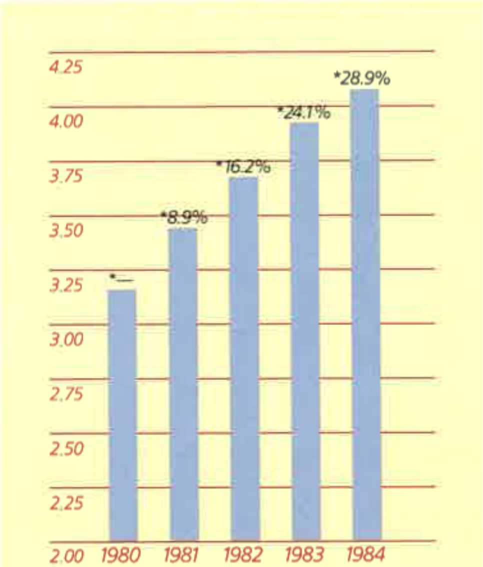
Scheduled Freight Ton-Miles
(Millions)



Available Seat Miles
(Billions)

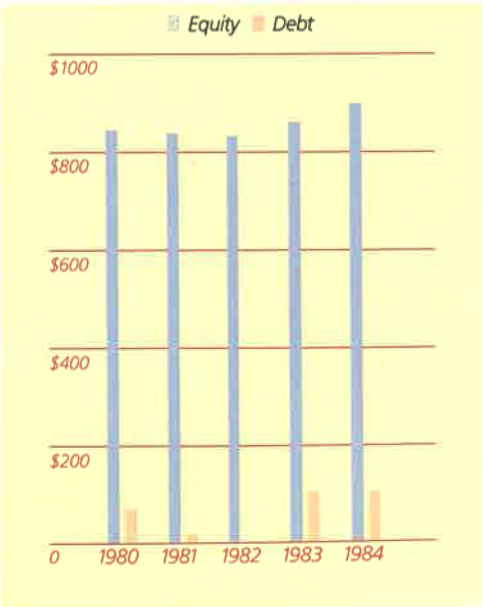


Fuel Efficiency Increases
(Revenue ton miles per gallon)



*Percent of increase over 1980

Stockholders' Equity vs Long Term Debt
(Millions of Dollars)



Selected Financial Data (In Thousands except per share amounts)

Year Ended December 31	1984	1983	1982*	1981	1980
Operating Revenues	$2,444,974	$2,196,036	$1,877,568	$1,854,290	$1,639,330
Earnings	86,867**	50,073	5,019	10,460	7,084
Total Assets	1,754,233	1,602,236	1,377,387	1,492,381	1,532,539
Long-Term Debt	100,000	100,000	—	12,500	62,500
Per Common Share:					
Earnings	3.74**	2.19	.23	.48	.33
Cash Dividends	.825	.80	.80	.80	.80

*Operating results were affected by a major strike which extended from May 22, 1982 to June 17, 1982.
**Before extraordinary loss of $30,903,000 or $1.30 per share resulting from the settlement of a lawsuit.

Cash Flow, Liquidity, and Capital Resources. Total cash provided from 1984 operations was $274,410,000 before the extraordinary item, and $215,413,000 after the $58,997,000 pre-tax extraordinary loss. This compares with $209,865,000 in 1983 and $132,895,000 in 1982. Included in the cash from operations are the benefits from NWA's long-standing policy of owning its equipment rather than leasing, which in 1984 provided cash through depreciation and amortization totaling $167,203,000. Cash and short-term investments declined by $52,122,000 to $49,564,000 at the end of 1984 as total cash used during the year of $419,347,000 exceeded the total cash provided of $367,225,000. The major use of cash during 1984 was for $345,844,000 of equipment additions which included the purchase of four new Boeing 747 passenger aircraft early in the year and one used Boeing 747 passenger aircraft in December.

The Company will take delivery of ten new Boeing 757 passenger aircraft in 1985 with ten more scheduled for delivery in 1986. These aircraft plus related equipment will cost $851,037,000, of which $57,795,000 was on deposit with the manufacturer at the end of 1984. These aircraft additions will be financed primarily with funds currently on hand plus cash from 1985 and 1986 operations supplemented by some borrowing at the peak of the acquisition period. During 1984, the Company entered into a revolving credit agreement which provides for unsecured borrowings up to $500,000,000 through June of 1988. There were no borrowings under this agreement in 1984. During 1984, Standard and Poors raised the security rating on all debt issues of the Company.

With its available lines of credit, the lowest debt/equity ratio in the airline industry, and stockholders' equity of $893,000,000, NWA believes it will have no difficulty in obtaining adequate cash to meet all future expansion and other corporate needs.

Year Ended December 31	1984	1983	1982*
Operating Revenues			
Passenger	$1,984,999	$1,812,227	$1,567,986
Freight	355,336	289,170	205,018
Mail	58,339	55,585	60,451
Charter and other transportation	38,559	36,198	34,758
Nontransport	7,741	2,856	9,355
	2,444,974	2,196,036	1,877,568
Operating Expenses			
Flying operations	912,501	868,145	838,693
Maintenance	212,828	192,383	149,749
Passenger service	215,012	186,802	158,816
Aircraft and traffic servicing	342,726	308,782	265,764
Reservations, sales and advertising	454,517	383,551	298,611
Administrative and general	43,911	40,579	37,659
Depreciation and amortization	167,203	146,908	136,651
	2,348,698	2,127,150	1,885,943
OPERATING INCOME (LOSS)	96,276	68,886	(8,375)
Other Income (Expenses)			
Investment income	7,214	7,960	2,550
Interest, net of capitalized interest (1984–$5,446; 1983–$4,872; 1982–$1,681)	(4,268)	(3,548)	(7,216)
Gain on sale of equipment	19,864	805	12,425
Other	(1,698)	(500)	1,304
	21,112	4,717	9,063
Earnings Before Income Taxes and Extraordinary Item	117,388	73,603	688
Income tax expense (credit)–Note D	30,521	23,530	(4,331)
EARNINGS BEFORE EXTRAORDINARY ITEM	86,867	50,073	5,019
Extraordinary loss from settlement of litigation (less applicable income tax credit of $28,094)–Note F	(30,903)	—	—
NET EARNINGS	$ 55,964	$ 50,073	$ 5,019
Earnings per share–primary and fully diluted:			
Earnings before extraordinary item	$ 3.74	$ 2.19	$ .23
Extraordinary loss	(1.30)	—	—
NET EARNINGS	$ 2.44	$ 2.19	$ .23

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

Consolidated Statements of Financial Position NWA Inc.

(Dollars In Thousands)

December 31	1984	1983
ASSETS		
Current Assets		
Cash and short-term investments	$ 49,564	$ 101,686
Accounts receivable, less allowance of $2,150 (1983–$1,800)	196,836	189,665
Flight equipment spare parts, less allowance for depreciation of $35,490 (1983–$31,406)	52,464	58,502
Maintenance and operating supplies	19,682	17,599
Prepaid expenses	25,190	18,372
Prepaid income taxes	23,914	—
TOTAL CURRENT ASSETS	367,650	385,824
Other Assets	18,491	12,409
Property and Equipment		
Flight equipment	2,356,048	2,080,299
Less allowance for depreciation	1,204,118	1,103,798
	1,151,930	976,501
Advance payments on new flight equipment	57,795	99,572
Other property and equipment	287,391	242,233
Less allowance for depreciation	129,024	114,303
	158,367	127,930
	1,368,092	1,204,003
	$1,754,233	$1,602,236

December 31	1984	1983
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Commercial paper	$ 17,834	$ —
Accounts payable and other liabilities	230,944	214,662
Employee compensation	114,789	50,863
Air traffic liability	103,900	104,933
Income taxes	—	5,097
TOTAL CURRENT LIABILITIES	467,467	375,555
Long-Term Debt–Note B	100,000	100,000
Deferred Credits and Other Liabilities		
Income taxes–Note D	280,463	260,123
Other	13,380	12,369
	293,843	272,492
Stockholders' Equity–Note C		
Common Stock $2.00 par value, authorized 60,000,000 shares; issued and outstanding 21,749,667 shares (1983–$1.25 par value, authorized 40,000,000 shares; issued and outstanding 21,715,995 shares)	43,499	27,145
Capital surplus	110,823	126,474
Retained earnings	738,601	700,570
	892,923	854,189
Commitments and Contingencies–Notes E and F		
	$1,754,233	$1,602,236

See notes to consolidated financial statements.

Year Ended December 31	1984	1983	1982
Cash Provided			
Earnings before extraordinary item	$ 86,867	$ 50,073	$ 5,019
Add (deduct) non-cash items:			
Depreciation and amortization	167,203	146,908	136,651
Increase (decrease) in deferred income taxes	20,340	12,884	(8,775)
TOTAL FROM OPERATIONS BEFORE EXTRAORDINARY ITEM	274,410	209,865	132,895
Extraordinary loss before tax benefit of $28,094	(58,997)	—	—
TOTAL FROM OPERATIONS	215,413	209,865	132,895
Issuance of 7½% convertible debt	—	100,000	—
Issuance of commercial paper and other borrowings	39,000	76,042	40,516
Decrease in interest receivable	—	—	43,528
Increase in accounts payable and other liabilities	16,282	41,305	21,174
Increase in accrued employee compensation	63,926	10,847	3,986
Net book value of property dispositions	20,672	2,667	4,731
Other	11,932	7,211	1,464
TOTAL CASH PROVIDED	367,225	447,937	248,294
Cash Used			
Additions to flight equipment, other property and deposits	345,844	234,256	55,070
Payments of commercial paper and other borrowings	21,166	81,000	81,109
Increase (decrease) in air traffic liability	1,033	(27,728)	11,028
Reduction of long-term debt including current maturities	—	—	62,500
Increase in accounts receivable	7,171	46,018	5,535
Dividends	17,933	17,367	17,332
Other	26,200	27,838	17,790
TOTAL CASH USED	419,347	378,751	250,364
INCREASE (DECREASE) IN CASH AND SHORT-TERM INVESTMENTS	(52,122)	69,186	(2,070)
Cash and short-term investments at the beginning of the year	101,686	32,500	34,570
Cash and short-term investments at the end of the year	$ 49,564	$101,686	$ 32,500

See notes to consolidated financial statements.

	Common Stock		Capital Surplus	Retained Earnings
	Shares	Amount		
Balance January 1, 1982	21,661	$27,077	$125,256	$680,177
Exercise of stock options	17	21	387	—
Net earnings for 1982	—	—	—	5,019
Cash dividends–$.80 per share	—	—	—	(17,332)
Balance December 31, 1982	21,678	27,098	125,643	667,864
Exercise of stock options	38	47	831	—
Net earnings for 1983	—	—	—	50,073
Cash dividends–$.80 per share	—	—	—	(17,367)
Balance December 31, 1983	21,716	27,145	126,474	700,570
Exercise of stock options	38	55	840	—
Increase in par value from $1.25 to $2.00 per share	—	16,308	(16,308)	—
Net earnings for 1984	—	—	—	55,964
Cash dividends–$.825 per share	—	—	—	(17,933)
Other	(4)	(9)	(183)	—
Balance December 31, 1984	21,750	$43,499	$110,823	$738,601

See notes to consolidated financial statements.

Note A–Accounting Policies A summary of significant accounting policies of the Company is set forth below:

Corporate Reorganization and Basis of Presentation: Effective November 20, 1984, Northwest Airlines, Inc. (Northwest) became a wholly-owned subsidiary of NWA Inc. (NWA) pursuant to a plan of reorganization approved by the shareholders of Northwest on May 21, 1984. The shareholders of Northwest automatically became shareholders of NWA with the same equity interest in NWA as they previously had in Northwest. NWA became jointly liable for Northwest's Convertible Subordinated Debentures which are now convertible into shares of NWA Common Stock, and assumed Northwest's stock option plans.

The consolidated financial statements include the accounts of NWA, Northwest, and all other subsidiaries after elimination of intercompany accounts and transactions.

Short-Term Investments: Short-term investments are stated at cost which approximates market and amounted to $30,173,000 and $78,547,000 at December 31, 1984 and 1983, 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 applied 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 tax credits. Investment tax 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 tax credit carryover periods.

Operating Revenues: Passenger and freight revenues are recognized when the transportation is provided.

Earnings Per Share: Net earnings per share are calculated by dividing net earnings, adjusted for interest expense (net of income taxes) related to the convertible debentures, by the weighted average number of shares of Common Stock and Common Stock equivalents. Common Stock equivalents consist of convertible debentures and stock options.

Note B–Long-Term Debt and Credit Arrangements During 1984 the Company entered into a revolving credit agreement with a group of major banks which provides for unsecured borrowings up to $500 million through June 30, 1988. This amount decreases periodically thereafter to the termination date of July 1, 1994. Interest on borrowings is, at the Company's election, the lower of various formula rates or the prime rate as defined until June 30, 1991 and the formula rate or prime rate plus $\frac{1}{4}$% thereafter. Commitment fees ranged from $\frac{1}{16}$% to $\frac{1}{8}$% per annum on the unused credit and amounted to $253,000 in 1984. During 1984 there were no borrowings under the revolving credit agreement.

The Company was in compliance with the covenants of the revolving credit agreement at the end of the year. At December 31, 1984, approximately $179,000,000 of retained earnings was available for the payment of dividends under the terms of the revolving credit agreement.

In February 1983 the Company issued $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. The Company may redeem the debentures at any time after December 15, 1984 at prices ranging from 107% in 1984 to 100% in 2001, of the principal amount. Annual sinking fund payments are required beginning in 1992 of $5 million, less the amount of debentures converted or redeemed.

Note C–Stockholders' Equity

	Shares	
	1984	1983
Cumulative Preferred Stock:		
Authorized	5,000,000	1,000,000
Issued	None	None

As part of the reorganization, as described in Note A, the authorized cumulative preferred stock was increased to 5,000,000 shares at $1 par value from 1,000,000 shares at $25 par value.

The Company has 1,970,443 shares of Common Stock reserved for conversion of the 7½% convertible subordinated debentures as of December 31, 1984.

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, 1983	154,327	$22.75/23.31/24.00
Exercised	(37,537)	22.75/23.31/24.00
Lapsed	(22,348)	22.75/23.31/24.00
Outstanding at December 31, 1983	94,442	23.31
Granted	126,650	44.06
Exercised	(38,395)	23.31
Lapsed	(2,750)	23.31/44.06
Outstanding at December 31, 1984	179,947	23.31/44.06
Options exercisable:		
At December 31, 1983	34,142	23.31
At December 31, 1984	54,797	23.31

Shares available for stock option and other plans were 350,000 and 203,835 at December 31, 1984 and 1983, respectively.

Note D–Taxes on Earnings (Dollars in thousands) Reconciliation of the Company's effective income tax rate is as follows:

Year Ended December 31	1984	1983	1982
Statutory rate applied to earnings before tax and extraordinary item	$53,998	$33,857	$ 316
Add (deduct):			
Investment tax credit earned	(23,576)	(9,745)	(3,128)
Rate change on timing differences	(1,467)	(1,284)	(1,152)
Other	1,566	702	(367)
Income tax expense (credit) before extraordinary item	30,521	23,530	(4,331)
Tax benefit on extraordinary loss	(28,094)	—	—
Total income tax expense (credit)	$ 2,427	$23,530	$(4,331)

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

	1984		1983		1982	
	Current	Deferred	Current	Deferred	Current	Deferred
Federal	$ 6,687	$(7,107)	$6,396	$14,138	$1,619	$(6,821)
Foreign	1,118	—	827	—	855	—
State	2,889	(1,160)	2,068	101	1,009	(993)
	$10,694	$(8,267)	$9,291	$14,239	$3,483	$(7,814)

The deferred income tax expense (credit) consists of the following:

	1984	1983	1982
Extraordinary loss	$(28,094)	$ —	$ —
Accelerated depreciation	(3,566)	(10,961)	(3,947)
Investment tax and other credits	15,958	24,123	13,127
Disposition of property	8,749	—	—
Interest	2,505	2,241	(18,724)
Deferred employee benefits	(834)	(685)	3,437
Rate change on timing differences	(1,467)	(1,284)	(1,152)
Other	(1,518)	805	(555)
	$ (8,267)	$ 14,239	$ (7,814)

Investment tax credits of $20,504,000 not applied on tax returns but offset against deferred income taxes at December 31, 1984 will expire in 1999.

Note E–Commitments At December 31, 1984 the Company had contracted to purchase twenty Boeing 757 aircraft for delivery in 1985 and 1986. Deposits of $57,795,000 have been made with the manufacturers, and additional expenditures of $406,283,000 in 1985 and $386,959,000 in 1986 will be required for these aircraft and related equipment.

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 2018. Portions of these facilities are subleased under noncancelable operating leases expiring in various years through 1991.

Future minimum rental commitments at December 31, 1984 for noncancelable operating leases with initial or remaining terms of one year or more, of which $367 million are for air terminal and airport facilities, are as follows:

1985	$ 28,116,000
1986	27,277,000
1987	26,047,000
1988	23,510,000
1989	19,086,000
Thereafter	258,839,000
	382,875,000
Sublease rental income	6,489,000
	$376,386,000

Rental expense for all operating leases consisted of:

	1984	1983	1982
Gross	$39,884,000	$35,633,000	$29,571,000
Sublease rental income	(1,079,000)	(1,099,000)	(1,075,000)
	$38,805,000	$34,534,000	$28,496,000

Note F–Litigation and Contingencies As previously reported, in 1973 a federal trial court in Washington, D.C. held in a class action by certain female flight attendants that the Company violated certain provisions of the Equal Pay Act of 1963 and the Civil Rights Act of 1964. After several appeals the trial court judgment has been affirmed. On January 14, 1985 the Supreme Court of the United States declined to review the case.

The Company's liability is estimated at $58,997,000 including plaintiffs' attorney's fees. This amount is reflected as an extraordinary loss in 1984 of $30,903,000 net of a $28,094,000 tax benefit.

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 $26,409,000 in 1984, $27,817,000 in 1983 and $23,468,000 in 1982.

Certain estimates relating to actuarial assumptions were changed in 1982. The changes resulted in reduced 1982 pension expense of approximately $10.2 million. The changes in estimates had 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	1984	1983
Actuarial present value of accumulated plan benefits:		
Vested	$421,624,000	$373,198,000
Non-vested	51,721,000	37,132,000
	$473,345,000	$410,330,000
Net assets available for benefits	$591,881,000	$551,968,000

The interest rate used in computing the present value of accumulated plan benefits was 7% except for certain retired plan participants where a 14% rate was used. The rate for retirees is based upon the actual earnings of a dedicated securities portfolio established for the payment of their benefits.

In addition to providing pension benefits, the Company provides certain health care and life insurance benefits for certain retired employees. Those benefits are provided through an insurance company whose premiums are based on the benefits paid during the year. The cost of providing those benefits, which is not material, is recognized by expensing the annual insurance premiums.

Note H–Export Sales The operations of NWA Inc. consist primarily of holding stock in Northwest Airlines, Inc. Northwest Airlines, Inc. is a scheduled air carrier engaged in commercial transportation of passengers, freight and mail. Export sales were $649,000,000 in 1984, $612,000,000 in 1983 and $536,000,000 in 1982, principally associated with countries in Asia and Europe. Revenues 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, 1984:

	Operating Revenues (Dollars in Thousands)	Operating Expenses	Earnings (Loss) Before Extraordinary Item	Net Earnings (Loss)	Earnings (Loss) Per Share of Common Stock Before Extraordinary Item	Net Earnings (Loss) Per Share of Common Stock
1984						
First quarter	$ 542,529	$ 556,123	$ 1,040	$ 1,040	$ .05	$ .05
Second quarter	622,766	578,511	39,625	39,625	1.70	1.70
Third quarter	705,251	629,450	45,898	45,898	1.97	1.97
Fourth quarter	574,428	584,614	304	(30,599)	.02	(1.28)
	$2,444,974	$2,348,698	$ 86,867	$ 55,964	$3.74	$2.44
1983						
First quarter	$ 451,882	$ 495,077	$(20,905)	$(20,905)	$(.96)	$(.96)
Second quarter	537,537	513,482	14,356	14,356	.66	.66
Third quarter	646,670	569,597	45,050	45,050	1.91	1.91
Fourth quarter	559,947	548,994	11,572	11,572	.49	.49
	$2,196,036	$2,127,150	$ 50,073	$ 50,073	$2.19	$2.19

See also Note F for extraordinary loss recorded in fourth quarter 1984.

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.

While there is presently no consensus on how the impact of inflation should be reported, FASB has devised an experiment requiring certain large, publicly held companies to present supplemental information reflecting the effect of specific price changes in the individual resources used by the Company and the effect of general inflation on monetary assets and liabilities. THE COMPANY HAS SERIOUS RESERVATIONS ABOUT THE USEFULNESS OF THIS DATA.

Statement of Earnings Adjusted for Changing Prices

Year Ended December 31, 1984 (Dollars In Thousands)	As Reported in the Primary Statements	Adjusted for Changes in Specific Prices (Current Costs)
Operating revenues	$2,444,974	$2,444,974
Depreciation and amortization	167,203	238,364
Other operating expenses	2,181,495	2,181,495
Gain on sale of equipment	(19,864)	—
Other income, net	(1,248)	(1,248)
	2,327,586	2,418,611
Earnings before income taxes and extraordinary item	117,388	26,363
Income taxes	30,521	30,521
Net earnings (loss) before extraordinary item	86,867	(4,158)
Extraordinary item, net of tax	(30,903)	(30,903)
Net earnings (loss)	$ 55,964	$ (35,061)

Other Information	Adjusted for Changes in Specific Prices (Current Costs)
Purchasing power gain from holding net monetary liabilities during the year	$ 17,864
Increase in specific prices (current costs) of property and equipment held during the year*	$ 112,257
Less effect of increase in general price level	32,901
Excess of increase in specific prices over increases in the general price level	$ 79,356

*At December 31, 1984, current cost of property and equipment, net of accumulated depreciation, was $2,150,351,000 (historical amount–$1,368,092,000).

Five Year Comparison of Selected Supplementary Financial Data Adjusted for Effects of Changing Prices

Year Ended December 31 (Dollars in thousands, except per share and price index data)	1984	1983	1982	1981	1980
Operating revenues	$2,444,974	$2,289,500	$2,020,448	$2,117,730	$2,066,433
Current Cost Information					
Earnings (loss) before extraordinary item	(4,158)	(159,309)	(179,781)	(154,295)	(112,789)
Per share data	(.19)	(6.79)	(8.30)	(7.11)	(5.20)
Excess of increase in specific prices of property and equipment over increase in the general price level	79,356	448,504	250,622	117,176	171,630
Net assets at year-end	1,682,894	2,781,844	2,491,956	2,488,639	2,539,277
Other Information					
Purchasing power gain from holding net monetary liabilities during the year	17,864	14,381	14,676	44,398	66,479
Cash dividends declared per common share	.825	.83	.86	.91	1.08
Market price per common share at year-end	40.75	46.65	50.58	30.84	29.94
Average consumer price index	311.1	298.4	289.1	272.4	246.8

Statement of Earnings The accompanying supplemental statement of earnings presents income data under two 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 Change in Specific Prices* (Current Costs) – Income under current cost accounting attempts to reflect the effects of changes in specific prices of the resources actually used in operations so that measures of these resources and their consumption reflect the current cost of replacing these resources, rather than the historical cost.

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 for aircraft still in production furnished to the airline industry by the Air Transport Association and current market values for non-production aircraft. Flight equipment represents approximately 90% 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 judgements 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 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.

Accountants' Report

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

We have examined the consolidated statements of financial postion of NWA Inc. (formerly Northwest Airlines, Inc.) and subsidiaries as of December 31, 1984 and 1983, and the related consolidated statements of earnings, stockholders' equity and changes in financial position for each of the three years in the period ended December 31, 1984. 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 NWA Inc. and subsidiaries at December 31, 1984 and 1983, 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, 1984, in conformity with generally accepted accounting principles applied on a consistent basis.

Ernst & Whinney
Saint Paul, Minnesota
February 19, 1985

Stockholders' Information

Stock Prices and Dividends

Quarter		Sales Price of Common Shares 1984	1983	Dividends Per Share 1984	1983
1st	High	$49	$51½	$.20	$.20
	Low	34½	41		
2nd	High	41⅜	55½	.20	.20
	Low	34⅜	42½		
3rd	High	42	51⅝	.20	.20
	Low	33½	36		
4th	High	42¼	49⅜	.225	.20
	Low	35⅜	36¼		

Stock Listed

Common Stock listed on New York Exchange, Pacific Stock Exchange and Midwest Stock Exchange. There were 6,846 stockholders of record as of March 11, 1985.

Co-Registrars and Transfer Agents

Norwest Bank Minneapolis, N.A., Minneapolis, MN; Norwest Trust Company, New York, NY.

Notice of Annual Meeting

The 1985 annual shareholders' meeting will be held at Northwest Airlines General Offices, Minneapolis/St. Paul International Airport, St. Paul, Minnesota, on Monday, May 20, 1985 at 9:30 A.M.

(Dollars in Thousands Except Per Share Figures) Years Ended December 31	1984	1983	1982†	1981	1980	1979	1978†	1977	1976	1975
Operating Revenues										
Passenger	$ 1,984,999	$ 1,812,227	$ 1,567,986	$ 1,521,856	$ 1,347,830	$ 1,067,214	$ 557,401	$ 861,053	$ 786,414	$ 659,849
Freight	355,336	289,170	205,018	221,691	190,837	160,716	87,077	121,185	119,882	88,308
Mail	58,339	55,585	60,451	59,786	57,305	38,685	18,944	29,894	25,137	23,280
Charter and other transportation	38,559	36,198	34,758	21,766	16,303	15,093	10,997	25,871	25,955	29,019
Nontransport	7,741	2,856	9,355	29,191	27,055	28,850	115,743	8,352	6,420	107
TOTAL OPERATING REVENUES	$ 2,444,974	$ 2,196,036	$ 1,877,568	$ 1,854,290	$ 1,639,330	$ 1,310,558	$ 790,162	$ 1,046,355	$ 963,808	$ 800,563
Operating Expenses										
Depreciation and amortization	$ 167,203	$ 146,908	$ 136,651	$ 133,489	$ 124,078	$ 106,401	$ 104,970	$ 103,152	$ 102,713	$ 98,880
Other	2,181,495	1,980,242	1,749,292	1,719,054	1,539,386	1,148,805	617,907	838,619	758,147	651,983
TOTAL OPERATING EXPENSES	$ 2,348,698	$ 2,127,150	$ 1,885,943	$ 1,852,543	$ 1,663,464	$ 1,255,206	$ 722,877	$ 941,771	$ 860,860	$ 750,863
Operating income (loss)	$ 96,276	$ 68,886	$ (8,375)	$ 1,747	$ (24,134)	$ 55,352	$ 67,285	$ 104,584	$ 102,948	$ 49,700
Interest expense	(4,268)	(3,548)	(7,216)	(14,135)	(15,831)	(1,635)	(3,376)	(6,518)	(14,035)	(16,120)
Other income and (deductions)-net	25,380	8,265	16,279	20,297	3,862	30,643	45,126	55,078	9,351	13,509
Earnings (loss) before taxes and extraordinary item	$ 117,388	$ 73,603	$ 688	$ 7,909	$ (36,103)	$ 84,360	$ 109,035	$ 153,144	$ 98,264	$ 47,089
Income taxes (credit)	30,521	23,530	(4,331)	(2,551)	(43,187)	11,885	47,194	60,425	46,527	3,693
Earnings[1]	$ 86,867††	$ 50,073	$ 5,019	$ 10,460	$ 7,084	$ 72,475	$ 61,841	$ 92,719	$ 51,737	$ 43,396
Earnings per average share[1]	3.74††	2.19	.23	.48	.33	3.35	2.86	4.29	2.39	2.01
Cash dividends	17,933	17,367	17,332	17,326	17,317	17,306	16,210	10,804	9,707	9,710
Dividends per share	.825	.80	.80	.80	.80	.80	.75	.50	.45	.45
Stockholders' equity	892,923	854,189	820,605	832,510	839,042	849,122	793,691	747,672	665,744	623,677
Number of shares outstanding at end of year	21,749,667	21,715,995	21,678,458	21,661,367	21,647,280	21,639,589	21,626,284	21,606,686	21,606,036	21,604,136
Book value per share at end of year	$ 41.05	$ 39.33	$ 37.85	$ 38.43	$ 38.76	$ 39.24	$ 36.70	$ 34.60	$ 30.81	$ 28.87
Assets and Long-Term Debt										
Flight property at cost	$ 2,356,048	$ 2,080,299	$ 1,996,925	$ 1,992,015	$ 1,995,168	$ 1,779,770	$ 1,525,442	$ 1,510,447	$ 1,448,402	$ 1,420,670
Flight property at net book value	1,151,930	976,501	1,019,071	1,110,965	1,200,495	1,094,556	922,615	962,957	924,537	977,062
Total assets	1,754,233	1,602,236	1,377,387	1,492,381	1,532,539	1,528,921	1,392,865	1,299,451	1,151,562	1,215,146
Long-term debt	100,000	100,000	—	12,500	62,500	100,000	100,000	100,000	122,000	246,000
Unit Expenses										
Per available ton-mile	40.2¢	40.5¢	40.7¢	41.0¢	37.0¢	29.4¢	27.9¢	22.9¢	21.6¢	20.6¢
Per revenue ton-mile	74.7¢	76.0¢	80.3¢	83.9¢	80.6¢	63.4¢	65.7¢	54.4¢	50.5¢	50.2¢
Percent of operating revenues	96.1%	96.9%	100.4%	99.9%	101.5%	95.8%	91.5%	90.0%	89.3%	93.8%
Statistics-Scheduled Services										
Revenue plane-miles (000)	143,410	133,699	119,189	120,139	120,709	116,105	66,420	111,271	108,474	104,104
Available seat-miles (000)	32,663,660	29,511,287	26,257,466	24,813,981	24,904,355	24,028,928	14,302,037	22,968,489	22,228,259	20,910,966
Revenue passenger-miles (000)	19,772,355	17,711,929	15,675,194	14,251,932	13,810,889	13,298,161	7,018,305	11,100,412	10,758,683	9,471,282
Passenger load factor	60.5%	60.0%	59.7%	57.4%	55.5%	55.3%	49.1%	48.3%	48.4%	45.3%
Revenue passengers carried	13,215,907	12,718,468	11,356,165	11,144,785	11,501,148	11,636,170	6,574,901	10,354,808	9,818,343	8,865,263
Freight ton-miles (000)	965,868	835,197	600,198	616,285	529,434	504,753	302,153	458,143	467,399	386,309
Total revenue ton-miles (000)	3,103,799	2,750,946	2,307,475	2,186,815	2,048,349	1,956,217	1,079,681	1,676,470	1,647,317	1,428,381
Statistics-Total Operations										
Revenue plane-miles (000)	144,568	134,870	120,378	120,761	121,243	117,027	67,471	114,643	112,279	107,721
Available ton-miles (000)	5,837,972	5,255,086	4,635,415	4,519,768	4,495,666	4,265,640	2,594,632	4,109,110	3,982,743	3,642,650

*Not covered by Accountants' Report.
†Strikes adversely affected 1978 and 1982.
††Before extraordinary loss of $30,903 or $1.30 per share resulting from the settlement of a law suit.
[1]See pages 16 through 20 for Management's Discussion and Analysis.

Directors

M. Joseph Lapensky
Chairman of the Board
Northwest Airlines, Inc.
St. Paul, Minnesota

James A. Abbott
Executive Vice President-Finance and Administration
and General Counsel
Northwest Airlines, Inc.
St. Paul, Minnesota

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

E. W. Blanch, Jr.*
Chairman of the Board and 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
Multinational 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

Donald G. McNeely*
Chairman of the Board
Space Center, Inc.
St. Paul, Minnesota
Logistics

Steven G. Rothmeier
President and Chief Executive Officer
Northwest Airlines, Inc.
St. Paul, Minnesota

*Member, Audit Committee

Officers of Northwest Airlines, Inc.

M. Joseph Lapensky*
Chairman of the Board

Steven G. Rothmeier*
President and Chief Executive Officer

James A. Abbott*
Executive Vice President-Finance and Administration
and General Counsel

Benjamin G. Griggs, Jr.
Executive Vice President-Operations

Thomas J. Koors
Executive Vice President-Marketing and Sales

Bjarnie R. Anderson
Vice President-Washington

Brent J. Baskfield
Vice President-In-Flight Services

John W. Campion
Vice President-Regulatory Proceedings

John A. Edwardson*
Vice President-Finance and Chief Financial Officer

Terry M. Erskine
Vice President-Industrial Relations

Bruce H. Fillips*
Vice President-Comptroller

Phillip R. Gossard
Vice President-Ground Services

Jonn F. Horn
Vice President-Orient Region

Allan W. Johnson
Vice President-Atlantic Region

William A. Kutzke
Vice President-Airline Planning

Benjamin H. Lightfoot
Vice President-Maintenance and Engineering

Robert A. Magnuson*
Vice President-Treasurer

Thomas E. McGinnity
Vice President-Purchasing and Stores

Bryan G. Moon
Vice President-Advertising

Walter H. Pemberton
Vice President-Communications and Computer Services

Allan K. Pray
Vice President-Assistant to the President

James F. Redeske
Vice President-Personnel Administration

R. James Thorne
Vice President-Properties

Steven D. Wheeler*
Corporate Secretary

William C. Wren
Vice President-Public Relations

*also officers of NWA Inc.

NORTHWEST ORIENT

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