

Northwest Airlines celebrated its 60th year of service in 1986. To mark this milestone, a historical supplement to the 1986 annual report has been prepared that features photographs of the people, events and aircraft that contributed to the airline's rich and varied history as America's oldest airline with continuous name identification.

Northwest's first flight on October 1, 1926, hauled airmail between Minneapolis/St. Paul and Chicago with passenger flights beginning in July 1927. Since then, Northwest operated bomber modification plants and military cargo routes during World War II, pioneered the Great Circle route to Asia, developed a nationwide route system and, in 1979, inaugurated service to Europe. Today it is the only U.S. airline serving multiple destinations in both Asia and Europe.

Much has happened since Northwest's first bi-plane flight in 1926, but unchanged is the airline's commitment to affordable, efficient, service-conscious air transportation.

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Corporate Profile

NWA Inc. is the parent of six transportation-related subsidiaries: Northwest Airlines, Inc.; Northwest Aircraft Inc.; Mainline Travel, Inc., and the newly formed Northwest Aerospace Training Corporation, Northwest PARS, Inc. and Northwest Computer Services, Inc. Principal activities include commercial passenger and freight transportation; aircraft purchasing, sales and leasing; tour wholesaling of vacation travel packages; flight crew training for Northwest and other clients worldwide, and sales and service of a computerized reservations system.

NWA Inc.'s principal subsidiary, Northwest Airlines, became America's fifth largest airline in 1986 through its acquisition of Republic Airlines in the largest transaction in the history of commercial aviation. Northwest now provides scheduled passenger and freight transportation at 135 cities in 40 U.S. states and 19 foreign countries. Its route system spans 261,334 miles with flights on three continents. Northwest is the leading U.S. airline transporting passengers across the Pacific and is the largest hauler of air freight among U.S. combination airlines.

NWA Inc. is headquartered in Eagan, Minnesota, near Minneapolis/St. Paul International Airport. Its common stock is traded under the NWA symbol on the New York Stock Exchange.

Highlights

	1986	1985	Percent Change
Financial			
Operating Revenues	\$3,589,174,000	\$2,655,491,000	35.2
Operating Expenses	3,422,529,000	2,578,404,000	32.7
Operating Income	166,645,000	77,087,000	116.2
Operating Margin	4.6%	2.9%	1.7 pts.
Net Earnings	76,941,000	73,119,000	5.2
Per Share	3.26	3.18	2.5
Stockholders' Equity	1,105,916,000	947,001,000	16.8
Per Share	46.29	43.49	6.4
Dividends Paid	19,645,000	19,586,000	0.3
Number of Shares Outstanding at Year End	23,890,000	21,774,000	9.7
Statistical (Scheduled)			
Passengers	23,167,000	14,539,000	59.3
Revenue Passenger Miles	28,814,957,000	22,341,334,000	29.0
Available Seat Miles	48,408,440,000	37,148,562,000	30.3
Passenger Load Factor	59.5%	60.1%	(0.6) pts.
Yield Per Revenue Passenger Mile	10.14¢	9.64¢	5.2
Ton Miles—Mail, Freight and Express	1,253,847,000	1,100,124,000	14.0
Operating Expenses			
Per Available Seat Mile	6.8¢	6.8¢	—
Per Available Ton Mile	41.2¢	39.8¢	3.5
Number of Employees at Year End	33,427	16,864	98.2



Operating Income (In Millions)

*Operating results were affected by a 29-day strike.

Net Earnings (In Millions)

*After extraordinary charge of \$30.9 million from the settlement of a lawsuit.

**Results were affected by a 29-day strike.

Capacity and Traffic-Scheduled (In Billions)

■ Available Seat Miles
■ Revenue Passenger Miles



To Our
Shareholders

NWA Inc., through its principal subsidiary, Northwest Airlines, Inc., continued its 37-year trend as an airline industry profit leader. NWA Inc. posted 1986 earnings of \$76.9 million, or

\$3.26 per share, on annual revenues of \$3.59 billion. The 1986 profits were reduced by approximately \$12 million due to a change in tax laws that limited allowable 1986 investment tax credits.

Always at the forefront of the airline industry, NWA Inc. undertook dramatic steps in 1986. Following a carefully crafted business plan, NWA Inc. fashioned a foundation that will solidify its leadership position into the 21st century.

NWA Inc. accurately forecasted an industry-wide trend toward consolidation, then led the industry by announcing, on January 23, 1986, a plan to acquire Republic Airlines. This \$862 million transaction was the largest in the history of commercial aviation and was the first of several airline mergers and acquisitions that have changed the structure of commercial air travel.

Your company's management had recognized that, to join the ranks of the nation's megacarriers, it must not only continue its aggressive internal expansion but also must quickly acquire the necessary critical mass to defend its routes and capitalize on growth opportunities. Thus, on October 1, 1986—the very day the airline celebrated the 60th anniversary of its inaugural airmail flight—Northwest melded Republic's flight schedule into its own, becoming one of America's largest airlines.

Despite our initial integration difficulties, the benefits of the merger were demonstrated clearly during the remainder of the year as Northwest year-over-year traffic increased 70 percent in October, 83 percent in November and 79 percent in December. Significantly, traffic during the fourth quarter was 11 percent greater than the two airlines generated individually during the fourth quarter of 1985—concrete evidence of the expected, positive synergy developed by the Republic acquisition.

As it examined potential merger partners, Northwest focused on its need for an expanded, though carefully structured, domestic route network that was strong in its own right and that also could support Northwest's established and growing international service. From Republic, Northwest acquired traffic centers at Detroit and Memphis and was able to enlarge the Northwest hub at Minneapolis/St. Paul. Passengers flow through these three key airports across the 135-city system. The merger brought to Northwest a fleet of 171 narrow-bodied aircraft that allows the airline to carefully match aircraft size with market demand, ensuring maximum productivity from the company's 314-aircraft fleet.

Concurrent with the Republic acquisition, the executive management of NWA Inc. was restructured both to accommodate the vastly enhanced operations and to chart the continued development of the corporation. Steven G. Rothmeier, previously president and chief executive officer, was named chairman of the board and chief executive officer, and James A. Abbott, executive vice



Left, John F. Horn, President and Chief Operating Officer; Steven G. Rothmeier, Chairman and Chief Executive Officer

president of finance and administration and general counsel, was named vice chairman and general counsel. John F. Horn, who held the position of executive vice president of corporate planning and international, was elected president and chief operating officer.

Further strengthening Northwest was the leadership gained from a number of former Republic executives who joined Northwest in marketing, finance, maintenance and engineering, and government affairs.

A particularly dynamic marketing staff emerged through the combination of Northwest and Republic personnel. Northwest's "Look To Us" advertising campaign and the grouping of the airline's business traveler products under the WorldPerks, WorldClubs and WorldClass themes have emphasized Northwest's global route structure and its commitment to quality customer service.

1986 marked Northwest's third year as the leading U.S. airline in the Pacific. In fact, its third-quarter Pacific load factor reached 75 percent—the best quarterly performance in Northwest's 39 years of trans-Pacific operations. The integration of the Republic and Northwest domestic flight schedules enables Northwest to solidify its number one U.S. airline position in the Pacific. Further, Northwest's strategic plan calls for continued expansion in the Pacific in 1987 with Bangkok, Thailand, being served nonstop from Tokyo and with the opening of a Detroit-Tokyo nonstop route, both in April.

In addition to the Republic acquisition, NWA Inc. took bold steps last year in three areas to ensure its position as a leader in a broad range of transportation services. Investments in these areas include 50 percent ownership in the TWA PARS computerized reservations system, formation of Northwest Aerospace Training Corporation as a flight training unit for Northwest and others, and agreement for up to 100 Airbus A320 aircraft, to be delivered between 1990 and 1995, plus other aircraft acquisitions. These important developments are discussed in detail in other sections of this annual report.

Viewing the Far East as a pivotal focus of world trade, Northwest last year decided to expand its position as the only major U.S. passenger airline with a commitment to an all-cargo operation. Two more all-cargo Boeing 747 aircraft were ordered. The new freighters, which will increase the cargo fleet to eight Boeing 747Fs, will be delivered in mid-1987 in time to capitalize on peak demand for trans-Pacific cargo service.

NWA Inc. made a considerable and carefully calculated investment in its future in 1986 and is poised in 1987 and beyond to benefit from that decision. Nevertheless, the best investment the corporation has is in its people. The size of NWA Inc., as a result of the merger, nearly doubled in the past year to almost 33,500 dedicated, industrious employees who strive diligently to serve the traveling and shipping public.

The Republic acquisition, PARS transaction, formation of Northwest Aerospace Training Corporation, Airbus agreement, freighter purchases, and quality of the NWA Inc. work force enable us to enter 1987 with confidence.

Sincerely,



Steven G. Rothmeier
Chairman and Chief Executive Officer



John F. Horn
President and Chief Operating Officer

March 20, 1987



**A New
Competitive
Position in
the Airline
Industry**

With approximately 1,600 daily departures to 135 cities over a 261,334-mile route system spanning three continents, Northwest joined the ranks of the megacarriers in 1986.

A key element in Northwest's growth was its decision—announced January 23, 1986—to acquire Republic Airlines. The \$862 million acquisition was the largest transaction in the history of civil aviation. Northwest recognized that, despite vigorous internally generated growth, it must combine with another airline to establish sufficient market presence to retain its leadership position in the airline industry. Thus it sought a merger partner with a strong domestic route network and with a fleet of aircraft that would complement Northwest.

Republic met this set of criteria and became the proper choice.

Through the Republic acquisition, Northwest added more than 60 U.S. cities to its schedule of flights plus five international destinations—two each in Canada and Mexico and one in the Caribbean. Domestic flights focus on three traffic centers—Detroit, Minneapolis/St. Paul and Memphis—each offering more than 200 daily departures with nonstop service to more than 60 cities each. In addition to a focused domestic route system, Northwest also acquired from Republic a varied fleet mixture that allows the airline the flexibility of matching properly sized aircraft to each city's seat demand. Republic's 171 aircraft averaged 105 seats, while the Northwest pre-merger fleet averaged 228 seats. Today's Northwest fleet is well tailored to serve both its domestic and international routes.



With major domestic hubs at Minneapolis / St. Paul, Detroit and Memphis, Northwest joined the ranks of the megacarriers with its 1986 acquisition of Republic Airlines.



A Three-Hub System Promoting Domestic and International Growth

Northwest flights reach destinations in 40 U.S. states and 19 foreign countries. Northwest remains the largest U.S. passenger airline across the Pacific and the largest freight carrier among

U.S. airlines that carry both passengers and cargo. Northwest also is the only U.S. airline serving multiple destinations in both Asia and Europe.

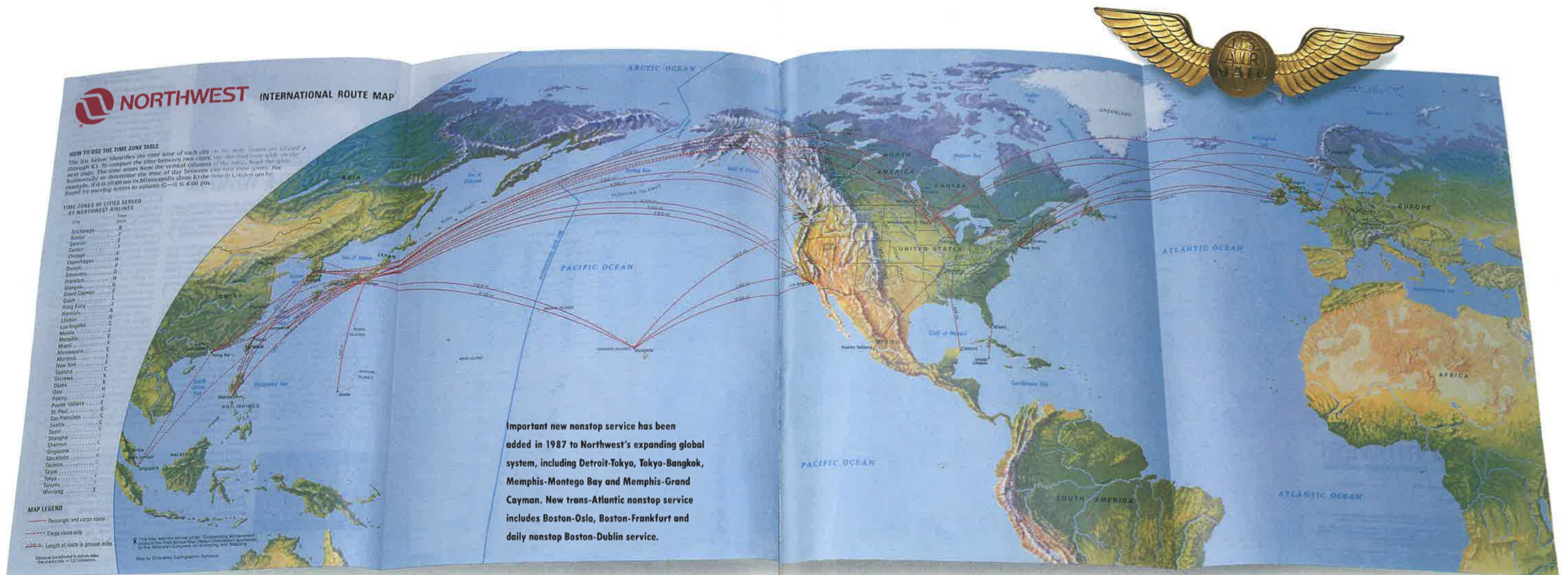
These impressive statements are indicative of Northwest's continued growth since its first airmail flight 60 years ago. That 350-mile route from Minneapolis/St. Paul to Chicago was the forerunner of a route system that today spans 20 time zones and crosses the international dateline.

The route system underwent a fundamental restructuring in 1986 through the acquisition of Republic Airlines. Domestic flights now flow passengers through three traffic centers—Detroit with 262 flights a day, Minneapolis/St. Paul with 249 and Memphis with 208.

Another significant element in Northwest's domestic system is its Northwest Airlink marketing partnerships with regional air carriers. Northwest's far-flung U.S. and international route system is extended to another 85 domestic cities via Northwest Airlink service. By matching their flight schedules with Northwest, Airlink partners offer convenient connections to and from Northwest flights, thus linking more of America to the Northwest system.

Express Airlines I is a Northwest Airlink at both Memphis and Minneapolis/St. Paul. Mesaba Aviation carries passengers to and from Northwest at the Minneapolis/St. Paul hub. In Detroit, Airlink flights are offered by Simmons Airlines. Northwest and Big Sky Airlines exchange passengers at Billings, Bismarck and Spokane.

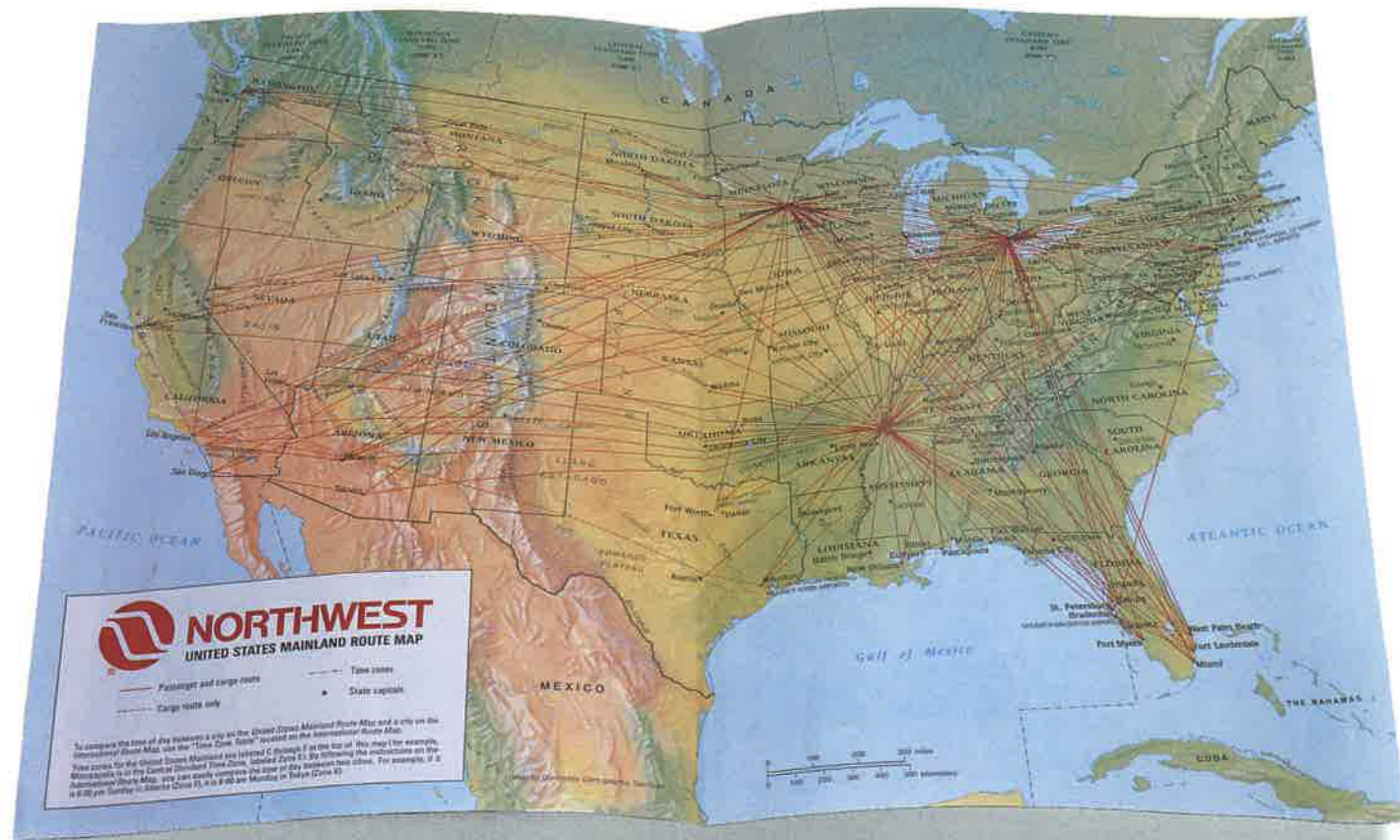
A special arrangement exists with Pacific Southwest Airlines, principally for international travelers using Northwest's extensive trans-Pacific service. Connections are available at Northwest's West



Coast international gateways for flights to two dozen cities in California, Oregon, Washington, Nevada, Arizona and New Mexico.

Northwest's potent market presence, particularly in Detroit, Minneapolis/St. Paul and Memphis, results in a route system that not only is strong domestically but also is a significant contributor to the success of Northwest's international flights. Consolidating passengers at these three hubs permits Northwest to efficiently marshal traffic for its international services from 10 U.S. gateways: Boston, New York, Chicago, Detroit, Minneapolis/St. Paul, Seattle/Tacoma, San Francisco, Los Angeles, Memphis and Honolulu. Detroit will become a trans-Pacific gateway in April 1987 when nonstop service is inaugurated to Tokyo.

The effectiveness of the new route structure was demonstrated in the fourth quarter of 1986. During the final three months of the year, traffic grew nearly 77 percent year-over-year on capacity increases of 71 percent, resulting in a systemwide load factor improvement of two points. The domestic load factor alone rose nearly five points.



Enhanced Marketing Abilities Through PARS



More than 80 percent of Northwest's passenger sales last year were generated by travel agencies and virtually all of these sales were made by travel agents using computerized

reservations systems. Thus, Northwest recognized that ownership of a reservations system is as important to an airline as its flying assets. As a result, Northwest became, at year-end, half owner of PARS, formerly the reservations network of Trans World Airlines.

The \$140 million investment means that PARS can be developed into a leading travel agency and airline reservations system. Through aggressive marketing, the PARS system can expand beyond its present share of more than 3,800 of the nation's 29,000 travel agencies. Already Northwest has sold more than 250 PARS terminals to one of America's leading travel services for installation at 43 key locations.

As the number of PARS subscribers enlarges so too will the revenue generated by segment booking fees that each airline pays for selling its products through the PARS system. Northwest will share in these profits or elect to reinvest them into expanding the capabilities of the PARS system.



Northwest took a major step toward strengthening its marketing abilities in 1986 by acquiring a 50 percent interest in PARS, a leading travel agency and airline reservations system.

While the overall potential of PARS is impressive, of significant importance is Northwest's ability to tap the PARS data base to learn more about the travel patterns of passengers booked by PARS. This, combined with information purchased from other travel agency computer reservations systems, will assist the airline with pricing, seat inventory control, flight scheduling, long-range forecasting and marketing programs. Northwest will take advantage of PARS' capabilities for its own reservations system during 1988.



**Leadership
in Worldwide
Flight
Training**

In 1986 NWA Inc. formed a wholly owned subsidiary to capitalize on Northwest's established reputation for superior airmanship and to meet the challenges of a projected pilot shortage for the world's airlines. The

result is the Northwest Aerospace Training Corporation (NATCO), a facility that will train Northwest pilots and will provide crew training to other airlines, governments and corporations on a contract basis.

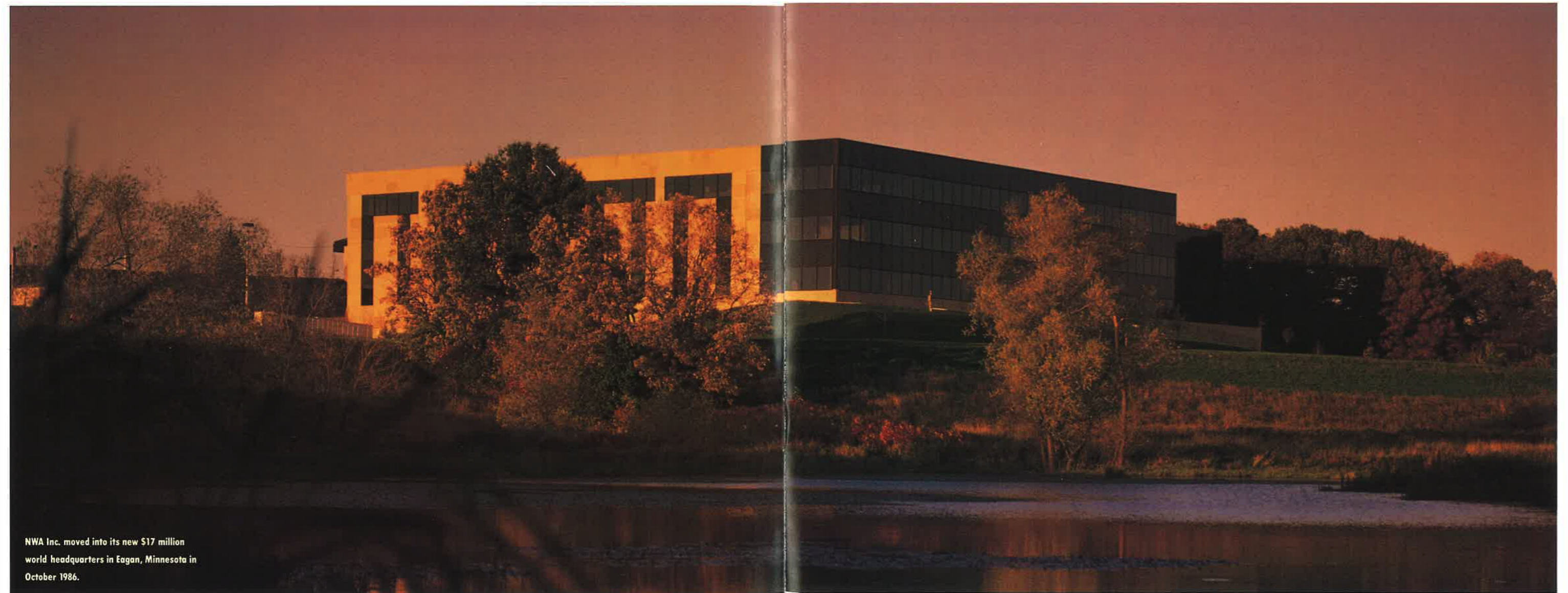
NATCO undertook several impressive formative steps in late 1986 and early 1987.

Construction is under way on a \$19.6 million training center, adjacent to NWA Inc. World Headquarters, with occupancy set for late 1987. The center, when expanded to full design capacity, will house 32 full-flight simulators. Nine new high-technology simulators were ordered in the largest single simulator pro-

urement in the history of commercial aviation. The simulator contract, representing a \$50 million investment, includes construction of simulators for two of Northwest's airliners of the future: the Boeing 747-400 and the Airbus A320-200. In addition, the company has contracted to modify and upgrade the 12 simulators it currently owns.

Also, NATCO has agreed to open a division in Grand Forks, North Dakota, to participate in a joint venture with the Center for Aerospace Sciences (CAS) at the University of North Dakota. Advanced flight simulators will be placed at NATCO's North Dakota division for the training of entry-level pilots up to turbojet ratings. Through the joint venture program, CAS and NATCO will develop computerized flight training systems and undertake research that would benefit the aerospace industry.

The goal of NATCO is to become one of the world's leading flight training centers.



NWA Inc. moved into its new \$17 million world headquarters in Eagan, Minnesota in October 1986.



The Airbus A320-200: Building a Fleet for the Future

On October 1, 1986, Northwest announced plans to acquire up to 100 Airbus A320-200 aircraft to be delivered between 1990 and 1995. The A320 agreement, which is valued at \$3.6 billion, offers

Northwest two critical components: an advanced and efficient 150-seat jetliner to serve Northwest into the next century, and valuable flexibility in long-term fleet planning.

Operationally, the A320 will consume fuel at a rate approximately 50 percent less per seat mile than the predominant aircraft in the Northwest fleet, providing fuel efficiency unmatched by any aircraft in its category. The A320, which made its initial flight February 22, 1987, incorporates advanced design concepts and technology that make it the safest and quietest airliner aloft. Adopting a fly-by-wire flight control system using side-stick controllers in the cockpit, the A320 will give Northwest crews and passengers wind shear protection and constant, guaranteed flying qualities as seven real-time computers assess, coordinate and respond to the pilots' flight control inputs.



The A320 offers more than technological superiority. The agreement also gives Northwest flexibility in its fleet planning. Northwest now is committed to 10 A320-200s. The remaining 90 aircraft are available to Northwest in blocks of 15 that Northwest can confirm or cancel. Because of the confirm or cancel provisions, Airbus Industrie is sharing the risk with Northwest in developing a competitive fleet by giving the airline the advantage of adjusting its aircraft requirements based on future market and economic needs. The first confirmation is required in 1987 for airplanes to be delivered in 1991 and 1992, with the balance of the confirmations beginning in 1990 for airplanes to be delivered from 1992 through 1995.



With this phased delivery schedule, Northwest can reduce the lead time in forecasting air travel trends and economic fluctuations before deciding whether to acquire the A320s. The A320s added to Northwest's fleet either can provide increased capacity or can replace older, less efficient aircraft. This flexibility is vitally important to effective airline management.

Fleet Schedule

Fleet as of March 1, 1987	No. of Seats	Owned	Leased	Total	On Order
Airbus A320	150	—	—	—	100*
Boeing:					
727-100	118	9	—	9	—
727-200	146	71	—	71	—
747	400	27	5	32	—
747-400	430	—	—	—	10
747F	—	5	1	6	2
757	184	9	20**	29	7
McDonnell Douglas:					
DC-10	284	19	1	20	—
MD-80	143	7	1	8	—
DC-9-50	122	16	12	28	—
DC-9-30	100	56	8	64	—
DC-9-10	78	31	3	34	—
Convair 580	48	13	—	13	—
Total		263	51	314	119

*Ten A320 are under firm order. Subject to confirmation by the Company, an additional 90 delivery positions are available between 1991 and 1995.

**The Company plans to transfer operating leases for six Boeing 757 aircraft to a third party during 1987.

Northwest gained a substantial degree of flexibility in planning for future fleet needs through the decision to acquire up to 100 advanced-technology Airbus A320-200 aircraft for delivery between 1990 and 1995.

As part of an approved plan of reorganization, Northwest Airlines, Inc. ("Northwest") became a wholly owned subsidiary of NWA Inc. ("NWA") in 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.

In October 1985 NWA purchased Mainline Travel, Inc. ("MLT"). MLT is a major wholesaler of low-cost vacation travel packages.

On August 12, 1986, NWA purchased all of the outstanding stock of Republic Airlines, Inc. ("Republic"), a major U.S. air carrier. Airline operations of Northwest and Republic were combined on October 1, 1986, and Republic was merged into Northwest in November 1986. Airline operations comprise over 97% of consolidated operating revenues and expenses of NWA.

Consolidated financial statements of the Company include results of operations for Republic since August 12, 1986, which accounts for the majority of the increase in revenues and expenses from 1985 to 1986. Other significant factors affecting NWA's consolidated results are discussed below.

Results of Operations

Earnings and Dividends NWA's 1986 consolidated net earnings totaled \$76,941,000 (\$3.26 per share) and compare with net earnings of \$73,119,000 (\$3.18 per share) in 1985 and \$55,964,000 (\$2.44 per share) in 1984. The 1984 earnings reflect an extraordinary charge of \$30,903,000 (\$1.30 per share) resulting from the settlement of a 15-year old lawsuit (see Note H of Notes to Consolidated Financial Statements).

Total operating revenues increased 35.2% to \$3,589,174,000 during 1986, primarily from substantial growth in passenger revenues. Operating expenses grew 32.7% to \$3,422,529,000 resulting in operating income of \$166,645,000 compared with \$77,087,000 in 1985. 1984 operating income was \$96,276,000. The 1986 operating margin of 4.6% increased from 2.9% in 1985 and 3.9% in 1984.

In 1986 NWA paid dividends to shareholders totaling \$19,645,000 (90¢ per share) continuing an unbroken string of quarterly cash dividends paid for over 31 years. This compares with \$19,586,000 (90¢ per share) in 1985 and \$17,933,000 (82.5¢ per share) in 1984.

NWA common stock is principally traded on the New York Stock Exchange. A table showing sales prices and dividends paid per share in 1986 and 1985 is included on page 33.

Operating Revenues Passenger revenues for 1986 rose 35.6% to \$2,920,458,000, representing more than 81% of total operating revenues. This resulted from a 29.0% increase in traffic (revenue passenger miles) and a 5.2% increase in yield (revenue per passenger mile) from 9.64¢ in 1985 to 10.14¢ in 1986. 1985 passenger revenues of \$2,154,394,000 were 8.5% greater than 1984 due to a 13.0% increase in traffic and a 4.0% decline in yield. The acquisition of Republic in 1986, together with a strong economy and discount fares which stimulated leisure travel, contributed to the growth in traffic.

While the industry had recently been experiencing some price increases, competitors introduced fare reductions effective February 1, 1987, which undercut supersaver fares. The new fares are subject to certain restrictions, including nonrefundability, a Saturday stay requirement and roundtrip ticket purchase. While it is believed the new fares will increase traffic levels, their ultimate impact on 1987 yields and passenger revenues is unknown at this time.

The 29.0% increase in revenue passenger miles in 1986 compares with a 30.3% increase in capacity (available seat miles), resulting in a slight drop in passenger load factor to 59.5% from 60.1% in 1985. Load factor in 1984 was 60.5%. Break-even passenger load factors were 56.0% in 1986, 58.0% in 1985 and 57.6% in 1984.

Freight revenues increased 23.9% to \$406,726,000 in 1986 due to a 15.4% increase in freight ton miles and a 7.2% increase in yield per ton mile. 1985 freight revenues totaled \$328,400,000 and were 7.6% lower than 1984, due to an 8.2% decrease in freight ton miles and .3% increase in yield per ton mile. Mail revenues increased 9.2% to \$87,459,000 in 1986 and compare with \$80,126,000 in 1985 and \$58,339,000 in 1984.

Charter and other transportation revenues increased 39.6% to \$78,110,000 in 1986, primarily due to combined airline operations, increased charters and increased cancellation fee revenues. Charter and other transportation revenues totaled \$55,959,000 in 1985 and \$38,559,000 in 1984, with the 1985 increase primarily due to a higher level of military charter activity. Other revenues totaled \$96,421,000 in 1986, \$36,612,000 in 1985 and \$7,741,000 in 1984. Revenues of MLT subsequent to its purchase in October 1985 are included in other revenues and account for the majority of the increase in 1986 and 1985.

Operating Expenses Salaries and benefits, which represent 30.1% of operating expenses in 1986, increased \$313,306,000, or 43.8%, in 1986 and \$75,566,000, or 11.8%, in 1985. The 1986 increase was largely due to the acquisition of Republic. The 1985 increase resulted from increased employees, wages and payroll taxes. Full-time equivalent employees numbered 33,427 at December 31, 1986; 16,864 at December 31, 1985 and 15,185 at December 31, 1984.

During 1985 the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 87—Employers' Accounting for Pensions. The Company will prospectively adopt the new expense and disclosure portion of the standards in the first quarter of 1987. Based on a preliminary review, it is expected that pension expense in 1987 will increase under the new requirements.

Fuel, oil and taxes decreased \$81,933,000, or 11.4%, in 1986 due to a 32.9% decline in the average fuel price partially offset by a 17.0% increase in gallons consumed. The 3.7% increase in 1985 fuel expense reflects a 9.3% increase in gallons consumed partially offset by a 5.3% decline in the fuel price per gallon. Expansion of service, together with the net addition of 181 aircraft in 1986 and 11 aircraft in 1985 resulted in the additional fuel consumption. Fuel prices averaged 55.78¢ in 1986, 83.07¢ in 1985 and 87.76¢ in 1984. Instability of fuel prices is expected throughout 1987.

Commission expenses increased \$146,090,000 due to increased revenues, higher levels of sales by commission agents and increased commission rates. Increased rentals and landing fees in 1986 reflect the combination with Republic. Departures increased 81.9% in 1986 over 1985. The Company also assumed 15 aircraft operating leases from Republic and entered into 9 additional operating lease agreements in 1986, resulting in increased rental expense. There were no operating leases for aircraft in 1985 or 1984.



Net Earnings per Share

*After extraordinary charge of \$1.30 per share from the settlement of a lawsuit.

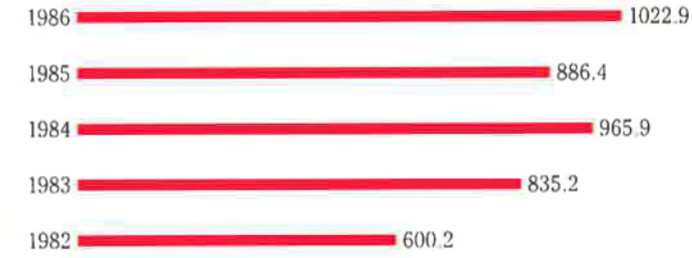
**Results were affected by a 29-day strike.



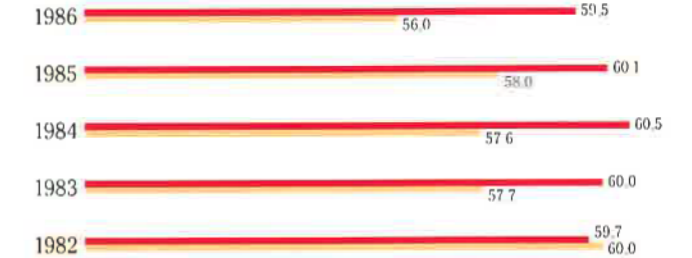
Operating Revenues and Expenses (In Billions)

■ Revenues ■ Expenses

*Operating results were affected by a 29-day strike.



Freight Ton Miles-Scheduled (In Millions)



Passenger Load Factor (Percent)

■ Actual ■ Break Even

Aircraft maintenance materials and repairs increased \$62,117,000, or 55.6%, in 1986 with the acquisition of Republic, higher level of operations and aircraft modifications.

Depreciation and amortization expense rose 32.7% in 1986 to \$242,213,000 compared with \$182,563,000 in 1985 and \$167,203,000 in 1984. The 1986 increase was primarily the result of additional depreciation for assets purchased in the Republic acquisition and for nine additional 757s under capital leases while the 1985 increase reflects the addition of 11 new 757 passenger aircraft.

Other operating expenses increased \$259,542,000, or 62.2%, in 1986 and \$83,026,000, or 24.9%, in 1985. Both years reflect higher marketing and passenger service expenses. In addition, 1986 includes a full year, and 1985 a partial year, of MLT expenses.

Other Income (Expense) Other income (expense) in 1986 includes \$17,231,000 of integration expense, representing non-recurring costs associated with the combination of Northwest and Republic Airlines. Interest expense totaled \$76,537,000 in 1986 compared with \$19,873,000 in 1985 and \$4,268,000 in 1984. Increases in both years reflect higher levels of debt and capital lease obligations. See Cash Flow, Liquidity and Capital Resources for further discussion of the increase in debt because of the acquisition of Republic. The gain on disposition of assets was \$14,722,000 in 1986; \$2,780,000 in 1985 and \$19,864,000 in 1984. The 1985 and 1986 gains resulted from the sale of miscellaneous assets, whereas the 1984 gain resulted primarily from

the sale of three DC-10 aircraft. Other nonoperating items produced income of \$9,141,000 in 1986 and \$8,000 in 1985, and expense of \$1,698,000 in 1984.

Income Taxes Income taxes were \$25,300,000 in 1986 compared with a credit of \$8,376,000 in 1985 and expense of \$2,427,000 in 1984 (after a \$28,094,000 income tax credit resulting from an extraordinary item). Earned investment tax credits totaled \$22,266,000 in 1986, \$37,749,000 in 1985 and \$23,576,000 in 1984. The Company estimated that 1986 earnings were reduced by approximately \$12 million due to changes in the tax laws that limited allowable investment tax credits. The Company also passed the benefit of approximately \$22.5 million of investment tax credits to lessors of certain of its aircraft in 1986. 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, 1986, these credits totaled \$55,379,000. Under the Tax Reform Act of 1986, these investment tax credit carryforwards will be reduced by 17½% in 1987 and an additional 17½% in 1988.

Effects of the Tax Reform Act of 1986 The Tax Reform Act of 1986 will affect future cash flows, results of operations and the Company's financial position. Certain provisions of the Act, such as the repeal of investment tax credits, the reduction of investment tax credit carryforwards, the lengthening of depreciable lives for property and equipment and the new alternative minimum tax, will result in larger future U.S. income tax payments for the Company. Partially offsetting these negative provisions, however, will be the reduction in future corporate income tax rates.

The change in depreciable lives and the new alternative minimum tax will generally only affect the timing of future U.S. income tax payments while the repeal of investment tax credits, the reduction of investment tax credit carryforwards and the reduction in future corporate tax rates will result in permanent tax differences as compared to previous tax laws.

As of December 31, 1986, the Company had on order approximately \$1 billion worth of equipment which will qualify as transition property under the Act. As transition property, this equipment will qualify for investment tax credits, as reduced by the Act, and shorter depreciation lives than would be allowed under the new tax law.

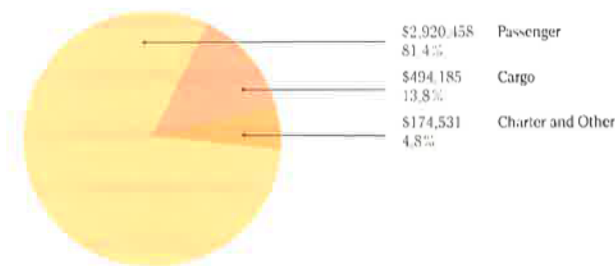
The Financial Accounting Standards Board has proposed certain changes in the manner in which income taxes are to be accounted for under generally accepted accounting principles. These changes, when coupled with the new tax Act, will result in a net decrease in the Company's deferred tax liability. This decrease will result when book/tax timing differences, which have been previously recorded at 46% federal tax rates, are adjusted to reflect the lower future federal tax rates under the Act. Partially offsetting this decrease will be the effect of the reduction in investment tax credit carryforwards.

Inflation and Changing Prices The Company is capital intensive, with flight equipment and related inventory as major assets. Because property, equipment and inventory are recorded at cost, depreciation would be understated during inflationary periods and net income overstated to the extent current costs exceed original cost. The acquired assets and liabilities of Republic were written up to fair market value in accordance with generally accepted accounting principles, thereby eliminating this impact on these assets in 1986.

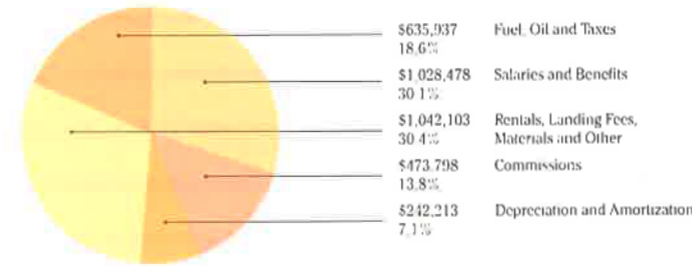
Financial Condition Stockholders' equity at December 31, 1986, totaled \$1,105,916,000, up \$158,915,000 from December 31, 1985. This represented a book value per share of \$46.29 and \$43.49 at December 31, 1986 and 1985, respectively. Increases in equity resulted primarily from 1986 net earnings and the conversion of \$100 million principal amount of 7½% subordinated debentures, partially offset by dividend payments of \$19,645,000. In connection with the call for redemption of the 7½% debentures, 1,970,324 shares of common stock were issued.

Long-term debt, excluding current maturities, totaled \$808,684,000 at December 31, 1986, and long-term obligations under capital leases were \$577,548,000. These debt and lease obligations were \$332,992,000 and \$161,101,000 at December 31, 1985, respectively. The 1986 balance includes debt and lease obligations of \$412,447,000 assumed in the acquisition of Republic Airlines. The former Republic debt is secured by certain aircraft and engines, while the remaining NWA and Northwest obligations (other than leases) are unsecured. At December 31, 1986, capitalization consisted of 55.6% long-term debt (including capital lease obligations) and 44.4% equity as compared with 34.3% long-term debt and 65.7% equity at December 31, 1985.

In February 1987 the Company sold 3 million shares of previously unissued common stock to the public. Proceeds of \$197,610,000 will be used for general corporate purposes. Management presently expects that such purposes include making the proceeds available for early payment in February 1988 of Equipment Trust Notes due in 1990 and 1993 (in the aggregate principal amount of \$150 million), the purchase of aircraft and the reduction of outstanding commercial paper obligations.



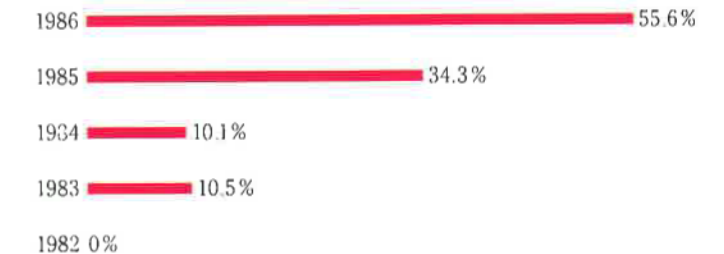
1986 Sources of Operating Revenues (In Thousands)



1986 Distribution of Operating Expenses (In Thousands)



Passenger Revenues by Geographic Region (In Billions)
■ Domestic ■ Pacific ■ Atlantic



Debt* as a Percent of Total Capitalization
*Includes capital lease obligations.

Cash Flow, Liquidity and Capital Resources Cash and short-term investments at December 31, 1986, were \$126,096,000 compared with \$45,842,000 and \$49,564,000 at December 31, 1985 and 1984, respectively. Operations provided cash of \$310,794,000 in 1986, \$221,432,000 in 1985 and \$215,413,000 in 1984.

During 1986 the Company acquired all of the outstanding stock of Republic for approximately \$862 million. When adjusted for the amount of cash provided by Republic, the Company's net cash outlay was approximately \$674 million. In order to finance the acquisition, NWA entered into a revolving credit agreement on April 3, 1986. This agreement with a group of major banks provides for the availability of up to \$500 million in unsecured short-term borrowings to July 1, 1989, with the available amount periodically decreasing thereafter until the final termination date of July 1, 1992. In addition, the Company sold \$200 million of senior unsecured notes in July 1986.

Later in the year, NWA established a commercial paper program. By use of the program and by the application of internally generated funds, the Company reduced its borrowings under the NWA revolving credit facility from \$500 million to \$50 million at year end.

Northwest also has a revolving credit facility with a group of major banks which provides for an additional \$500 million of unsecured borrowings. There were no amounts outstanding under this agreement at December 31, 1986 or 1985.

Terms of the revolving credit agreements provide that available borrowings shall be reduced by any amounts of commercial paper outstanding. As of December 31, 1986, there was \$559,001,000 available for borrowing under the two revolving credit agreements.

On December 29, 1986, the Company purchased from Trans World Airlines, Inc. a 50% interest in the PARS computerized reservations system at a cost of \$140 million. The investment fulfills an important long-range Company goal of major ownership participation in a computerized reservations system marketed to travel agents. PARS has been structured as a marketing company and a service company. Other airlines will be offered ownership interests in the marketing company in the interest of making it an industry-wide system. To fully realize the potential of this investment, Northwest will adopt the PARS system for its internal reservations operation during 1988.

Additions to property and equipment, excluding those acquired from Republic, totaled \$668,906,000 in 1986. Aircraft deposits of \$249,495,000 had been made with manufacturers as of December 31, 1986. As part of the acquisition of Republic, the Company received 6 Boeing 757s, 18 Boeing 727s, 8 McDonnell Douglas MD-80s, 126 McDonnell Douglas DC-9s and 13 Convair 580s.

Nine new Boeing 757-200 passenger aircraft were placed into service during 1986 with ten more scheduled for delivery in 1987 through 1989. The financing of the nine aircraft qualified as "finance leases" under provisions of the tax code. Northwest was the first airline to use this type of lease, which provides for the ability to have a low, fixed price purchase option at the end of the lease term. For accounting purposes these leases are treated as capital leases while for tax purposes they are treated as operating leases.

In order to standardize the engines on the fleet of Boeing 757 aircraft, the Company plans to transfer operating leases for six Boeing 757s acquired from Republic to a third party during 1987.

During 1986 the Company purchased and subsequently sold and leased back under operating leases three new Boeing 747 aircraft. The Company also sold and leased back, under operating leases, three 747 aircraft (including one freighter) which had been in its fleet for several years.

In addition to the ten 757s mentioned previously, the Company has purchase commitments for two Boeing 747-200 freighter aircraft to be delivered in 1987, ten new-generation Boeing 747-400 passenger aircraft for delivery in 1988 through 1990, and ten Airbus A320-200 aircraft for delivery in 1990 and 1991. Committed expenditures for these aircraft and related equipment will be approximately \$342,586,000 in 1987; \$385,763,000 in 1988; \$458,422,000 in 1989; \$489,673,000 in 1990 and \$130,674,000 in 1991. It is anticipated that five Boeing 757s scheduled for delivery in 1987 will be financed with operating leases. Financing for the remaining aircraft has not been determined at this time.

The Company has the right to purchase up to 90 additional Airbus A320 aircraft, on which deposits of \$900,000 have been paid. These aircraft can, at the Company's option, be delivered in blocks of 15 from 1991 through 1995. Amounts to be paid under the options, assuming all aircraft are purchased, will approximate \$3.25 billion. With this agreement, the Company has positioned itself to replace some of its less efficient aircraft, or expand its fleet, or in the event of unfavorable economic conditions, not take delivery of all aircraft.

Capital commitments for 1987 and thereafter principally consist of scheduled aircraft acquisitions. In addition, the Company continues to make improvements to ground facilities including terminal improvements and modifications to office buildings. During 1986, the Company completed construction of a new \$17 million NWA Inc. World Headquarters building serving as corporate offices for approximately 1,200 employees.

In October 1986 the Company created a subsidiary to market flight training services. Northwest Aerospace Training Corporation (NATCO) will have the capability to operate up to 32 flight simulators and training devices. A \$19.6 million high-technology facility is being constructed next to NWA's World Headquarters. In addition to training flight crews to meet the future growth of Northwest, NATCO will capitalize on Northwest's reputation for professional airmanship by offering governments, airlines and other corporations quality flight instruction on a contract basis. The Company has contracted for 9 new flight simulators, and upgrades to 12 simulators already owned, for approximately \$69 million. It is estimated that over 80% of the simulator utilization will be for training of Northwest pilots. The simulators are scheduled for delivery in 1988 and 1989.

The Company believes that internally generated funds, lease financings and borrowings will provide sufficient capital to meet all present commitments. The Company has substantial assets that are unencumbered, which could provide collateral for future financings if needed.



Average Price per Gallon of Fuel



All Cargo Operations (In Millions)
 ■ Available Ton Miles ■ Revenue Ton Miles

NWA Inc. Consolidated Balance Sheets

(Dollars in thousands)

	December 31	
	1986	1985
ASSETS		
Current Assets		
Cash and short-term investments	\$ 126,096	\$ 45,842
Accounts receivable, less allowances (1986—\$4,500; 1985—\$2,300)	467,843	248,794
Flight equipment spare parts, less allowances (1986—\$44,450; 1985—\$40,230)	108,581	52,955
Maintenance and operating supplies	33,395	22,985
Prepaid expenses	44,527	22,311
	<u>780,442</u>	<u>392,887</u>
Property and Equipment		
Flight equipment	3,473,883	2,617,263
Less accumulated depreciation	1,493,838	1,356,033
	<u>1,980,045</u>	<u>1,261,230</u>
Advance payments for flight equipment	249,495	239,292
	<u>2,229,540</u>	<u>1,500,522</u>
Other property and equipment	695,350	365,769
Less accumulated depreciation	179,257	148,493
	<u>516,093</u>	<u>217,276</u>
Property and Equipment Under Capital Leases—Note D		
Flight equipment	623,581	167,290
Less accumulated amortization	22,322	1,406
	<u>601,259</u>	<u>165,884</u>
Other Assets		
Investments in affiliated companies—Note B	144,537	1,660
Other	50,983	41,777
	<u>195,520</u>	<u>43,437</u>
	<u>\$4,322,854</u>	<u>\$2,320,006</u>

	December 31	
	1986	1985
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Commercial paper	\$ 390,999	\$ 152,191
Revolving line of credit—Note C	50,000	—
Accounts payable and other liabilities	551,016	262,915
Air traffic liability	298,819	131,912
Accrued compensation and benefits	130,981	59,936
Current maturities of long-term debt	16,725	3,996
Current obligations under capital leases	17,844	6,189
	<u>1,456,384</u>	<u>617,139</u>
Long-Term Debt—Note C	808,684	332,992
Long-Term Obligations Under Capital Leases—Note D	577,548	161,101
Deferred Credits and Other Liabilities		
Income taxes—Note F	237,853	246,213
Other—Note D	136,469	15,560
	<u>374,322</u>	<u>261,773</u>
Stockholders' Equity—Note E		
Preferred stock, \$1.00 par value, authorized 5,000,000 shares; outstanding—none	—	—
Common stock, \$2.00 par value, authorized 60,000,000 shares; outstanding—23,890,095 shares in 1986 and 21,774,251 shares in 1985	47,780	43,549
Additional paid-in capital	212,580	111,318
Unearned compensation	(3,874)	—
Retained earnings	849,430	792,134
	<u>1,105,916</u>	<u>947,001</u>
Commitments and Contingencies—Notes D, G and H		
	<u>\$4,322,854</u>	<u>\$2,320,006</u>

The accompanying notes are an integral part of these statements.

NWA Inc. Consolidated Statements of Earnings

(Dollars in thousands, except per share data)

	Year Ended December 31		
	1986	1985	1984
Operating Revenues			
Passenger	\$2,920,458	\$2,154,394	\$1,984,999
Freight	406,726	328,400	355,336
Mail	87,459	80,126	58,339
Charter and other transportation	78,110	55,959	38,559
Other	96,421	36,612	7,741
	<u>3,589,174</u>	<u>2,655,491</u>	<u>2,444,974</u>
Operating Expenses			
Salaries and benefits	1,028,478	715,172	639,606
Fuel, oil and taxes	635,937	717,870	692,160
Commissions	473,798	327,708	305,679
Rentals and landing fees	191,573	106,220	98,044
Aircraft maintenance materials and repairs	173,859	111,742	111,903
Depreciation and amortization	242,213	182,563	167,203
Other	676,671	417,129	334,103
	<u>3,422,529</u>	<u>2,578,404</u>	<u>2,348,698</u>
<i>Operating Income</i>	166,645	77,087	96,276
Other Income (Expense)			
Integration expense	(17,231)	—	—
Investment income	5,501	4,741	7,214
Interest expense, net of capitalized interest (1986—\$18,145; 1985—\$7,799; 1984—\$5,446)	(76,537)	(19,873)	(4,268)
Gain on disposition of assets	14,722	2,780	19,864
Other—net	9,141	8	(1,698)
	<u>(64,404)</u>	<u>(12,344)</u>	<u>21,112</u>
<i>Earnings Before Income Taxes and Extraordinary Item</i>	102,241	64,743	117,388
Income Tax Expense (Credit)—Note F	25,300	(8,376)	30,521
<i>Earnings Before Extraordinary Item</i>	76,941	73,119	86,867
Extraordinary Item			
Loss from settlement of litigation (less applicable income tax credit of \$28,094)—Note H	—	—	(30,903)
<i>Net Earnings</i>	<u>\$ 76,941</u>	<u>\$ 73,119</u>	<u>\$ 55,964</u>
Earnings Per Share—Primary and Fully Diluted			
Before extraordinary item	\$ 3.26	\$ 3.18	\$ 3.74
Extraordinary item	—	—	(1.30)
<i>Net Earnings Per Share</i>	<u>\$ 3.26</u>	<u>\$ 3.18</u>	<u>\$ 2.44</u>

The accompanying notes are an integral part of these statements.

NWA Inc. Consolidated Statements of Changes in Financial Position

(Dollars in thousands)

	Year Ended December 31		
	1986	1985	1984
Funds Provided			
Earnings before extraordinary item	\$ 76,941	\$ 73,119	\$ 86,867
Add (deduct) non-cash items:			
Depreciation and amortization	242,213	182,563	167,203
Increase (decrease) in deferred income taxes	(8,360)	(34,250)	20,340
<i>Total From Operations Before Extraordinary Item</i>	310,794	221,432	274,410
Extraordinary loss before tax benefit of \$28,094	—	—	(58,997)
<i>Total From Operations</i>	310,794	221,432	215,413
Net book value of property dispositions	395,282	775	20,672
Increase in capital lease obligations	309,761	167,290	—
Issuance of long-term debt	284,679	236,988	—
Increase in commercial paper	238,808	134,357	17,834
Issuance of common stock upon debenture conversion, net of costs	98,964	—	—
Deferred gain on sale and leaseback	77,936	—	—
Increase in revolving line of credit	50,000	—	—
Increase (decrease) in air traffic liability	25,192	28,012	(1,033)
Increase in accounts payable and other liabilities	14,827	31,861	16,282
Increase (decrease) in accrued compensation and benefits	10,141	(54,853)	63,926
Other	2,751	29,628	5,894
<i>Total Funds Provided</i>	1,819,135	795,490	338,988
Funds Used			
Acquisition of Republic:			
Flight equipment and other property	1,422,807	—	—
Debt and lease obligations	(455,753)	—	—
Other long-term liabilities	(55,336)	—	—
Working capital other than cash	(237,770)	—	—
Net acquisition cost	673,948	—	—
Additions to property and equipment	668,906	693,116	345,844
Investment in PARS	140,000	—	—
Reduction and conversion of long-term debt	124,943	—	—
Increase in accounts receivable	34,832	51,958	7,171
Increase (decrease) in flight equipment spare parts	33,027	5,502	(942)
Dividends	19,645	19,586	17,933
Other	43,580	29,050	21,104
<i>Total Funds Used</i>	1,738,881	799,212	391,110
Increase (Decrease) in Cash and Short-Term Investments	80,254	(3,722)	(52,122)
Cash and short-term investments at the beginning of the year	45,842	49,564	101,686
Cash and short-term investments at the end of the year	<u>\$ 126,096</u>	<u>\$ 45,842</u>	<u>\$ 49,564</u>

The accompanying notes are an integral part of these statements.

NWA Inc. Consolidated Statements of Stockholders' Equity

(In thousands)

	Common Stock		Additional Paid-In Capital	Unearned Compensation	Retained Earnings
	Shares	Amount			
Balance January 1, 1984	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
Exercise of stock options	30	60	753	—	—
Net earnings for 1985	—	—	—	—	73,119
Cash dividends—\$.90 per share	—	—	—	—	(19,586)
Other	(6)	(10)	(258)	—	—
Balance December 31, 1985	21,774	43,549	111,318	—	792,134
Exercise of stock options	74	148	2,603	—	—
Conversion of debentures	1,970	3,940	95,024	—	—
Restricted stock grant	78	155	3,977	(3,874)	—
Net earnings for 1986	—	—	—	—	76,941
Cash dividends—\$.90 per share	—	—	—	—	(19,645)
Other	(6)	(12)	(342)	—	—
Balance December 31, 1986	23,890	\$47,780	\$212,580	\$(3,874)	\$849,430

The accompanying notes are an integral part of these statements.

NWA Inc. Notes To Consolidated Financial Statements
Note A — Summary of Significant Accounting Policies

Basis of Presentation: The consolidated financial statements include the accounts of NWA Inc., Northwest Airlines, Inc. and all other 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 \$95,023,000 and \$16,528,000 at December 31, 1986 and 1985, respectively.

Flight Equipment Spare Parts: Flight equipment spare parts are priced at average cost. An allowance for depreciation is provided at rates which depreciate cost, less residual value, over the estimated useful lives of the related aircraft.

Property, Equipment and Depreciation: Owned property and equipment are stated at cost. Property and equipment acquired under capital leases are stated at the lower of the present value of minimum lease payments or fair market value at the inception of the lease. Provision for depreciation is computed by the straight-line method over the estimated useful lives of the assets. Estimated useful lives range from 5 to 15 years for flight equipment and 3 to 30 years for other property and equipment; residual values range from zero to 15%. Property and equipment under capital leases and leasehold improvements are amortized over the lease terms or the estimated useful lives of the assets, whichever is less.

Pension Plans: The Company has several noncontributory and contributory pension plans covering substantially all of its employees. The pension costs accrued for defined benefit plans include amortization of prior service costs over periods of 10 to 40 years. It is the Company's policy to annually fund at least the minimum pension contribution as required by the Employees Retirement Income Security Act.

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.

The Company uses the flow-through method of accounting for investment tax credits. Investment tax credits not applied currently 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. The value of sold but unused tickets is included in current liabilities.

Earnings Per Share: Primary earnings per share were based on the weighted average number of common and common equivalent shares outstanding of 26,915,000 in 1986; 25,360,000 in 1985 and 23,735,000 in 1984. This included shares for the assumed conversion of the 7½% convertible subordinated debentures due in 2007 and 2010 totaling 5,035,000 in 1986; 3,552,000 in 1985 and 1,971,000 in 1984. Common equivalent shares also included the dilutive effect of the assumed exercise of stock options. Earnings were adjusted for interest relating to the debentures, net of income taxes, amounting to \$10,793,000 in 1986; \$7,423,000 in 1985 and \$1,973,000 in 1984. Fully diluted earnings per share were equivalent to primary earnings per share.

Reclassifications: Certain amounts for 1985 and 1984 have been reclassified to conform with the 1986 financial statement presentation.

Note B — Business Acquisitions Republic: On August 12, 1986, the Company acquired all of the outstanding stock of Republic Airlines, Inc., a major U.S. air carrier, for approximately \$862,000,000. After deducting Republic's cash, the acquisition resulted in a net cash outlay of approximately \$674,000,000. The acquisition was recorded using the purchase method of accounting and, accordingly, the purchase price was allocated to the assets and liabilities acquired based on their estimated fair market value at the date of acquisition, largely determined by an independent appraisal. The fair market value of the net assets acquired was in excess of the acquisition cost which resulted in a reduction of the amount assigned to property and equipment. The 1986 consolidated financial statements of the Company include results of operations for Republic since August 12, 1986.

On October 1, 1986, the airline operations of the Company's two major operating subsidiaries, Northwest and Republic, were combined. As a result, the Company accrued \$17,231,000 of non-recurring costs associated with the combination. In November 1986 Republic was merged into Northwest.

The following presents the unaudited pro forma results of operations of the Company as if Republic had been acquired at the beginning of the periods presented (in thousands, except per share data):

	Year Ended December 31	
	1986	1985
Operating revenues	\$4,694,412	\$4,389,888
Earnings	95,231	47,499
Earnings per share	3.94	2.17

The above table includes additional interest expense as if funds borrowed in connection with the acquisition had been outstanding from the beginning of each year. Not included in the table is a 1985 extraordinary gain of \$62,175,000 (\$2.45 per share) resulting from a pension plan termination by Republic. This pro forma financial information is not intended to reflect results of operations which would have actually resulted had the purchase of Republic been effective on the dates indicated. It is not intended to be indicative of future results and does not reflect any synergy prior to the actual combination of Northwest and Republic.

PARS: On December 29, 1986, the Company acquired a 50% interest in the PARS computerized reservations system, previously wholly owned by Trans World Airlines, Inc., for \$140,000,000 which is included in other assets. The reservations system serves more than 3,800 subscribing travel agencies.

MLT: On October 1, 1985, the Company acquired all of the common stock of Mainline Travel, Inc., a wholesaler of vacation travel packages. The transaction, which is not material to the Company's financial results, was accounted for as a purchase.

Note C — Long-Term Debt and Credit Agreements Long-term debt consisted of the following at December 31 (in thousands):

	1986	1985
8.625% notes due 1996	\$200,000	\$ —
9% notes due 1992	50,000	50,000
9.15% notes due 1998	50,000	—
10.125% notes due 1988	7,992	11,988
Convertible subordinated debentures:		
7.5% due 2007 (a)	—	100,000
7.5% due 2010 (b)	175,000	175,000
Installment notes (c)	107,137	—
Equipment trust notes (c):		
14.625% due 1990	75,000	—
15.125% due 1993	75,000	—
9% due 1993	20,400	—
Other	37,518	—
Debt premium (c)	27,362	—
Total long-term debt	825,409	336,988
Less current maturities (d)	16,725	3,996
	\$808,684	\$332,992

On July 1, 1984, Northwest Airlines, Inc. entered into a revolving credit agreement with a group of major banks which provides for unsecured borrowings up to \$500,000,000 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 ¼% thereafter. Commitment fees ranged from ¼% to ⅜% per annum on the unused credit and amounted to \$595,000 in 1986. There were no outstanding borrowings at December 31, 1986 and 1985.

On April 3, 1986, NWA Inc. entered into a revolving credit agreement with a group of major banks which provides for unsecured borrowings up to \$500,000,000 to July 1, 1989. This amount decreases periodically thereafter to the termination date of July 1, 1992. Interest on borrowings is, at the Company's election, the lower of various formula rates or the prime rate as

defined until July 1, 1992. Commitment fees ranged from ¼% to ⅜% per annum on the unused credit and amounted to \$166,000 in 1986. The balance outstanding at December 31, 1986, which is classified as a current liability, totaled \$50,000,000 at an interest rate of 6.985%, which was in effect until February 1987.

The terms of the revolving credit agreements provide that available borrowings shall be reduced by any amounts of commercial paper outstanding.

(a) In February 1983 the Company issued \$100,000,000 of 7.5% convertible subordinated debentures due in 2007. The debentures were convertible into common stock at a rate of \$50.75 per share. In December 1986 the Company called these debentures for redemption. As a result of the call for redemption, \$99,168,000 principal amount of the debentures was converted into 1,953,930 shares of the Company's common stock. In addition, 16,394 shares were issued to an underwriter in connection with a standby purchase arrangement.

(b) In June 1985 the Company issued \$175,000,000 of 7.5% convertible subordinated debentures due in 2010. The debentures are convertible into common stock at a rate of \$57.00 per share. Subject to certain restrictions, the Company may redeem the debentures at prices ranging from 106.75% of the principal amount in 1987 to 100% in 2005. Annual sinking fund payments of \$7,500,000, less the amount of debentures converted or redeemed, are required beginning in 1995.

(c) The installment notes and equipment trust notes were assumed with the acquisition of Republic. The debt was revalued as of the acquisition date using market interest rates ranging from 8.8% to 12.5%. The resulting adjustment has been recorded as a debt premium and is being amortized as a reduction of interest expense over the term of the debt. These notes are secured by certain aircraft and engines.

The installment notes have final maturity dates from 1987 through 1998 at a weighted average interest rate of 15.0%.

The 9% equipment trust notes due 1993 require semiannual sinking fund payments of \$1,575,000 from 1987 through 1992 and \$1,500,000 at maturity plus interest. The Company may make additional semiannual sinking fund payments up to \$1,575,000 and may pay off the remaining balance in full on or after May 1, 1988, at a premium.

(d) Current maturities of long-term debt due for the next five years are as follows (in thousands):

1987	\$16,725
1988	17,426
1989	12,759
1990	87,644
1991	18,169

The Company was in compliance with the covenants of all debt agreements at the end of the year. Dividends are restricted to 3% of stockholders' equity at the beginning of the year.

Note D — Leases The Company leases space in air terminals; land and buildings at airports; ticket, sales and reservations offices; and other property and equipment under non-cancelable operating leases which expire in various years through 2025. Portions of these facilities are subleased under noncancelable operating leases expiring in various years through 1997.

At December 31, 1986, the Company leased 52 of its 312 aircraft, 31 of which were capital leases. Under 33 of the lease agreements, the Company has the option to purchase the aircraft at prices approximating fair market value at the end of the lease term, with 14 of the lease agreements providing for purchase options ranging from approximately 10% to 20% of the lessor's cost.

During 1986 the Company sold six Boeing 747-200 aircraft and leased them back under operating leases. The proceeds from the sales, which totaled \$465,415,000, exceeded the net book value of the aircraft by \$77,936,000. This gain has been deferred and is being amortized over the terms of the leases.

Rental expense for all operating leases consisted of (in thousands):

	1986	1985	1984
Gross	\$101,619	\$44,330	\$39,884
Sublease rental income	(6,816)	(1,818)	(1,079)
	\$ 94,803	\$42,512	\$38,805

At December 31, 1986, future minimum lease payments under capital leases and noncancelable operating leases with initial or remaining terms of more than one year were as follows (in thousands):

	Capital Leases	Operating Leases
1987	\$ 51,068	\$ 126,141
1988	55,787	120,868
1989	60,358	104,632
1990	59,030	120,653
1991	53,191	100,926
Thereafter	741,687	1,517,937
	1,021,121	2,091,157
Less sublease rental income	—	15,084
Less amounts representing interest	425,728	—
Present value of future minimum capital lease payments and minimum rental commitments	\$ 595,393	\$2,076,073

Note E — Stockholders' Equity The Company has stock option and incentive plans for officers and certain key employees. There were 914,400 and 197,000 shares of common stock available for stock option grants at December 31, 1986 and 1985, respectively. All of the options granted expire on various dates through 1991. Common stock options at prices that were not less than 100% of market at the date of grant were as follows:

	Shares	Price Per Share
Outstanding at December 31, 1984	179,947	\$23.31- \$44.06
Granted	158,000	42.19
Exercised	(29,710)	23.31- 44.06
Canceled or expired	(10,500)	42.19- 44.06
Outstanding at December 31, 1985	297,737	23.31- 44.06
Granted	205,500	47.69- 48.50
Exercised	(73,881)	23.31- 47.69
Canceled or expired	(500)	42.19
Outstanding at December 31, 1986	428,856	23.31- 48.50
Options exercisable:		
At December 31, 1985	86,663	23.31- 44.06
At December 31, 1986	428,856	23.31- 48.50

During 1986, the Company granted 77,600 shares of restricted common stock to certain officers of NWA Inc. and Northwest Airlines. Until 1990, certain restrictions limit the ability of the officers to dispose of the stock. The estimated value of the restricted stock is being amortized as additional compensation expense over the term of the grant.

At December 31, 1986, the Company had 4,413,431 shares of common stock reserved for conversion of the 7.5% convertible subordinated debentures due 2010 and for issuances under employee stock option and incentive plans.

Note F — Income Taxes Reconciliation of the Company's effective income tax rate is as follows (in thousands):

	Year Ended December 31		
	1986	1985	1984
Statutory rate applied to earnings before tax and extraordinary item	\$47,031	\$29,782	\$53,998
Add (deduct):			
Investment tax credit earned	(22,266)	(37,749)	(23,576)
Rate change on timing differences	(1,390)	(1,444)	(1,467)
Other	1,925	1,035	1,566
Income tax expense (credit) before extraordinary item	25,300	(8,376)	30,521
Tax benefit on extraordinary loss	—	—	(28,094)
Total income tax expense (credit)	\$25,300	\$ (8,376)	\$ 2,427

Federal, foreign and state income tax expense (credit) consists of the following (in thousands):

	1986	1985	1984
Current:			
Federal	\$ 20,791	\$ (6,039)	\$ 6,687
Foreign	866	1,855	1,118
State	5,519	(868)	2,889
	\$ 27,176	\$ (5,052)	\$ 10,694
Deferred:			
Federal	\$ (2,219)	\$ (6,061)	\$ (7,107)
State	343	2,737	(1,160)
	\$ (1,876)	\$ (3,324)	\$ (8,267)

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

	1986	1985	1984
Extraordinary loss	\$ —	\$ 28,094	\$(28,094)
Accelerated depreciation	15,255	12,526	5,183
Investment tax and other credits	20,117	(54,891)	15,958
Deferred gain on sale and leaseback	(33,604)	—	—
Interest	7,608	3,588	2,505
Deferred employee benefits	(10,313)	(923)	(834)
Deferred 757 training costs	265	4,346	—
Deferred revenue	(2,220)	2,220	—
Rate change on timing differences	(1,390)	(1,444)	(1,467)
Prepaid commissions	5,709	443	43
Capital leases	(4,702)	648	—
Other	1,399	2,069	(1,561)
	\$ (1,876)	\$ (3,324)	\$ (8,267)

Investment tax credits of \$55,379,000 not applied on tax returns but offset against deferred income taxes at December 31, 1986, will expire if not used in the amount of \$12,428,000 in 2000 and \$42,951,000 in 2001.

Note G — Commitments At December 31, 1986, the Company had contracted to purchase ten Airbus A320-200 aircraft for delivery in 1990 and 1991; ten Boeing 757-200 aircraft for delivery from 1987 through 1989; ten Boeing 747-400 aircraft for delivery from 1988 through 1990 and two Boeing 747 freighter aircraft for delivery in 1987. Deposits of \$248,595,000 have been made with the manufacturers, and additional committed expenditures for these aircraft and related equipment will be approximately \$342,586,000 in 1987; \$385,763,000 in 1988; \$458,422,000 in 1989; \$489,673,000 in 1990 and \$130,674,000 in 1991.

The Company has options to purchase up to 90 additional Airbus A320 aircraft for delivery in 1991 through 1995, on which nonrefundable deposits of \$900,000 have been paid. These aircraft are subject to periodic reconfirmation or cancellation. Amounts to be paid under these options, assuming all aircraft are purchased, will approximate \$3,250,000,000.

Note H — 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 was affirmed. In January 1985 the Supreme Court of the United States declined to review the case.

The Company's liability was \$58,997,000 including plaintiffs' attorneys' fees. This amount was reflected as an extraordinary loss in the fourth quarter of 1984 in the amount 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), trade practices, 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 I — Retirement Benefits The Company's pension expense was \$24,613,000 in 1986; \$23,242,000 in 1985 and \$26,409,000 in 1984.

Certain actuarial assumptions for some plans and the actuarial cost method for one plan were changed in 1985 which reduced pension expense in 1985 by approximately \$10,200,000. The change in actuarial method, which comprised approximately \$3,800,000 of the expense reduction, was from the aggregate cost method to the projected unit credit method. The new actuarial method is considered to be preferable because it more closely matches pension expense with the pension benefits actually earned during the period and because it more accurately reflects the current funded status of the plan. The changes 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 defined benefit plans were as follows (in thousands):

	December 31	
	1986	1985
Actuarial present value of accumulated plan benefits:		
Vested	\$706,054	\$455,014
Non-vested	40,213	58,363
	<u>\$746,267</u>	<u>\$513,377</u>
Net assets available for benefits	\$997,439	\$735,610

The interest rates used in computing the present value of accumulated plan benefits were either 8% or 8.5% for all plans except for certain retired plan participants where a 13.75% rate was used. The rate for retired plan participants was 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. The cost of providing those benefits, which is not material, is expensed when paid.

Note J — Sales to Customers in Foreign Countries The operations of the Company consist primarily of holding stock in Northwest Airlines, Inc., which is a scheduled air carrier engaged in commercial transportation of passengers, freight and mail. Sales to customers in foreign countries, principally in Asia and Europe, were \$733,000,000 in 1986; \$658,000,000 in 1985 and \$649,000,000 in 1984.

Note K — Quarterly Results of Operations (Unaudited)

Quarterly results of operations for the years ended December 31, 1986 and 1985, are summarized below (in thousands, except per share data):

	First Quarter	Second Quarter	Third Quarter*	Fourth Quarter**
1986:				
Operating revenues	\$638,439	\$702,472	\$1,099,349	\$1,148,914
Operating expenses	689,221	674,937	950,534	1,107,837
Operating income (loss)	(50,782)	27,535	148,815	41,077
Net earnings (loss)	(16,444)	23,894	59,729	9,762
Net earnings (loss) per share	(.75)	.99	2.32	.45
1985:				
Operating revenues	577,191	692,530	754,535	631,235
Operating expenses	590,793	638,229	692,561	656,821
Operating income (loss)	(13,602)	54,301	61,974	(25,586)
Net earnings (loss)	798	35,318	39,012	(2,009)
Net earnings (loss) per share	.04	1.52	1.55	(.09)

* The Company acquired all the outstanding stock of Republic Airlines, Inc. on August 12, 1986. Expense of \$17.2 million for nonrecurring costs associated with the combination of Northwest's and Republic's operations was recorded in the third quarter.

** Net earnings were reduced by approximately \$12.0 million due to a change in tax laws which limited allowable 1986 investment tax credits.

Note L — Subsequent Event During February 1987 the Company sold 3,000,000 shares of previously unissued common stock to the public. Net proceeds of \$197,610,000 will be used for general corporate purposes.

Report of Independent Accountants

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

We have examined the consolidated balance sheets of NWA Inc. and subsidiaries as of December 31, 1986 and 1985, 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, 1986. 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, 1986 and 1985, 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, 1986, in conformity with generally accepted accounting principles applied on a consistent basis.

Ernst & Whinney
Saint Paul, Minnesota
March 3, 1987

Stockholders' Information

Stock Prices and Dividends

Quarter		Sales Price of Common Shares		Dividends Per Share	
		1986	1985	1986	1985
1st	High	\$54 ⁷ / ₈	\$46 ¹ / ₄	\$.225	\$.225
	Low	43	40 ¹ / ₄		
2nd	High	53 ³ / ₄	55 ³ / ₄	.225	.225
	Low	47	37 ¹ / ₄		
3rd	High	52	59 ¹ / ₂	.225	.225
	Low	41 ¹ / ₂	47 ⁷ / ₈		
4th	High	62 ⁷ / ₈	58 ¹ / ₄	.225	.225
	Low	52	46		

Securities Listed

The Company's common stock is listed on the New York Stock Exchange, Pacific Stock Exchange, and Midwest Stock Exchange. There were 5,886 shareholders of record as of March 5, 1987.

The Company's 7¹/₂% convertible subordinated debentures due in 2010 are listed on the New York Stock Exchange.

Registrars and Transfer Agents

Norwest Bank Minneapolis, N.A.
Minneapolis, Minnesota 55480
Norwest Trust Company
New York, New York 10005

Annual Meeting

The 1987 Annual Shareholders' Meeting will be held at NWA Inc. World Headquarters, 2700 Lone Oak Parkway, Eagan, Minnesota on Monday, May 18, 1987, at 9:30 A.M.

NWA Inc. Ten-Year Summary
(Dollars in thousands except per share figures—unaudited)

	1986	1985	1984
Operating Revenues			
Passenger	\$ 2,920,458	\$ 2,154,394	\$ 1,984,999
Freight	406,726	328,400	355,336
Mail	87,459	80,126	58,339
Charter and other transportation	78,110	55,959	38,559
Other	96,421	36,612	7,741
Total Operating Revenues	3,589,174	2,655,491	2,444,974
Operating Expenses			
Depreciation and amortization	242,213	182,563	167,203
Other	3,180,316	2,395,841	2,181,495
Total Operating Expenses	3,422,529	2,578,404	2,348,698
Operating income (loss)	166,645	77,087	96,276
Interest expense	(76,537)	(19,873)	(4,268)
Other income (expense)—net	12,133	7,529	25,380
Earnings (loss) before taxes and extraordinary item	102,241	64,743	117,388
Income tax expense (credit)	25,300	(8,376)	30,521
Net earnings	\$ 76,941	\$ 73,119	\$ 55,964††
Net earnings per share	\$ 3.26	\$ 3.18	\$ 2.44††
Cash dividends	19,645	19,586	17,933
Dividends per share	.90	.90	.825
Stockholders' equity	1,105,916	947,001	892,923
Number of shares outstanding at year end	23,890,095	21,774,251	21,749,667
Book value per share at year end	46.29	43.49	41.05
Assets and Long-Term Debt			
Flight equipment at cost	\$ 4,097,464	\$ 2,784,553	\$ 2,356,048
Flight equipment at net book value	2,581,304	1,427,114	1,151,930
Total assets	4,322,854	2,320,006	1,754,233
Long-term debt and capital lease obligations	1,386,232	494,093	100,000
Statistics—Scheduled Services			
Revenue plane miles (000)	246,711	159,337	143,410
Available seat miles (000)	48,408,440	37,148,562	32,663,660
Revenue passenger miles (000)	28,814,957	22,341,334	19,772,355
Passenger load factor	59.5%	60.1%	60.5%
Passengers	23,167,120	14,538,744	13,215,907
Freight ton miles (000)	1,022,864	886,355	965,868
Passenger and cargo revenue ton miles (000)	4,135,343	3,334,257	3,103,799
Yield per revenue passenger mile	10.14¢	9.64¢	10.04¢
Statistics—Total Operations			
Revenue plane miles (000)	249,168	161,186	144,568
Available ton miles (000)	8,123,450	6,450,509	5,837,972
Operating expenses per available ton mile	41.2¢	39.8¢	40.2¢
Number of employees at year end	33,427	16,864	15,185

† Strikes adversely affected 1978 and 1982.

††After extraordinary loss of \$30,903 or \$1.30 per share resulting from the settlement of a lawsuit.

	1983	1982†	1981	1980	1979	1978†	1977
Operating Revenues							
Passenger	\$ 1,812,227	\$ 1,567,986	\$ 1,521,856	\$ 1,347,830	\$ 1,067,214	\$ 557,401	\$ 861,053
Freight	289,170	205,018	221,691	190,837	160,716	87,077	121,185
Mail	55,585	60,451	59,786	57,305	38,685	18,944	29,894
Charter and other transportation	36,198	34,758	21,766	16,303	15,093	10,997	25,871
Other	2,856	9,355	29,191	27,055	28,850	115,743	8,352
Total Operating Revenues	2,196,036	1,877,568	1,854,290	1,639,330	1,310,558	790,162	1,046,355
Operating Expenses							
Depreciation and amortization	146,908	136,651	133,489	124,078	106,401	104,970	103,152
Other	1,980,242	1,749,292	1,719,054	1,539,386	1,148,805	617,907	838,619
Total Operating Expenses	2,127,150	1,885,943	1,852,543	1,663,464	1,255,206	722,877	941,771
Operating income (loss)	68,886	(8,375)	1,747	(24,134)	55,352	67,285	104,584
Interest expense	(3,548)	(7,216)	(14,135)	(15,831)	(1,635)	(3,376)	(6,518)
Other income (expense)—net	8,265	16,279	20,297	3,862	30,643	45,126	55,078
Earnings (loss) before taxes and extraordinary item	73,603	688	7,909	(36,103)	84,360	109,035	153,144
Income tax expense (credit)	23,530	(4,331)	(2,551)	(43,187)	11,885	47,194	60,425
Net earnings	\$ 50,073	\$ 5,019	\$ 10,460	\$ 7,084	\$ 72,475	\$ 61,841	\$ 92,719
Net earnings per share	\$ 2.19	\$.23	\$.48	\$.33	\$ 3.35	\$ 2.86	\$ 4.29
Cash dividends	17,367	17,332	17,326	17,317	17,306	16,210	10,804
Dividends per share	.80	.80	.80	.80	.80	.75	.50
Stockholders' equity	854,189	820,605	832,510	839,042	849,122	793,691	747,672
Number of shares outstanding at year end	21,715,995	21,678,458	21,661,367	21,647,280	21,639,589	21,626,284	21,606,686
Book value per share at year end	39.33	37.85	38.43	38.76	39.24	36.70	34.60
Assets and Long-Term Debt							
Flight equipment at cost	\$ 2,080,299	\$ 1,996,925	\$ 1,992,015	\$ 1,995,168	\$ 1,779,770	\$ 1,525,442	\$ 1,510,447
Flight equipment at net book value	976,501	1,019,071	1,110,965	1,200,495	1,094,556	922,615	962,957
Total assets	1,602,236	1,377,387	1,492,381	1,532,539	1,528,921	1,392,865	1,299,451
Long-term debt and capital lease obligations	100,000	—	12,500	62,500	100,000	100,000	100,000
Statistics—Scheduled Services							
Revenue plane miles (000)	133,699	119,189	120,139	120,709	116,105	66,420	111,271
Available seat miles (000)	29,511,287	26,257,466	24,813,981	24,904,355	24,028,928	14,302,037	22,968,489
Revenue passenger miles (000)	17,711,929	15,675,194	14,251,932	13,810,889	13,298,161	7,018,305	11,100,412
Passenger load factor	60.0%	59.7%	57.4%	55.5%	55.3%	49.1%	48.3%
Passengers	12,718,468	11,356,165	11,144,785	11,501,148	11,636,170	6,574,901	10,354,808
Freight ton miles (000)	835,197	600,198	616,285	529,434	504,753	302,153	458,143
Passenger and cargo revenue ton miles (000)	2,750,946	2,307,475	2,186,815	2,048,349	1,956,217	1,079,681	1,676,470
Yield per revenue passenger mile	10.23¢	10.00¢	10.68¢	9.76¢	8.03¢	7.94¢	7.76¢
Statistics—Total Operations							
Revenue plane miles (000)	134,870	120,378	120,761	121,243	117,027	67,471	114,643
Available ton miles (000)	5,255,086	4,635,415	4,519,768	4,495,666	4,265,640	2,594,632	4,109,110
Operating expenses per available ton mile	40.5¢	40.7¢	41.0¢	37.0¢	29.4¢	27.9¢	22.9¢
Number of employees at year end	14,187	13,754	13,096	12,748	12,814	10,680	11,445

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Airlines, Inc.**

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General Counsel
NWA Inc. and Northwest
Airlines, Inc.
St. Paul, Minnesota

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Former Chairman of the
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Minneapolis, Minnesota
Manufacturer of automation
systems

E. W. Blanch, Jr.
Chief Executive Officer and
Partner

E. W. Blanch Company
Minneapolis, Minnesota
Reinsurance brokerage firm

Robert A. Charpie
Chairman of the Board and Chief
Executive Officer
Cabot Corporation
Boston, Massachusetts
Producer of chemicals, metals,
oil and gas

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St. Paul, Minnesota
Multinational manufacturing

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Airlines, Inc.
St. Paul, Minnesota

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Reader's Digest, Inc.
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Magazine publishing

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St. Paul, Minnesota

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Bradley, Arant, Rose & White
Birmingham, Alabama
Law firm

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Operations

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Operations

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Affairs

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Vice President—Properties

Lloyd R. Warren
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***Steven D. Wheeler**
Corporate Secretary

William C. Wren
Vice President—Public Relations

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Thomas M. Schmidt
Vice President—Finance &
Administration and Treasurer

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*Northwest Aerospace
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H. Thomas Nunn
Executive Vice President and
Managing Director

Northwest Aircraft Inc.
Thomas E. McGinnity
President and Chief Executive
Officer





NWA Inc.
2700 Lone Oak Parkway
Eagan, MN