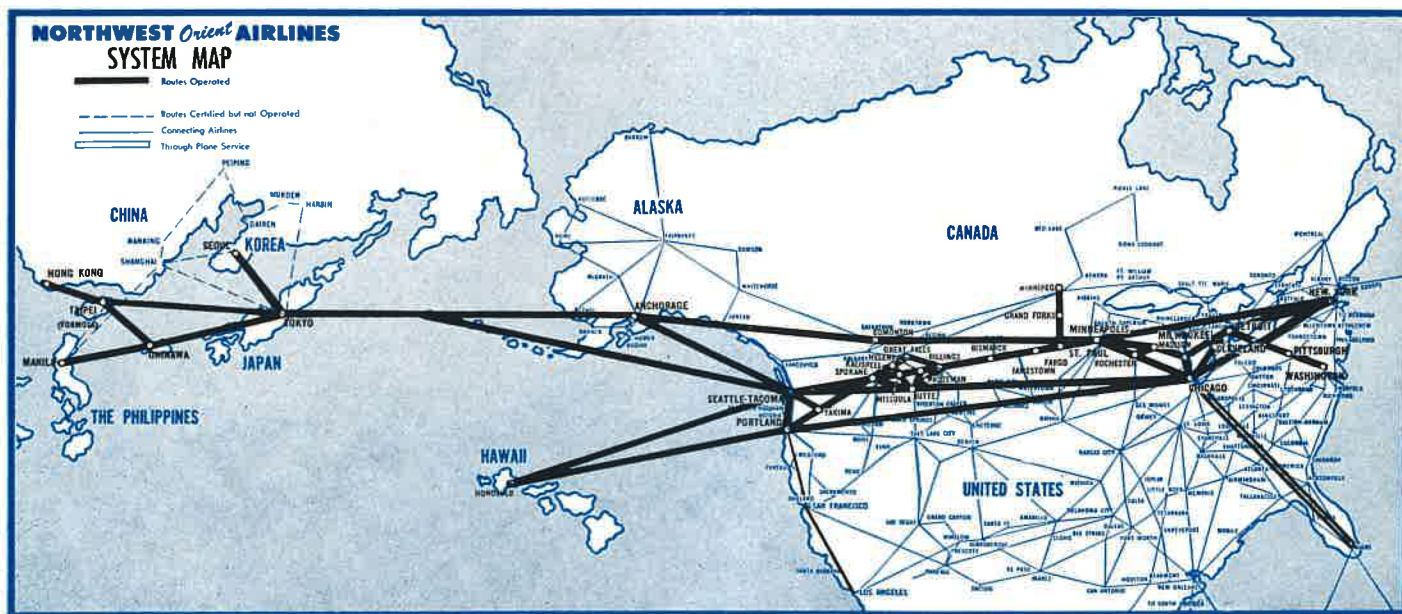




Northwest Airlines, Inc.

Annual Report

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NORTHWEST AIRLINES, INC., *Annual Report*19  55

TO SHAREOWNERS OF NORTHWEST AIRLINES, INC.

The report of the independent auditors and the financial statements for 1955 are presented herewith.

EARNINGS

The total net income for 1955 was \$2,116,180. Preferred dividends amounted to \$387,031, leaving \$1,729,149 or \$1.80 per share for the 963,135½ outstanding shares of common stock. In 1954 total net income was \$2,415,524, which after preferred dividends of \$429,554 left \$1,985,970 or \$2.38 per share for each of the 834,933 shares of common stock then outstanding.

Net income from operations after taxes and before property disposals amounted in 1955 to \$2,027,319 compared with \$2,203,144 in 1954.

The net income shown above for 1955 was developed without any subsidy payments from the U. S. Government—whereas in 1954 subsidy payments totaled \$3,035,000.

Net income from property disposals was but \$88,861 after taxes, the lowest amount in several years. In 1954 such net income was \$212,380, while in 1953 it totaled \$605,190.

Operating revenues reached a new high of \$71,363,494 for a gain of 12.2% over 1954. Passenger revenue of \$57,252,957 was up 12.1%; mail revenue of \$7,090,229 increased 4.5%, while revenue from express, freight and excess baggage of \$6,123,606 exceeded last year by 15.6%. Due to reduced yields, primarily due to the increase in coach business and lowered mail rates, the revenue per available ton mile declined 7.2% from 1954.

During 1955, 1,343,337 revenue passengers were carried on the system (domestic, Orient and Honolulu routes), an increase of 12.0% over the previous high, 1954. Revenue passenger miles totaled 1,017,400,443, an increase of 11.8% over the previous year. This is the first time that we have flown more than one billion passenger miles.

Operating expenses rose 13.7% over 1954. Available ton miles flown increased 20.9% over the previous year, thus, our operating cost per available ton mile declined.

During 1955 the company negotiated a new bank credit agreement, dated as of June 30, 1955, and which became fully effective on July 15, 1955, to provide credits which may aggregate \$29,500,000. This agreement superseded the bank credit agreement dated as of November 30, 1954, which extended credit of \$18 million and under which the company was obligated to commence payment, on any loans outstanding, be-

ginning June 30, 1955. The new credit agreement does not require any scheduled repayments until June 30, 1958, and permits the company to borrow and prepay within the limits of a "Loan Value Schedule" established therein at its option until June 30, 1958. The maximum amount which may be outstanding on December 31, 1957, is \$29,500,000. The additional line of credit and different repayment requirements were necessary because of the ordering of Douglas DC-6 and Douglas DC-7 type aircraft.

NET WORTH

The net worth of the company at the end of 1955 was \$28,228,484, of which \$21.60 per share was applicable to the common stock. This compares with \$26,829,107 at the end of 1954, of which \$21.11 was applicable to common stock. Our earned surplus was \$7,453,305 at the end of the year compared with \$6,275,889 at the end of 1954.

DIVIDENDS AND STOCK CONVERSION

Dividends on the 4.60% Cumulative Preference Stock were paid regularly on the quarterly due dates.



An NWA Plane Arriving at Honolulu

The February 1, 1956, quarterly dividend was also paid on that date. On May 1, 1955, your company for the first time since 1946 paid a dividend on common stock. On May 1 and on August 1 and November 1, 1955, dividends of 20c per share were paid. A similar

dividend was also paid on February 1, 1956, on common shares.

During the year 71,135 shares of 4.60% Cumulative Preference Stock were converted into common stock at the conversion rate of one and one-half common shares for each share of Preference Stock. All conversion rights of Preference Stock into common stock terminate as of December 31, 1956.

ROUTES

During the year the Civil Aeronautics Board renewed all of your company's international route authorizations. Service over the Great Circle route to Japan was renewed for seven years while service to points beyond



The Old and New in Alaska

Japan, to Okinawa, Formosa, Hong Kong and the Philippines, was renewed for five years. Service between Japan and Korea, between Seattle/Tacoma-Portland and Honolulu, as well as between the Twin Cities of Minneapolis and St. Paul and Anchorage, Alaska, via Edmonton, Alberta, was renewed for three years. Local service between Seattle/Tacoma and Anchorage was renewed under a permanent certificate.

The Civil Aeronautics Board also authorized your company to provide direct service between Chicago and New York, as well as between Chicago and Detroit. In the same decision we were granted the right to operate "turn around" or shuttle service between Detroit and New York. These authorizations allow us to make our service more effective in these heavily traveled markets by providing improved one-carrier service to the public. Service between Chicago and New York was inaugurated on October 30.

During the year your company filed with the Civil Aeronautics Board a number of applications for route expansion and to enable your company to render improved service. The following applications for the right to provide additional service were filed:

Twin Cities of Minneapolis and St. Paul to Los Angeles and to San Francisco via Denver and Salt Lake City

Billings to San Francisco via Salt Lake City

Chicago to Miami via Cincinnati, Louisville, Atlanta and Tampa

Detroit to Miami via Cleveland, Pittsburgh and Tampa

Chicago to Washington, D. C. via Dayton, Columbus and Pittsburgh

Chicago to New York via Dayton, Columbus and Pittsburgh

Detroit to New York via Cleveland, Pittsburgh and Philadelphia

Chicago to Boston via Detroit and Toronto

Anchorage to Fairbanks

Request for authority to service Winnipeg and Edmonton on same flight

Other applications filed with the Civil Aeronautics Board prior to 1955 include our application to fly from New York to Boston via Hartford and Springfield, as well as a request that Chicago be designated as an intermediate point between Milwaukee and Detroit on the Detroit-Washington, D. C. route. This latter would permit Chicago-Cleveland, Chicago-Pittsburgh and Chicago-Washington nonstop service.

We also asked for the removal of restrictions to allow us to carry local traffic between Great Falls and Butte or Helena and to permit "turn around" or shuttle service over our Detroit-Cleveland-Pittsburgh-Washington, D. C. route segment.

We believe that the expansion of our service to the cities listed above, not presently served, and in particular to those southern sections of the country which form winter vacation areas, will improve our financial



Hong Kong—Where East Meets West

results by minimizing our present winter seasonal traffic decline.

In its opinion dated December 15, 1954, in the Trans-Pacific Certificate Renewal Case, Docket 5031, the Civil Aeronautics Board recommended to the President of the United States that your company be granted a permanent certificate for operations between Seattle

and Tokyo and also recommended the denial of Pan American World Airways' request to operate over the Great Circle route between Seattle and Tokyo. The CAB, however, stated that, "... our denial of Pan American's request to operate over the Great Circle route is without prejudice to its renewal at such time



Cherry Blossom Time in Japan

as nonstop operations between California and Tokyo may become practicable." On February 1, 1955, the President returned the proposed order of the CAB and stated, "... I believe that permanent certification of Northwest Airlines is premature as long as subsidy payments are necessary for its operations. A temporary certificate will provide the carrier with the opportunity to demonstrate its ability to operate without subsidies within a reasonable period of time. ..." He further stated that, "I desire to hold in abeyance my decision concerning the use of the Great Circle route by Pan American pending further study and later report on the economic and technical feasibility and the military and foreign policy implications of nonstop service between the West Coast and the Orient."

On January 18, 1956, the President sent a letter to the Chairman of the CAB requesting that it reconsider its recommendations concerning the use of the Great Circle route by Pan American World Airways and, "... to consider the case in the light of any new and relevant circumstances or developments that it finds to exist. ..." As a result of the President's letter directing the CAB to reconsider Pan American's use of the Great Circle route, the CAB reopened the Trans-Pacific Certificate Renewal Case, Docket 5031. However, in reopening the case, the CAB did not restrict the proceeding to considerations of operations over the Great Circle route between California and Tokyo as

was proposed by the Board in its earlier opinion of December 15, 1954. The CAB reopened the proceeding for further hearings on the issue of granting or denying Pan American's application to operate, "... between Los Angeles and San Francisco, California, Portland, Oregon, Seattle, Washington, and Tokyo, Japan, over the Great Circle route. ..." On February 6, 1956, your company filed a motion requesting a modification of the CAB's order of February 1, 1955; or

1. Confine the proceeding to the issue of a direct route between California and Tokyo which was the only issue held in abeyance by the President in his letter dated February 1, 1955; or
2. Amend the order to include the following issues:
 - A. Service by Northwest between Los Angeles and San Francisco, California, and Tokyo, Japan, over the Great Circle route
 - B. Service by Northwest between Honolulu and Tokyo
 - C. Permanent certification of Northwest's trans-Pacific certificate.

The CAB considered Northwest's motion and on March 1, 1956, issued an order granting Northwest's motion with respect to the issue of Northwest's service



A Japanese Tourist Attraction

to Los Angeles and San Francisco and Northwest's request for a permanent certificate. Following the order of March 1, the CAB assigned the reopened proceeding for prehearing conference to be held on March 19, 1956.

On March 3, before the conference could be held, the CAB was directed, by a White House letter, to exclude Northwest's applications from the proceeding

and to confine the issue to Pan American's use of the Great Circle route.

Following receipt of the letter, the CAB on March 7 issued an order reversing its previous decision—it vacated its order of March 1 and denied Northwest's motion of February 6. The result of this order is to deny Northwest the opportunity to present to the CAB any alternative applications of its own which would make possible some semblance of competitive balance in the Pacific Ocean area.

The restricted case is now assigned for hearing before the CAB on May 8, 1956.

EQUIPMENT AND SERVICE

Early in the year four new Lockheed 1049G Constellation aircraft were put into service in international operations. These luxurious planes enable your company to offer its customers the finest and fastest service between the United States and the Orient and to Hawaii. All of these aircraft offer a choice of first class and tourist accommodations.

By midsummer the Lockheed Constellation aircraft were providing five weekly flights between Seattle/Tacoma and Tokyo. In addition we operated two weekly



A Formosan Rural Village

cargo and mail flights with Douglas DC-4 and Douglas DC-6B aircraft to the Orient, thus providing daily service to Tokyo.

Our present service between Seattle/Tacoma and Hawaii is operated with Douglas DC-6B aircraft on a thrice weekly basis.

Boeing Stratocruisers are being used on many segments of our domestic routes in first class luxury service. This includes operations from coast to coast via the

Twin Cities of Minneapolis and St. Paul, between the Twin Cities and Chicago, as well as via our newly certificated direct route between Chicago and New York.

Your company also offers low fare tourist service on practically all of its flight segments, both domestic and international.

Our interchange agreement with Eastern Air Lines, which became effective December 15, 1954, has provided daily through service between Minneapolis/St. Paul and Miami via Chicago. During winter months our aircraft manned by your company's crews on the Twin Cities-Chicago segment and by Eastern Air Lines' crews on the Chicago-Miami segment are flown one round trip a day from the Twin Cities to Miami. During the summer months Eastern Air Lines' Constellation equipment is used on the interchange service.

During the year your company put into service two additional Douglas DC-6B aircraft and has on order for delivery in 1956, 1957 and 1958 thirteen more Douglas DC-6B's and eight Douglas DC-7C's. When this program is completed, we will have a pressurized fleet of forty-four aircraft including our ten Boeing Stratocruisers. On January 1, 1955 we had seventeen pressurized aircraft.

Your company is conducting technical studies and making economic analyses of turbo prop and jet aircraft. It is expected that decisions concerning the purchase of such aircraft will be made during the next several months so that this equipment can be placed in operation on our routes in 1960.

On March 5, 1956, your company entered into a long-term agreement with the Minneapolis-St. Paul Metropolitan Airports Commission to provide a complete overhaul, operations and general headquarters facility at Wold-Chamberlain Field.

The structure will contain completely modern engine and airframe overhaul facilities, line maintenance hangars and a general office building. It is estimated that the "base" will contain approximately 800,000 square feet of floor area and will cost about \$15 million.

Financing will be accomplished by the sale of Metropolitan Airports Commission bonds to be amortized by the rental payments to the Commission over a thirty year term, commencing upon completion of the building.

MAIL RATES

International—In 1955 your company became the first U. S. air carrier to operate without Government subsidy support on trans-Pacific and States-Alaska routes. This action, made effective January 1, 1955, by rate orders of the Civil Aeronautics Board, means that total compensation from the Government is fixed at the compensatory or "service" rates per ton mile of U. S. mail actually carried. These rates have been made final by the CAB. The overall yield should average about 46.32c per ton mile of U. S. mail carried.

In 1954 we received subsidy pay of \$3,035,000 from the U. S. Government for international operations,

whereas in 1955 we received no subsidy. Despite elimination of subsidy and reduction of service rates, international mail pay in 1955 totaled \$4,937,556, or \$24,556 more than the 1954 subsidy and service amount of \$4,913,000. The additional mail revenue was developed by increased flight frequencies and greatly increased volume of mail. In 1955 we carried 10,487,204 ton miles in international operations compared with 3,258,539 ton miles in 1954.

Domestic—During 1955 the domestic mail rates of all trunk carriers were finalized after an open-rate period which began on April 1, 1954. The new multi-element rate formula which provides separate rates for line haul and terminal charges results in a net yield to Northwest of about 36.62c per ton mile compared to the prior rate of 45c per ton mile. However, carriage of domestic mail increased 33% from 3,394,416 ton miles in 1954 to 4,521,522 ton miles in 1955 resulting in a net increase in mail revenues despite the rate reduction.

Your company has continued its participation in the Post Office experimental program of flying 3c first class mail by air. In addition to the Seattle-Portland segment served last year, we have now added this type of mail traffic on the newly acquired Chicago-New York route. Continuation of this program has been assured and we can expect increasing mail revenues from this source.

Prior Years—Domestic and international mail rates for 1951 and international rates for 1954 are still open and subject to settlement with the CAB. Rates for all other prior periods are closed.

PERSONNEL

The progress made by your company in the past thirty years is in a large part the result of the loyalty,

skill, experience, and thorough training of its ground and flight personnel and the supervisory staff.

On December 31, 1955, your company had 5,452 employees, of which 5,044 were located in the United States and Canada. Four hundred and eight employees were located in Orient stations west of Shemya of which 82% were foreign nationals. More than 1,600 employees have over ten years of service with Northwest Airlines, 24 of that number having been awarded 25-year service pins at a special dinner held in their honor.

The ingenuity and interest of employees in the growth of your company are manifested in part by employee suggestions submitted during the year which resulted in potential company cost reductions and savings of over \$183,000 for which approximately \$10,000 was paid to 303 employees in the form of awards under the suggestion and award plan.

Contract negotiations with various labor organizations were concluded in 1955 in a harmonious and cooperative atmosphere. Wage increases and fringe benefits were extended to employees in line with compensation changes made by other air carriers of comparable size.

MANAGEMENT CHANGES

Albert F. Tegen, President of General Public Utilities Corporation, New York City, who had been a director of Northwest Airlines, Inc., since May 18, 1953, resigned as of December 30, 1955, due to the press of other business. Albert E. Floan, Vice President and Secretary, was nominated on the panel of Directors proposed for election at the annual meeting of shareholders to be held on May 21, 1956. Gordon M. Bain was appointed Vice President-Sales as of March 1, 1956, filling the vacancy created by a resignation.

By authority of the Board of Directors

Chairman of the Board

President

March 26, 1956

Saint Paul, Minnesota

STATEMENTS OF FINANCIAL POSITION

NORTHWEST AIRLINES, INC.

ASSETS

	December 31,	
	1955	1954
CURRENT ASSETS		
Cash	\$ 6,042,984	\$ 8,263,775
Accounts receivable, less allowance of \$75,000—1955, \$70,000—1954.....	6,566,861	5,219,396
Maintenance and operating supplies, at average cost.....	1,832,533	991,327
Prepaid insurance, rent, taxes, etc.....	379,793	395,348
TOTAL CURRENT ASSETS	\$14,822,171	\$14,869,846
INVESTMENTS AND OTHER ASSETS		
Related industry investments and advances—at cost.....	231,450	216,021
FLIGHT EQUIPMENT at cost.....	\$56,332,679	\$41,357,394
(Including fully amortized amounts \$9,765,835—1955, \$9,061,323—1954)		
Less allowances for depreciation and obsolescence.....	29,564,507	24,560,976
	\$26,768,172	\$16,796,418
Advances on purchase contracts—Note F.....	7,509,182	1,762,140
	\$34,277,354	\$18,558,558
OTHER EQUIPMENT AND PROPERTY at cost.....	\$12,584,570	\$11,688,676
(Including fully amortized amounts \$3,125,939—1955, \$3,004,022—1954)		
Less allowances for depreciation.....	7,476,867	6,773,507
	\$ 5,107,703	\$ 4,915,169
DEFERRED CHARGES		
Training and other costs in connection with aircraft fleets, less accumulated amortization of \$826,396—1955, \$637,644—1954.....	\$ 709,761	\$ 523,502
Other	366,269	121,900
	\$ 1,076,030	\$ 645,402
	\$55,514,708	\$39,204,996

See notes to financial statements.

LIABILITIES AND STOCKHOLDERS' EQUITY

	December 31,	
	1955	1954
CURRENT LIABILITIES		
Accounts payable, collections as agents, etc.....	\$ 6,784,360	\$ 6,230,541
Salaries, wages, and vacations.....	2,186,530	1,946,800
Air travel card deposits.....	940,525	865,725
Unredeemed ticket liability.....	778,453	757,367
Accrued income taxes—estimated.....	1,411,356	2,575,456
TOTAL CURRENT LIABILITIES	\$12,101,224	\$12,375,889
LONG-TERM DEBT —Note A		
3¾% Notes payable to banks—due after one year.....	14,500,000	—
DEFERRED INCOME TAXES —Note B	685,000	—
STOCKHOLDERS' EQUITY —Note D		
Cumulative Preference Stock, \$25 par value; authorized 600,000 shares issuable in series:		
4.6% Series; authorized 375,125 shares; outstanding shares 296,975		
—1955, 368,110—1954—Note C.....	\$ 7,424,375	\$ 9,202,750
Common Stock, \$10 par value; authorized 3,000,000 shares; issued and outstanding shares 963,135 ½—1955, 834,933—1954—Note E.....	9,631,355	8,349,330
Common Stock subscription for 3,650 shares.....	—	36,500
Capital surplus, after deduction of \$560,625 in prior years for part of dividends paid on 4.6% Cumulative Preference Stock.....	3,719,449	2,964,638
Earned surplus.....	7,453,305	6,275,889
	\$28,228,484	\$26,829,107
CONTINGENT LIABILITY —for repurchase of travel contracts sold—\$228,938		
COMMITMENTS —Note F		
	\$55,514,708	\$39,204,996

See notes to financial statements.

STATEMENTS OF INCOME

NORTHWEST AIRLINES, INC.

Year Ended
December 31,
1955 1954

OPERATING REVENUES

Passenger	\$57,252,957	\$51,053,599
United States mail—Note G.....	6,512,846	6,282,057
Foreign mail.....	577,383	504,334
Express, freight, and excess baggage.....	6,123,606	5,295,694
Charter and other transportation.....	111,127	50,406
Repair and service income, rents, etc., net.....	785,575	409,761
	<u>\$71,363,494</u>	<u>\$63,595,851</u>

OPERATING EXPENSES

Flying and ground operations.....	\$35,056,409	\$30,043,761
Maintenance and repairs.....	12,538,345	11,672,122
Provision for depreciation.....	6,370,354	5,606,174
Traffic, sales, and advertising.....	8,419,929	7,383,113
Administrative and general (including pay roll taxes, property taxes, etc.)	4,085,957	3,764,202
Employees' retirement plan.....	475,866	415,182
	<u>\$66,946,860</u>	<u>\$58,884,554</u>
	\$ 4,416,634	\$ 4,711,297

OTHER DEDUCTIONS (INCOME), NET

Interest on long-term debt.....	\$ 350,651	\$ 172,600
Other long-term debt expense.....	10,886	17,137
Other, net	(112,222)	(81,584)
	<u>\$ 249,315</u>	<u>\$ 108,153</u>

INCOME BEFORE TAXES AND PROPERTY DISPOSALS.....\$ 4,167,319 \$ 4,603,144

TAXES ON INCOME, including deferred taxes of \$685,000 for

1955—Note B.....	2,140,000	2,400,000
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NET INCOME FROM OPERATIONS.....\$ 2,027,319 \$ 2,203,144

PROFIT FROM DISPOSALS OF PROPERTY, less applicable in-

come taxes \$30,000—1955, \$75,000—1954.....	88,861	212,380
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NET INCOME FOR THE YEAR.....\$ 2,116,180 \$ 2,415,524

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

NORTHWEST AIRLINES, INC.

December 31, 1955

Note A—Bank Credit Agreement

Long-term loan made under a Bank Credit Agreement dated June 30, 1955, permits the Company to borrow on or before December 31, 1957, subject to certain conditions, an amount not to exceed \$29,500,000 for the purpose of equipment financing (Note F).

The Agreement requires repayments contingent on total borrowings outstanding as of December 31, 1957. Based on \$14,500,000 borrowed at December 31, 1955, repayments will total \$2,900,000 during each year 1958 through 1962. Prepayments, indeterminable in amount and dependent upon other provisions of the Agreement, may be required.

The Company has covenanted that, among other things, it will (a) maintain working capital computed as defined and in amounts specified in the Agreement; (b) maintain capital and surplus of not less than \$22,000,000; and (c) execute and deliver chattel mortgages upon such flight equipment as may be designated by written request of the lending banks, if the loans outstanding under the Agreement exceed \$20,000,000 on January 1, 1958.

Note B—Deferred Income Taxes

The Company is claiming a greater deduction for depreciation for tax purposes computed by permissible methods than is reported in the accompanying Statement of Income. Accordingly, the provision for income taxes for the year includes \$685,000 to provide for income taxes which will become payable in future years when amortization of these costs in the books of account will not be deductible for tax purposes.

Note C—4.6% Cumulative Preference Stock

This Stock Series is entitled upon voluntary liquidation or redemption to \$25 ¼ per share plus accumulated unpaid dividends; is convertible per share into one and one-half shares of Common Stock to January 1, 1957; and is subject to retirement through market or sinking fund provisions. 78,150 of the authorized shares at December 31, 1955, had been redeemed through market fund purchases and conversion and were not reissuable.

So long as any of this Stock Series is outstanding, the Company is required to set aside on or before March 31 in each year to and including 1957 a non-cumulative fund, for the purchase on the market of shares of such Stock at not exceeding \$25 per share. On or before March 31, 1956, \$172,915 will be required to be set aside for this purpose during the ensuing twelve-month period after which any unused balance reverts to the general funds of the Company. After 1957, other, and cumulative, sinking fund provisions become applicable.

During any period while the Company is in default with respect to payment of dividends on the Cumulative Preference Stock, the Company may not purchase any of such Stock except pursuant to an offer to all holders thereof and may

not redeem less than all of such Stock then outstanding. Dividends accruing to February 1, 1956, have been paid.

Note D—Restrictions on Earned Surplus

At December 31, 1955, under provisions of the Bank Credit Agreement and of the Cumulative Preference Stock, \$6,232,358 of earned surplus was restricted as to payment of cash dividends on capital stock. The Agreement prohibits repurchase of the Company's capital stock, except that 4.6% Cumulative Preference Stock may be retired through market fund purchases (Note C) and out of proceeds of the sale of additional Common Stock. The terms of the Cumulative Preference Stock also contain provisions relating to repurchase of Common Stock which are less restrictive.

Note E—Common Stock Reservations and Options

Of the unissued Common Stock at December 31, 1955:

- (a) 445,462 ½ shares may be required for the conversion of 4.6% Cumulative Preference Stock;
- (b) 19,500 shares (of which 9,500 shares were exercisable at December 31, 1955) were subject to an outstanding option exercisable by a Company officer to October 15, 1959, at an option price of \$12 ¼ per share, the market price at the date of grant. During 1955, options for 17,850 shares at prices of \$11 ¼ and \$14 ¾ per share (representing market or higher at date of grant) were exercised by other optionees. The market prices ranged from \$19 ¼ to \$22 ⅞ per share at the times the options were exercised.
- (c) 30,000 shares were reserved for options which may be granted in the future to officers and employees.

Note F—Commitments

At December 31, 1955, the Company had contracted for the purchase of thirteen Douglas DC-6 type and eight Douglas DC-7 type aircraft. One of these aircraft will be delivered in the spring of 1956, and the remainder will be delivered starting in January, 1957. These aircraft, together with spare parts, will cost approximately \$42,500,000 on which advance payments of \$7,509,182 had been made to December 31, 1955. Future payments of approximately \$3,740,818 will be required in 1956, \$24,500,000 in 1957, and \$6,750,000 in 1958.

Note G—Mail Transportation Compensation

Total mail compensation for all years through 1955 has been settled and made permanent by the Civil Aeronautics Board, except that no final determinations of rates have been made on international and domestic routes for 1951 and on international routes for 1954. For these unsettled periods the Company has accrued income on the basis of temporary rates set by the Board, the ultimate effect of any redeterminations not being known at this time.

FIVE YEAR STATEMENT OF INCOME

(Amounts shown in thousands)

NORTHWEST AIRLINES, INC.

Five years ended December 31, 1955

	1955	Per cent Increase (Decrease) 1955 to 1954	1954	1953	1952	1951
OPERATING REVENUES						
Passenger	\$57,253	12.1%	\$51,054	\$48,652	\$41,963	\$35,193
United States mail	6,513	3.7	6,282	6,869	6,767	7,789
Foreign mail	577	14.5	504	496	706	620
Express, freight, and excess baggage	6,124	15.6	5,296	5,373	5,116	4,648
Charter and other transportation	111	122.0	50	180	1,055	305
Pacific Airlift for United States Government.....	—	—	—	4,185	5,464	5,724
Repair and service income, rents, etc., net.....	785	91.5	410	385	481	406
	<u>\$71,363</u>	<u>12.2</u>	<u>\$63,596</u>	<u>\$66,140</u>	<u>\$61,552</u>	<u>\$54,685</u>
OPERATING EXPENSES						
Flying and ground operations	\$35,057	16.7	\$30,044	\$31,801	\$28,371	\$25,226
Maintenance and repairs	12,538	7.4	11,672	13,886	15,061	11,837
Provision for depreciation	6,370	13.6	5,606	5,731	5,816	5,429
Traffic, sales, and advertising	8,420	14.0	7,383	7,324	6,504	5,482
Administrative and general (including pay roll taxes, property taxes, etc.)	4,562	9.1	4,180	4,255	4,294	3,651
	<u>\$66,947</u>	<u>13.7</u>	<u>\$58,885</u>	<u>\$62,997</u>	<u>\$60,046</u>	<u>\$51,625</u>
INCOME FROM OPERATIONS	\$ 4,416	(6.3)	\$ 4,711	\$ 3,143	\$ 1,506	\$ 3,060
OTHER DEDUCTIONS, NET	249	130.6	108	338	311	667
INCOME BEFORE TAXES AND DISPOSALS OF PROPERTY.....	\$ 4,167	(9.5)	\$ 4,603	\$ 2,805	\$ 1,195	\$ 2,393
TAXES ON INCOME.....	2140	(10.8)	2,400	1,465	640	601(A)
NET INCOME FROM OPERATIONS	\$ 2,027	(8.0)	\$ 2,203	\$ 1,340	\$ 555	\$ 1,792
PROFIT FROM DISPOSALS OF PROPERTY.....	\$ 119	(58.5)	\$ 287	\$ 815	\$ 1,709	\$ 592
Less applicable income taxes	30	(60.0)	75	210	475	599(A)
NET PROFIT (LOSS) FROM DISPOSALS OF PROPERTY.....	\$ 89	(58.0)	\$ 212	\$ 605	\$ 1,234	(\$ 7)
NET INCOME FOR THE YEAR.....	<u>\$ 2,116</u>	<u>(12.4)</u>	<u>\$ 2,415</u>	<u>\$ 1,945</u>	<u>\$ 1,789</u>	<u>\$ 1,785</u>

NOTE A—Taxes on income were reduced as a result of the carry-forward of the 1948 operating loss by \$225,000.

Income from disposals of property during the years 1948 through 1950 reduced by \$836,487 the operating loss carry-forward to 1951. Income taxes of \$429,000 applicable thereto have been treated in 1951 as allocable to income from disposals of property.

STATEMENTS OF SURPLUS

NORTHWEST AIRLINES, INC.

Year Ended
December 31,

1955

1954

CAPITAL SURPLUS (after deduction of \$560,625 in prior years for part of dividends paid on 4.6% Cumulative Preference Stock)

Balance at beginning of year.....	\$2,964,638	\$2,860,578
Add:		
Excess of par value over cost of 4.6% Cumulative Preference Stock retired through market fund purchases.....	—	35,892
Excess of proceeds over par value of Common Stock sold under option agreements, less expenses of issuance.....	43,461	68,168
Excess of par value of 4.6% Cumulative Preference Stock, upon conversion, over par value of Common Stock.....	711,350	—
Balance at end of year.....	<u>\$3,719,449</u>	<u>\$2,964,638</u>

EARNED SURPLUS

Balance at beginning of year.....	\$6,275,889	\$4,289,919
Add net income for the year:		
Net income from operations.....	\$2,027,319	\$2,203,144
Profit from disposals of property.....	88,861	212,380
Total	<u>\$2,116,180</u>	<u>\$2,415,524</u>
	\$8,392,069	\$6,705,443
Deduct cash dividends on:		
4.6% Cumulative Preference Stock for the year ended November 1—		
\$1.15 per share.....	\$ 387,031	\$ 429,554
Common Stock—60 cents per share.....	551,733	—
	<u>\$ 938,764</u>	<u>\$ 429,554</u>
Balance at end of year.....	<u>\$7,453,305</u>	<u>\$6,275,889</u>

See notes to financial statements.

ACCOUNTANTS' REPORT

Board of Directors
Northwest Airlines, Inc.
Saint Paul, Minnesota

We have examined the financial statements of NORTHWEST AIRLINES, INC. for the year ended December 31, 1955. Our examination was 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 accompanying statement of financial position and statements of income and surplus present fairly the financial position of NORTHWEST AIRLINES, INC. at December 31, 1955, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Saint Paul, Minnesota
March 26, 1956

ERNST & ERNST
Certified Public Accountants

NORTHWEST AIRLINES, INC., *Annual Report*

OFFICERS AND DIRECTORS*

1955



OFFICERS

CROIL HUNTER, *Chairman, Board of Directors*

DONALD W. NYROP, *President*

MALCOLM S. MACKAY, *Executive Vice President*

FRANK C. JUDD, *Vice President—Operations and Engineering*

LINUS C. GLOTZBACH, *Vice President—Personnel*

GORDON M. BAIN, *Vice President—Sales*

PAUL L. BENSCOTER, *Vice President—Orient Region*

A. E. FLOAN, *Vice President and Secretary*

LEONARD S. HOLSTAD, *Comptroller*

WM. J. EIDEN, *Treasurer*

ALROY D. PIEPGRAS, *Assistant Comptroller*

DONALD H. HARDESTY, *Assistant Treasurer*

FRANK J. SCOTT, *Assistant Secretary*

DALE MERRICK, *Assistant Vice President—Properties*

C. L. STEWART, *Assistant Vice President—Plans*

DIRECTORS

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JOSEPH T. JOHNSON—*President, The Milwaukee Co., Milwaukee, Wis.*

MALCOLM S. MACKAY—*Executive Vice President, Northwest Airlines, Inc.*

DONALD W. NYROP—*President, Northwest Airlines, Inc.*

ALONZO PETTEYS—*Vice President and Director, Farmers State Bank, Brush, Colo.*

C. FRANK REAVIS—*Partner, Hodges, Reavis, McGrath, Pantaleoni & Downey, New York City*

ALBERT G. REDPATH—*Partner, Auchincloss, Parker & Redpath, New York City*

WILLIAM STERN—*President, Dakota National Bank, Fargo, N. D.*

LYMAN E. WAKEFIELD, JR.—*Vice President, First National Bank of Minneapolis, Minneapolis, Minn.*

ALBERT J. WEATHERHEAD, JR.—*President, The Weatherhead Company, Cleveland, Ohio*

WHEELOCK WHITNEY—*Director and Member of Executive Committee, Truax-Traer Coal Company, Chicago, Ill.*

Registrar THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK, N. Y.

Transfer Agent BANKERS TRUST COMPANY, NEW YORK, N. Y.

*As of March 26, 1956

GENERAL OFFICES: 1885 UNIVERSITY AVENUE, ST. PAUL 1, MINNESOTA



PROGRESS FOR THE LATEST 10 YEARS

Calendar Year	Total Operating Revenue	Passenger Revenue	Express and Freight Revenue	Revenue Passenger Miles	Mail Ton Miles	Total Plane Miles Flown
1955	\$71,363,494	\$57,252,957	\$5,539,095	1,017,400,443	15,407,054	30,909,610
1954	63,595,851	51,053,599	4,676,190	909,674,550	6,990,462	27,029,860
1953	66,140,027	48,652,465	4,890,153	851,174,754	5,002,605	27,816,827
1952	61,552,380	41,962,758	4,781,081	720,046,264	5,017,993	23,210,634
1951	54,685,060	35,192,765	4,371,533	602,220,853	4,571,276	19,531,632
1950	52,456,700	33,148,395	4,122,222	613,446,244	4,987,561	26,868,177
1949	39,970,747	27,873,942	3,163,278	495,114,870	4,722,800	25,908,552
1948	34,369,835	24,074,778	2,072,362	386,509,809	4,026,074	22,288,002
1947	26,800,428	20,520,631	1,019,497	382,544,382	2,736,938	20,824,912
1946	19,976,204	18,062,492	553,875	385,858,473	2,049,659	19,304,234



NORTHWEST AIRLINES, INC.