

SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

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FILER

NORTHWEST AIRLINES CORP

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission file number 0-23642

NORTHWEST AIRLINES CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

41-1905580

(I.R.S. Employer Identification No.)

2700 Lone Oak Parkway, Eagan, Minnesota

(Address of principal executive offices)

55121

(Zip Code)

Registrant's telephone number, including area code **(612) 726-2111**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Quarterly Interest Bonds due 2039

Name of each exchange on which registered

The New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, par value \$.01 per share
Preferred Stock Purchase Rights

The Nasdaq National Market
The Nasdaq National Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of the voting stock held by nonaffiliates of the registrant as of February 28, 2003 was \$435 million.

As of February 28, 2003, there were 85,833,408 shares of the registrant's Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Form 10-K incorporates by reference certain information from the registrant's Proxy Statement for its Annual Meeting of Stockholders to be held on April 25, 2003.

PART I

Item 1. BUSINESS

Northwest Airlines Corporation ("NWA Corp." and, together with its subsidiaries, the "Company") is the indirect parent corporation of Northwest Airlines, Inc. ("Northwest"). Northwest operates the world's fourth largest airline, as measured by revenue passenger miles ("RPMs"), and is engaged in the business of transporting passengers and cargo. Northwest began operations in 1926. Northwest's business focuses on the development of a global airline network through its strategic assets that include:

domestic hubs at Detroit, Minneapolis/St. Paul and Memphis;

an extensive Pacific route system with a hub in Tokyo;

a trans-Atlantic alliance with KLM Royal Dutch Airlines ("KLM"), which operates through a hub in Amsterdam; and

a global alliance with Continental Airlines, Inc. ("Continental").

Northwest has developed strategies that are designed to utilize these assets to the Company's competitive advantage.

The Company maintains a Web site at <http://www.nwa.com>. Annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, all amendments to those reports, and other information about the Company are available free of charge through this Web site at <http://ir.nwa.com> as soon as reasonably practicable after those reports are electronically filed with or furnished to the Securities and Exchange Commission.

Operations and Route Network

Northwest operates substantial domestic and international route networks and directly serves more than 175 cities in 24 countries in North America, Asia and Europe.

Domestic System

Northwest operates its domestic system through its hubs at Detroit, Minneapolis/St. Paul and Memphis.

Detroit. Detroit is the ninth largest origination/destination hub in the U.S. Northwest and its two regional carriers, Pinnacle Airlines, Inc. ("Pinnacle Airlines") and Mesaba Aviation, Inc. ("Mesaba"), which operate their flights under the Northwest "NW" code and are identified as Northwest AirlinK, together serve over 140 cities from Detroit. For the six months ended June 30, 2002, Northwest and its AirlinK carriers enplaned 57% of originating passengers from Detroit, while the next largest competitor enplaned 11%.

The Company was responsible for managing and supervising the design and construction of a new \$1.2 billion passenger terminal at Detroit Metropolitan Wayne County Airport. This new terminal was completed in February 2002 and offers 97 gates, 106 ticket-counter positions, 14 security check points, nearly 85 shops and restaurants, four WorldClubs, an 11,500-space parking facility, covered curbside drop-off areas and 18 luggage carousels. The new terminal also offers international-to-domestic connections within the same facility. In addition, a new hotel in the terminal was completed in December 2002.

Minneapolis/St. Paul. Minneapolis/St. Paul is the eighth largest origination/destination hub in the U.S. Northwest and its AirlinK carriers together serve over 155 cities from Minneapolis/St. Paul. For the

six months ended June 30, 2002, Northwest and its AirlinK carriers enplaned 68% of originating passengers from this hub, while the next largest competitor enplaned 6%.

Minneapolis/St. Paul International Airport is undergoing a \$2.7 billion construction program. The major components completed include a 50% increase in vehicle parking, an additional 15 mainline jet gates and 30 commuter gates. A new north/south runway, automated people movers and improved runways are scheduled to be completed in phases through 2010.

Memphis. Memphis is the fifteenth largest origination/destination hub in the U.S. Northwest and its AirlinK carriers serve 88 cities from Memphis. For the six months ended June 30, 2002, they enplaned approximately 52% of originating passengers from this hub, while the next largest competitor enplaned approximately 20%.

The Memphis-Shelby County Airport Authority is undergoing a \$400 million airport renovation and expansion scheduled to be completed in 2004. The airfield portion of the program provides nearly \$300 million in airfield improvements including a new 13,000-foot runway, which opened in late 2000. The completed \$60 million terminal renovation included the redesign of eight gates to accommodate Northwest regional jet service, 15 additional regional jet gates, a new WorldClub, and 11 new ticket counter positions. This program also includes \$40 million in vehicle parking expansion and roadwork modifications, much of which was deferred after September 11, 2001.

International System

Northwest operates international flights to the Pacific and the Atlantic regions from its Detroit and Minneapolis/St. Paul hubs as well as from Boston, Newark, Honolulu, Los Angeles, New York, San Francisco, Seattle and Washington, D.C.

Pacific. Northwest has served the Pacific market since 1947 and has one of the world's largest Pacific route networks. Northwest's Pacific operations are concentrated at Narita International Airport in Tokyo where it has 344 permanent weekly takeoff and landing slots, the most for any non-Japanese carrier. As a result of a 1947 U.S.-Japan bilateral aviation agreement, Northwest has the right to operate unlimited frequencies between any point in the U.S. and Japan as well as extensive "fifth freedom" rights. "Fifth freedom" rights allow Northwest to operate service from any gateway in Japan to points beyond Japan and to carry Japanese originating passengers. Northwest and United

Airlines, Inc. ("United") are the only U.S. passenger carriers that have "fifth freedom" rights from Japan. Northwest uses these slots and rights to operate a network linking seven U.S. gateways and twelve Asian destinations via Tokyo. The Asian destinations include Bangkok, Beijing, Busan, Guam, Hong Kong, Kaohsiung, Manila, Saipan, Seoul, Shanghai, Singapore and Taipei.

Atlantic. Northwest and KLM operate an extensive trans-Atlantic network pursuant to a commercial and operational joint venture. This joint venture benefits from having antitrust immunity which allows for coordinated pricing, scheduling, product development and marketing. In 1992, the U.S. and the Netherlands entered into an "open-skies" bilateral aviation treaty which authorizes the airlines of each country to provide international air transportation between any U.S.-Netherlands city pair and to operate connecting service to destinations in other countries. Northwest and KLM operate joint service between 13 U.S. cities and Amsterdam. Code-sharing between Northwest and KLM has been implemented on flights to 58 European, six Middle Eastern, eight African, three Asian and approximately 165 U.S. cities. Code-sharing is an agreement under which an airline's flights can be marketed under the two-letter designator code of another airline, thereby allowing the two carriers to provide joint service with one aircraft. Northwest and KLM have eight years remaining under their current joint venture agreement.

Alliances

Northwest has strengthened its network through alliance partnerships. Long-term alliances are the most effective way for Northwest to enter global markets that it would not be able to serve alone and, due to the synergies shared by the partners, these alliances are the most economic way to expand globally. Alliances can improve the customer travel experience through code-sharing, integration of frequent flyer programs, through check-in of luggage and reciprocal airport lounge access, while also providing airlines benefits associated with joint marketing, sharing of airport facilities and services and joint procurement of certain goods and services. Northwest and its alliance partners currently provide a global network to over 720 cities in 118 countries in the U.S., Canada, Asia, India, the South Pacific, Europe, the Middle East, Africa, Mexico, the Caribbean, Central America and South America.

Northwest has a commercial alliance with Continental Airlines through 2025 that includes extensive code-sharing, frequent flyer program reciprocity, airport club sharing, and other cooperative activities. The combined network has increased Northwest's presence in the South and Northeast U.S., as well as to Central and South America. Northwest's and Continental's code-sharing agreement includes more than 250 destinations. Cities served by these code-share flights number eight in Central America, three in South America, 19 in Mexico, eleven in the Caribbean, 13 in Canada, six in Asia and over 190 in the U.S. Northwest also has domestic frequent flyer and/or code-sharing agreements with Alaska Airlines, American Eagle Airlines, America West Airlines, Inc., Big Sky Airlines, ExpressJet Airlines, Gulfstream International Airlines, Hawaiian Airlines and Horizon Air.

In the Pacific, Northwest has code-sharing and frequent flyer agreements with Air China, Malaysia Airlines and Japan Air System. The partnership with Japan Air System will continue with its successor, JAL Group, which operates more domestic routes in Japan than any other carrier. Northwest also has frequent flyer programs with Jet Airways of India, Garuda Indonesia, Cebu Pacific Airlines and Pacific Island Aviation.

In addition to its extensive relationship with KLM in the Atlantic, Northwest has code-sharing and reciprocal frequent flyer programs with Air Alps Aviation, KLM cityhopper, KLM exel, and KLM uk and has frequent flyer reciprocity with Jet Airways, Kenya Airways, Malev Hungarian Airlines and Transavia.

In August 2002, the Company announced that it had signed a cooperative marketing agreement with Continental and Delta Air Lines, Inc. ("Delta"). The marketing agreement is designed to connect the three carriers' domestic and international networks and provide for code sharing, frequent flyer program reciprocity and reciprocal airport club programs. Northwest, Continental and Delta reached an agreement in January 2003, with the U.S. Department of Justice ("DOJ") on conditions related to the marketing agreement and were prepared to accept some of the additional conditions that the U.S. Department of Transportation ("DOT") sought to impose. However, several of the DOT's conditions were not acceptable to the three carriers. Northwest, Delta and Continental subsequently resubmitted their agreements to the DOT

with alternative conditions under which the airlines are prepared to proceed. The DOT has issued a notice requesting comments on the revised agreements by March 18, 2003. The DOT has stated that the review period will end on April 2, 2003. In the event the conditions in dispute are not resolved, the DOT may elect to commence an enforcement proceeding if Northwest, Delta and Continental implement the marketing agreement. Northwest and KLM are also in discussions regarding mutual waivers of provisions in their joint venture agreement that are related to the full implementation of the marketing agreement.

Regional Partnerships

Northwest has exclusive marketing agreements with two regional carriers: Pinnacle Airlines and Mesaba. Under the agreements, these regional carriers operate their flights under the Northwest "NW" code and are identified as Northwest Airlink carriers. The primary purpose of these marketing

agreements is to provide more frequent service to small and mid-sized cities, which increases connecting traffic at Northwest's hubs.

Pinnacle Airlines is a majority owned subsidiary of Northwest. Effective March 1, 2002, the Company entered into a new Airline Services Agreement ("ASA") with Pinnacle Airlines. The new ASA is a capacity purchase agreement, under which Pinnacle Airlines operates flights on behalf of the Company and is compensated at specified rates for each completed block hour and cycle, as well as for specified fixed costs based on the size of its fleet.

In 2002, Northwest acquired 18 44-seat Bombardier Canadian Regional Jet ("CRJ") 440 series aircraft and three 50-seat CRJ-200 aircraft, bringing the total number of CRJ-200/440 aircraft in operation to 51. Over the next three years, Northwest is scheduled to take delivery of 78 additional CRJ-200/440 regional jets. The 51 CRJ-200/440 aircraft presently in operation are subleased to and operated by Pinnacle Airlines. Of the 78 CRJ aircraft scheduled to be delivered over the next three years, Northwest has committed to sublease 44 to Pinnacle Airlines to be used in its operations. The balance of the CRJ aircraft have not been committed to any carrier.

The Company owns 27.8% of the common stock of Mesaba Holdings, Inc., the holding company of Mesaba. The Company also has warrants to acquire Mesaba Holdings, Inc. common stock, none of which were in-the-money as of December 31, 2002. Northwest and Mesaba signed a 10-year ASA effective July 1, 1997, under which Northwest determines Mesaba's pricing, aircraft scheduling and fleet composition. Mesaba operates a fleet of 113 regional jet and turbo-prop aircraft, which includes 36 69-seat AVRO RJ85 aircraft and 49 34-seat SAAB 340 aircraft leased or subleased from Northwest.

Cargo

In 2002, cargo accounted for 7.8% of the Company's operating revenues, with the majority of its cargo revenues originating in or destined for Asia. Through its Tokyo and Anchorage cargo hubs, Northwest serves most major air freight markets between the U.S. and the Pacific with 12 Boeing 747-200 freighter aircraft. Northwest is the largest cargo carrier among U.S. passenger airlines based on revenue and the only one to operate a dedicated freighter fleet.

The trans-Pacific market is anticipated to be a leading growth market for the air freight industry, with most of the growth expected to originate from the high-yield express business. Northwest is able to participate in the express business due to its extensive network across the Pacific, its hubs at Tokyo and Anchorage that allow for the efficient transfer of freight, and its dedicated freighter fleet. The Company also provides service under a five-year capacity purchase agreement with DHL Worldwide Express to provide daily freighter service from DHL's U.S. hub operations in Cincinnati to various points in Asia. In addition, Northwest and Japan Airlines operate under a long-term cargo alliance agreement.

Other Activities

MLT Inc. MLT Inc. ("MLT"), an indirect wholly owned subsidiary of NWA Corp., is among the largest vacation wholesale companies in the U.S. MLT develops and markets Worry Free Vacation programs that include air transportation, hotel accommodations and car rentals. In addition to its Worry-Free Vacations charter program, MLT markets and supports Northwest's WorldVacations brand packaged vacations to destinations throughout the U.S., Canada, Mexico, the Caribbean, Europe and Asia, primarily on Northwest. These vacation programs, in addition to providing a competitive and quality tour product, increase the sale of Northwest services and promote and support new and existing Northwest destinations. In 2002, MLT had \$460 million in revenues.

WORLDSPAN. The Company holds a 33.7% partnership interest in WORLDSPAN, L.P. ("WORLDSPAN"). WORLDSPAN operates and markets a global computer reservations and passenger

processing system ("CRS"). A CRS is used by travel agents, corporate accounts and internet consumers to make airline, hotel, car and other travel reservations and to issue airline tickets. Delta and AMR Corporation own 40% and 26.3% of WORLDSPAN, respectively. On March 3, 2003, an agreement was signed by Travel Transaction Processing Corporation, an entity formed by Citigroup Venture Capital Equity Partners L.P. and Teachers' Merchant Bank, to purchase WORLDSPAN from the three airline owners. This transaction, which is scheduled to be completed in mid-2003, is subject to financing, government approvals and various other closing conditions.

Orbitz. Northwest, along with Continental, Delta, United and American Airlines, jointly own a multi-airline travel Web site, Orbitz, LLC ("Orbitz"), that allows travelers to purchase their airline, hotel and car rental services online. Northwest holds a 15.6% interest in Orbitz. This Web site provides a comprehensive selection of online airfares, including Internet-only fares, and other travel information and customer features. The Web site is managed independently from the owner airlines.

Frequent Flyer Program. Northwest operates a frequent flyer marketing program known as "WorldPerks," under which mileage credits are earned by flying on Northwest or its alliance partners and by using the services of participating credit card banks, hotels, long-distance companies, car rental firms and other non-airline partners. Northwest sells mileage credits to the other companies participating in the program. The program was designed to retain and increase the business of frequent travelers by offering incentives for their continued patronage.

Under the WorldPerks program, miles earned are accumulated in an account for each member and do not expire. Mileage credits can be redeemed for free or upgraded travel on Northwest and other participating airlines or for other travel industry awards. Additional features include a three-tier elite incentive and reward structure program.

Regulation

General. The Airline Deregulation Act of 1978, as amended, eliminated domestic economic regulation of passenger and freight transportation in many regards. Nevertheless, the industry remains regulated in a number of areas. The DOT has jurisdiction over international route authorities, CRSs and certain consumer protection matters, such as advertising, denied boarding compensation and baggage liability. Northwest is subject to DOT regulations because it holds certificates of public convenience and necessity as well as air carrier operating certificates. The Federal Aviation Administration ("FAA") regulates flight operations, including air space control and aircraft and security standards. The DOJ has jurisdiction over airline competition matters, including mergers and acquisitions. Other federal agencies have jurisdiction over postal operations, use of radio facilities by aircraft and certain other aspects of Northwest's operations.

International Service. Northwest operates its international routes under route certificates issued by the DOT. Substantial portions of Northwest's Pacific route certificates are permanent and do not require renewal by the DOT. Certain other international route certificates are temporary and subject to periodic renewal. Northwest requests extensions of these certificates when and as appropriate. The DOT typically renews temporary authorities on routes when the authorized carrier is providing a reasonable level of service. With respect to foreign air transportation, the DOT must approve agreements between air carriers, including code-sharing agreements, and may grant antitrust immunity for those agreements.

Northwest's rights to operate to foreign countries, including Japan, China and other countries in the Pacific and Europe, are governed by aviation agreements between the U.S. and the respective foreign countries. Many aviation agreements permit an unlimited number of carriers to operate between the U.S. and the respective foreign country, while other aviation agreements limit the number of carriers and flights on a given international route. From time to time, the U.S. or its foreign country

counterpart may seek to renegotiate or cancel an aviation agreement. In the event an aviation agreement is amended or canceled, such a change could adversely affect Northwest's ability to maintain or expand air service to the respective foreign country.

Operations to and from foreign countries are subject to the applicable laws and regulations of those countries. There are restrictions on the number and timing of operations at certain international airports served by Northwest, including Tokyo. Additionally, slots for international flights are subject to certain restrictions on use and transfer.

The European Commission ("EC") had commenced a review of all trans-Atlantic airline alliances, including the Northwest/KLM alliance. In 2002, the EC granted antitrust clearance to the Northwest/KLM trans-Atlantic airline alliance.

Airport Security. On November 19, 2001, Congress passed, and the President signed into law, the Aviation and Transportation Security Act ("Aviation Security Act"). This law federalizes substantially all aspects of civil aviation security and requires, among other things, the implementation of certain security measures by airlines and airports, such as the requirement that all passenger bags be screened for explosives. Funding for airline and airport security under the law is provided in part by a \$2.50 per segment ticket tax, subject to a \$10 per roundtrip cap; however, the Company is responsible for costs in excess of this fee, which through 2004 cannot exceed the Company's 2000 passenger screening expense level. Implementation of the requirements of the Aviation Security Act will result in increased costs for the Company and its passengers.

Airport Access. Four of the nation's airports, Chicago O'Hare, New York (LaGuardia and Kennedy International) and Washington, D.C. (Ronald Reagan National), have been designated by the FAA as "high density traffic airports," and the number of takeoffs and landings at such airports ("slots") have been limited during certain peak demand time periods. Currently, the FAA permits the buying, selling, trading or leasing of these slots, subject to certain restrictions. Legislation passed in March 2000 resulted in the elimination of slot restrictions at Chicago O'Hare on July 1, 2002 and will do so at New York (LaGuardia and Kennedy International) on January 1, 2007. The Company believes these changes will not have a material adverse impact on its operations or operating results.

Labor. The Railway Labor Act ("RLA") governs the labor relations of employers and employees engaged in the airline industry. Comprehensive provisions are set forth in the RLA establishing the right of airline employees to organize and bargain collectively along craft or class lines and imposing a duty upon air carriers and their employees to exert every reasonable effort to make and maintain collective bargaining agreements. The RLA contains detailed procedures that must be exhausted before a lawful work stoppage may occur. Pursuant to the RLA, Northwest has collective bargaining agreements with six domestic unions representing 11 separate employee groups. In addition, Northwest has agreements with four unions representing its employees in countries throughout Asia; such agreements are not subject to the RLA.

Noise Abatement. The Airport Noise and Capacity Act of 1990 ("ANCA") recognizes the right of airport operators with special noise problems to implement local noise abatement procedures as long as such procedures do not interfere unreasonably with the interstate and foreign commerce of the national air transportation system. As a result of litigation and pressure from airport area residents, airport operators have taken local actions over the years to reduce aircraft noise. These actions include restrictions on night operations, restrictions on frequency of aircraft operations and various operational procedures for noise abatement. While Northwest has sufficient operational and scheduling flexibility to accommodate current local noise restrictions, its operations could be adversely affected if locally imposed regulations become more restrictive or widespread.

In April 1999 the European Union ("EU") enacted a rule that would have prohibited the registration in Europe of aircraft with "hushkits" after April 1, 2000. Northwest opposed such a rule as

it would have inhibited its operations in Europe as well as reduce the Company's fleet strategy options in relation to older aircraft, which are often retired and sold in Europe, Africa and Asia. The U.S. government has formally protested this regulation as a violation of the international noise standards established by the International Civil Aviation Organization ("ICAO"), and in March 2000, the U.S. filed a formal petition with the ICAO. The EU adopted a noise directive effective April 1, 2002, which revokes the earlier hushkit rule. As a result, hushkitted aircraft may be prohibited from operations only at "city airports" engaged solely in point-to-point services between or within European States and which have no runway with a take-off run of more than 2,000 meters. In addition, the directive establishes a process for EU Member States to adopt noise policies that are consistent with the ICAO noise standard adopted in 2001.

Under the direction of the ICAO, world governments also have under consideration creation of a new more stringent noise standard than that contained in the ANCA. The U.S. is a participant in these discussions. A new ICAO noise standard was adopted in 2001 which established more stringent noise requirements for newly manufactured aircraft after January 1, 2006. As adopted, the new rule is not accompanied by a mandatory phase-out of in-service Chapter 3 aircraft, including certain aircraft operated by Northwest.

Safety. The FAA has jurisdiction over aircraft maintenance and operations, including equipment, dispatch, communications, training, flight personnel and other matters affecting air safety. To ensure compliance with its regulations, the FAA requires all U.S. airlines to obtain operating, airworthiness and other certificates, which are subject to suspension or revocation for cause.

The Company's aircraft require various levels of maintenance or "checks" and periodically undergo complete overhauls. Maintenance efforts are monitored closely by the FAA, with FAA representatives present at the Company's maintenance facilities. The FAA has issued several Airworthiness Directives ("ADs"), which mandate changes to an air carrier's maintenance program for older aircraft. These ADs (which include structural modifications to certain aircraft) were issued to ensure that the oldest portion of the nation's transport aircraft fleet remains airworthy. The Company is currently, and expects to remain, in compliance with all applicable requirements under the FAA-issued ADs.

A combination of FAA and Occupational Safety and Health Administration regulations on both the federal and state levels apply to all of Northwest's ground-based operations.

Environmental. The Company is subject to regulation under various environmental laws and regulations, which are administered by numerous state and federal agencies, including the Clean Air Act, the Clean Water Act and Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"). In addition, many state and local governments have adopted environmental laws and regulations to which the Company's operations are subject.

In February 1998, the Environmental Protection Agency ("EPA") and the FAA signed a Memorandum of Agreement ("MOA") to develop a voluntary process with the airline industry to reduce emissions that lead to ozone formation. The MOA includes a proposal with a voluntary engine retrofit program to reduce emissions from aircraft engines. As a result of the MOA, air carriers, the EPA, the FAA and local and state regulators have had discussions regarding the scope and content of a voluntary emissions reduction program. However, these discussions have not yet resulted in an agreed upon program.

Northwest has been identified, along with other airlines, as a potentially responsible party at various environmental sites. Management believes that Northwest's share of liability for the cost of the remediation of these sites, if any, will not have a material adverse effect on the Company's financial statements.

Civil Reserve Air Fleet Program. Northwest is a participant in the Civil Reserve Air Fleet Program, pursuant to which Northwest has agreed to make available, during the period beginning October 1, 2002 and ending September 30, 2003, 34 Boeing 747-200/400 passenger

aircraft, 21 DC10-30 passenger aircraft and 12 Boeing 747-200 freighter aircraft for use by the U.S. military under certain stages of readiness related to national emergencies. The program is a standby arrangement that lets the U.S. Department of Defense Air Mobility Command, headquartered at Scott Air Force Base in Illinois, call on as many as 67 contractually committed Northwest aircraft and their crews to supplement military airlift capabilities.

On February 8, 2003, the U.S. Secretary of Defense authorized a "Stage 1" mobilization of the Civil Reserve Air Fleet, the lowest activation level. Northwest is required to make four passenger and two freighter aircraft available as a result of this Stage 1 mobilization. Under the requirements of a Stage 2 mobilization, an additional 11 passenger and two freighter Northwest aircraft would be required. The remaining Civil Reserve Air Fleet would be mobilized under a Stage 3 mobilization, which for Northwest would involve a total of 55 passenger and 12 freighter aircraft. The additional aircraft required under Stage 2 or Stage 3 mobilization could have a significant adverse impact on the Company's results of operations.

Frequent Flyer. The DOT is conducting a review of the frequent flyer programs of the larger U.S. airlines. The focus of the review relates to limitations placed by carriers on the availability of award seats and the adequacy of consumer notices concerning such limitations. The outcome of this matter cannot presently be determined.

Risk Factors Related to Northwest and the Airline Industry

Industry Competition

The airline industry is highly competitive. Northwest's competitors include all the other major domestic airlines as well as foreign, national, regional and new entrant airlines, some of which have more financial resources or lower cost structures than Northwest. On most of Northwest's routes, it competes with at least one of these carriers. Airline revenues are sensitive to numerous factors, and the actions of other carriers in the areas of pricing, scheduling and promotions can have a substantial impact on overall industry revenues. Such factors may become even more significant in periods when the industry experiences large losses, as airlines under financial stress may institute pricing structures intended to achieve near term survival rather than long term viability.

Industry Revenue Environment

Since early 2001, the U.S. airline industry has suffered a significant decline in revenues versus what would have been expected based on historical growth trends. This shortfall has been caused by a number of factors.

The rapid growth of low cost airlines has had a profound impact on industry revenues. Using the advantage of low unit costs, these carriers offer lower fares, particularly those targeted at business passengers, in order to shift demand from larger, more-established airlines. As a result of growth, these low cost carriers now transport nearly 25% of all domestic U.S. passengers compared to less than 10% a decade ago. They now compete for, and thus influence industry pricing on, approximately 75% of all domestic U.S. passenger ticket sales compared to less than 20% a decade ago. As a result of their better financial performance, low cost carriers are expected to continue to grow their market share.

While the advent of Internet travel Web sites has driven significant distribution cost savings for airlines, it has had a large negative impact on airline revenues. Having access to "perfect pricing information", air travel consumers have become more efficient at finding lower fare alternatives than in

the past. The increased price consciousness of travelers, as well as the growth in distribution channels, has further motivated airlines to price aggressively to gain fare advantages through certain channels.

The U.S. airline industry is one of the most heavily taxed of all industries. Taxes and fees now represent approximately 25% of what a passenger pays for an average domestic airline ticket, a percentage even greater than that for alcohol and tobacco products. These taxes and fees have grown significantly in the past decade, most recently with the introduction of a \$2.50 security fee imposed on each passenger flight

segment, subject to a \$10 per roundtrip cap. The company believes that every dollar of tax or fee increase imposed on airline passengers roughly translates into a dollar of reduced airline revenue, particularly over the long run.

The attacks of September 11, 2001 materially impacted and continue to impact air travel. Concerns about further terrorist attacks, which are unlikely to abate any time soon, have had a negative impact on air travel demand. Furthermore, security procedures introduced at airports since the attacks have increased, both in reality and in perception, the inconvenience of flying and thus further reduced demand.

While the factors noted are believed to be lasting, if not permanent, and could in fact worsen over time, some of the current airline industry revenue shortfall is believed to be cyclical in nature. U.S. airline revenues have historically been and continue to be influenced by the strength of the U.S. economy. Furthermore, airline business revenues are greatly influenced by the growth in corporate profitability. The current sluggishness of both the economy and corporate profitability is adversely affecting airline revenues.

The airline industry revenue decline has been further exacerbated in early 2003. In January, United Airlines introduced a new pricing structure, reducing its highest business fares by 40-50%. This action and the resulting match by other airlines has reduced average fares without a corresponding increase in demand. The threat of a war with Iraq has also materially affected future airline bookings, particularly for international travel.

Industry Seasonality

The airline industry is both cyclical and seasonal in nature. Due to seasonal fluctuations, the Company's operating results for any interim period are not necessarily indicative of those for the entire year. The Company's second and third quarter operating results have historically been more favorable due to increased leisure travel on domestic and international routes during the spring and summer months.

Labor

Wages, salaries and benefits are the Company's largest costs, representing 41% of the Company's operating revenues in 2002. In light of the current revenue environment, a number of other airlines are attempting to significantly reduce labor expenses in order to get overall costs in line with revenues. Northwest has begun preliminary discussions with certain labor groups, and is similarly seeking permanent reductions in wage, benefit structures and work rules. The Company cannot predict the outcome of negotiations to amend its labor contracts at this time.

As of December 31, 2002, the Company had approximately 44,300 full-time equivalent employees of whom approximately 2,200 were foreign nationals working primarily in Asia. Unions represent approximately 91% of the Company's employees. Collective bargaining agreements provide standards for wages, hours of work, working conditions, settlement of disputes and other matters. The major agreements with domestic employees became amendable or will become amendable on various dates as follows:

<u>Employee Group</u>	<u>Approximate Number of Full-time Equivalent Employees Covered</u>	<u>Union</u>	<u>Amendable Date</u>
Pilots	5,600	Air Line Pilots Association, International	9/13/03
Agents and Clerks	9,700	International Association of Machinists & Aerospace Workers	2/25/03
Equipment Service Employees and Stock Clerks	6,500	International Association of Machinists & Aerospace Workers	2/25/03
Flight Attendants	9,300	International Brotherhood of Teamsters,	5/30/05

Mechanics and Related
Employees

7,700 Aircraft Mechanics Fraternal Association

5/11/05

Government Regulations

Airlines are subject to extensive regulatory requirements. In the last several years, Congress has passed laws and the FAA has issued a number of maintenance directives and other regulations. These requirements impose substantial costs on airlines. Additional laws, regulations, taxes and airport rates and charges have been proposed from time to time that could significantly increase the cost of airline operations or reduce revenues. Congress and the DOT have also proposed the regulation of airlines' responses to their competitors' activities. The ability of U.S. carriers to operate international routes is subject to change because the applicable arrangements between the U.S. and foreign governments may be amended from time to time, or because appropriate slots or facilities may not be available. Northwest cannot give assurance that laws or regulations enacted in the future will not adversely affect it.

Aircraft Fuel

Because fuel costs are a significant portion of Northwest's operating costs (12.7% for 2002), significant changes in fuel costs would materially affect its operating results. Fuel prices continue to be susceptible to, among other factors, political unrest in Venezuela and a possible war with Iraq. Due to these and other events that would affect the global supply of aircraft fuel, Northwest may experience higher fuel prices or have to curtail scheduled services. A one-cent change in the cost of a gallon of fuel (based on 2002 consumption) would impact operating expenses by approximately \$1.6 million per month. Changes in fuel prices may have a greater impact on Northwest than some of its competitors because of the composition of its fleet. The Company hedges some of its future fuel purchases to protect against potential spikes in price. However, these hedging strategies may not always be effective.

Increased Insurance Costs

Following September 11, 2001, aviation insurers significantly increased airline insurance premiums. Total aviation and property insurance expenses were \$94 million higher in 2002 than in 2000. As a result of first the Airline Stabilization Act and subsequently the Homeland Security Act, the federal government assumes most war risk coverage. This coverage is scheduled to expire on August 31, 2003. While the government may again extend the deadline for when it will discontinue providing excess war risk coverage, the Company cannot assure that any extension will occur, or if it does, how long the extension will last. Should the government stop providing excess war risk coverage to the airline industry, it is expected that the premiums charged by aviation insurers for this coverage would be substantially higher than the premiums currently charged by the government. Significant increases in insurance premiums could negatively impact the financial condition and results of operations of the Company.

Indebtedness and Other Obligations

The Company has substantial levels of indebtedness. As of December 31, 2002, the Company had long-term debt and capital lease obligations, including current maturities, of \$6.98 billion. Of this indebtedness, 40% bears interest at floating rates. The amount of long-term debt that matures in 2003 is \$281 million. Additionally, \$623 million matures in 2004, \$1.43 billion in 2005, \$563 million in 2006 and \$673 million in 2007. As of December 31, 2002, the principal portion of future minimum lease payments under capital leases were \$65 million for 2003, \$46 million for 2004, \$40 million for 2005, \$29 million for 2006 and \$32 million for 2007. These levels of indebtedness do not include the obligation to redeem \$226 million of convertible preferred stock in 2003 and non-recourse mandatorily redeemable preferred securities of one of the Company's subsidiaries of \$553 million. The amount of the Company's indebtedness could limit its ability to obtain additional financing or could adversely affect the Company's future financing costs, either of which could negatively affect the ability

to operate its business or make future capital expenditures. The Company's ability to service its indebtedness and obligations could be adversely affected by many factors, including general economic conditions and other factors beyond the Company's control.

The Company also has several noncontributory pension plans covering substantially all of its employees. As of December 31, 2002, the Company's pension plans were underfunded by \$3.95 billion, as calculated in accordance with SFAS No. 87. As of December 31, 2002, on a current liability basis utilized for cash funding purposes, the plans were underfunded by approximately \$3.1 billion. The Company's 2003 pension contributions associated with the 2003 plan year are estimated to be \$468 million. The Company also had, as of December 31, 2002, \$223 million of mandatory contributions related to the 2002 plan year remaining to be paid in 2003. On November 5, 2002, the Company submitted an application to the Internal Revenue Service for authorization to reschedule 2003 plan year contributions under the Pension Plans for contract and salaried employees and anticipates receiving notice from the Internal Revenue Service by April 2003. The Company has also submitted an application to the Department of Labor to permit the Company to contribute to the pension plans the common stock of Pinnacle Airlines Corp., a wholly owned subsidiary, in lieu of making certain required contributions in cash. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations", *Pension Funding Obligations*, for further discussion of the Company's pension obligations.

In addition, Northwest operates in a capital-intensive industry. Periodically, Northwest is required to make significant capital expenditures for new aircraft and related equipment. There can be no assurance that sufficient financing will be available for all aircraft and other capital expenditures.

Foreign Currency Exposure

Northwest conducts a significant portion of its operations in foreign locations. As a result, Northwest has operating revenues and, to a lesser extent, operating expenses, as well as assets and liabilities, denominated in foreign currencies, principally the Japanese yen. Fluctuations in such foreign currencies can significantly affect Northwest's operating performance and the value of its assets located outside of the United States. From time to time, Northwest uses financial instruments to hedge its exposure to the Japanese yen. However, these hedging strategies may not always be effective.

Forward-Looking Statements

Certain of the statements made in "Item 1. Business", "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this annual report are forward-looking and are based upon information available to the Company on the date hereof. The Company through its management may also from time to time make oral forward-looking statements. In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, the Company is hereby identifying important factors that could cause actual results to differ materially from those contained in any forward-looking statement made by or on behalf of the Company. Any such statement is qualified by reference to the following cautionary statements.

It is not reasonably possible to itemize all of the many factors and specific events that could affect the outlook of an airline operating in the global economy. As noted elsewhere in this annual report, such risks and uncertainties include, among others, the future level of air travel demand, the Company's future load factors and yields, the airline pricing environment, increased costs for security, the cost and availability of aviation insurance coverage and war risk coverage, the general economic condition of the U. S. and other regions of the world, the price and availability of jet fuel, the possibility of war with Iraq, the possibility of additional terrorist attacks or the fear of such attacks, labor negotiations both at other carriers and the Company, low-fare carrier expansion, capacity decisions of other carriers, actions of the U.S. and foreign governments, foreign currency exchange rate fluctuation, inflation and other factors discussed herein. Additional information with respect to these factors and these and other events that could cause differences between forward-looking statements and future actual results is contained in "Risk Factors Related to Northwest and the Airline Industry" above.

Developments in any of these areas, as well as other risks and uncertainties detailed from time to time in the Company's Securities and Exchange Commission filings, could cause the Company's results to differ from results that have been or may be projected by or on behalf of

the Company. The Company cautions that the foregoing list of important factors is not inclusive. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. These statements deal with the Company's expectations about the future and are subject to a number of factors that could cause actual results to differ materially from the Company's expectations.

Item 2. PROPERTIES

Flight Equipment

As shown in the following table, Northwest operated a fleet of 439 aircraft at December 31, 2002, consisting of 371 narrow-body and 68 wide-body aircraft. Northwest's purchase commitments for aircraft as of December 31, 2002 are also provided.

Aircraft Type	Seating Capacity	Owned	Capital Lease	Operating Lease	Total	Average Age (Years)	Aircraft on Firm Order
Passenger Aircraft							
Airbus:							
A319	124	45	–	12	57	1.6	21
A320	148	41	4	31	76	8.5	8
A330-200	233-243	–	–	–	–	–	10
A330-300	298	–	–	–	–	–	14
Boeing:							
727	149	8	–	–	8	24.1	–
757-200	180-184	23	14	19	56	11.5	–
757-300	224	7	–	–	7	0.2	9
747-200	353-446	13	–	5	18	21.9	–
747-400	403	4	–	12	16	9.1	–
McDonnell Douglas:							
DC9	78-125	154	–	13	167	32.0	–
DC10	273	13	–	9	22	24.1	–
		308	18	101	427	18.7	62
Freighter Aircraft							
Boeing 747-200F							
		5	–	7	12	20.9	–
Total Northwest Operated Aircraft		313	18	108	439	18.8(1)	62(2)
Regional Aircraft							
AVRO RJ85	69	11	–	25	36	4.2	–
CRJ-200/440	50/44	–	–	51	51	1.2	78(3)
SAAB 340	30-34	–	–	49	49	5.1	–

Total Airlink Operated Aircraft	11	-	125	136	3.4	78
Total Aircraft	324	18	233	575	15.1	140

- (1) Excluding DC9 aircraft, the average age of Northwest operated aircraft is 10.7 years.
- (2) Financing commitments available for use by the Company are in place for all of these aircraft.
- (3) These aircraft will be leased or subleased to and operated by regional carriers, and the Company has the option to finance these aircraft through long-term operating lease commitments from the manufacturer, and if the manufacturer does not provide the financing, the Company is not required to take delivery of the aircraft.

The DC9 aircraft have considerable remaining technological life, based upon the cycle life (capacity for number of landings) expected by the manufacturer and other factors. The Company also believes that these aircraft have economic value for the Company given its route network and maintenance programs. The Company estimates that its DC9 aircraft could fly on average more than 10 additional years beyond 2002 based upon the manufacturer's expected cycle life for such aircraft and their projected annual utilization by Northwest.

For further information related to the Company's aircraft leases and commitments, see Notes 4 and 10 to the Consolidated Financial Statements.

Other Property and Equipment

Northwest's primary offices are located at or near the Minneapolis/St. Paul International Airport. The Company owns a 160-acre site east of the Minneapolis/St. Paul International Airport containing the Company's corporate offices. Additional owned buildings include reservations centers in Baltimore, Detroit, Tampa and Chisholm, Minnesota, and a data processing center in Eagan, Minnesota. The Company owns property in Tokyo, including a 1.3-acre site in downtown Tokyo and a 33-acre land parcel, 512-room hotel and flight kitchen located near Tokyo's Narita International Airport.

Northwest leases the majority of its airport facilities, support services buildings and sales and reservations offices. These leases generally run for periods of less than one year to 30 years and contain provisions for periodic adjustment of lease rates. At most airports that it serves, Northwest has entered into use agreements which provide for the non-exclusive use of runways, taxiways and other facilities. Landing fees under these agreements normally are based on the number of landings and weight of aircraft. The Company leases reservations centers in or near Minneapolis/St. Paul and Seattle. Maintenance bases under operating leases are located in Minneapolis/St. Paul and Duluth, Minnesota. The Company also operates 30 city ticket offices. In certain cases, the Company has constructed a facility on leased land, which reverts to the lessor upon expiration of the lease. These facilities include cargo buildings in Anchorage, Boston, Los Angeles, New York (JFK), San Francisco and Honolulu; support buildings at the Minneapolis/St. Paul International Airport; a line maintenance hangar in Seattle; and a two-bay DC10 hangar in Detroit.

On October 15, 2002, the Company announced that it would close its Atlanta aircraft maintenance facility, its reservations center in Long Beach, California and three city ticket offices. Maintenance activity performed at the Atlanta facility was subsequently transferred to the Company's facilities in Minneapolis and Duluth.

Item 3. LEGAL PROCEEDINGS

Chase v. Northwest Airlines and Airline Reporting Corporation (U.S. D.C. Eastern District of Michigan, Civ. Action No. 96-74711). Northwest is a defendant in an antitrust class action filed in U.S. District Court for the Eastern District of Michigan in October 1996. The action purports to be brought on behalf of a class defined as all persons who purchased tickets on certain routes into Northwest's hubs at Detroit, Minneapolis/St. Paul and Memphis from October 11, 1992 to the present. The complaint alleges that Northwest's imposition of restrictions prohibiting the sale of "hidden city" tickets constitutes monopolization in violation of the Sherman Act. The complaint seeks injunctive relief, unspecified damages for the class, and costs and attorneys' fees. The attorneys for the plaintiff in *Chase* have also filed three additional class actions in the same court against other airlines and Northwest with parallel allegations similar to those in *Chase*, including allegations that the defendant airlines conspired to deter hidden city ticketing. These cases are: *Keystone Business Machines, Inc. v. U.S. Airways and Northwest Airlines* (U.S. D.C. Eastern District of Michigan, Civ. Action No. 99-72474), *BLT Contracting, Inc. v. U.S. Airways, Northwest Airlines and the Airline Reporting Corporation* (U.S. D.C. Eastern District of Michigan, Civ. Action No. 99-72988), and *Volk and Nitrogenous Industries Corp. v. U.S. Airways, Northwest Airlines, Delta Air Lines, and the Airline Reporting Corporation* (U.S. D.C. Eastern District of Michigan, Civ. Action No. 99-72987). All have been assigned to the Judge in the *Chase* case. Northwest believes these cases are without merit and intends to defend against them. In November 2000, the plaintiffs filed their class certification motion and defendants filed their summary judgment motion. On May 16, 2002, the Court entered an Order granting plaintiffs' motion for class certification and denying defendants' motion for summary judgment. The Court has not yet set a trial date.

Midwestern Machinery Co., Inc. v. Northwest Airlines, Inc. (U.S. D.C. District of Minnesota, Civ. Action No. 97-1438). In June 1997, Midwestern Machinery Co. and several individuals filed an

antitrust class action against Northwest in the U.S. District Court for Minnesota. The complaint alleges that Northwest's acquisition of Republic Airlines in 1986 resulted in a substantial reduction in competition in violation of Section 7 of the Clayton Act. Northwest believes the lawsuit to be without merit and intends to defend against the claim. In February 2001, the Court granted the plaintiff's motion for class certification. On February 5, 2003, the Court entered an Order granting Northwest's motion for summary judgment and dismissing the case. The plaintiffs have appealed the Court's Order granting summary judgment.

Hall v. United Air Lines, et al. (U.S. D.C. Eastern District of North Carolina, Civ. Action No. 7-00 CV-123-BR(1)). In October 1999, a purported class action was filed in State Court in North Carolina by a North Carolina travel agent, on behalf of herself and similarly situated North Carolina travel agents, challenging actions by most major airlines, including Northwest, to reduce travel agent base commissions from 8 percent to 5 percent and alleging several state law theories of liability, including conspiracy. In June 2000, the plaintiff filed a voluntary dismissal and then filed a new case in federal court. The new case is a class action, now on behalf of a nation-wide class of travel agents, alleging an unlawful agreement among airlines to reduce commissions in violation of the Sherman Act, and is based on the same factual allegations. On November 13, 2001, the court granted the plaintiff's motion to amend the complaint to include allegations that other commission reductions in 1997 and 1998 were the result of unlawful agreements among the airline defendants in violation of the Sherman Act. The complaint was subsequently amended again to allege that commission reductions in March 2002 were also the result of an unlawful agreement among the airline defendants. Northwest believes the case to be without merit and intends to defend against the claim. On September 17, 2002, the Court entered an Order granting plaintiffs' motion for class certification. Defendants' motion for summary judgment is pending. The Court has set a trial date in April 2003.

McCoy-Johnson v. Northwest Airlines (U.S. D.C. Western District of Tennessee, Civ. Action No. 2-99-CV-2994GV). In November 1999, a purported class action was filed against Northwest by a Northwest passenger in federal court alleging violations of Section 2 of the Sherman Act. The plaintiff alleges that Northwest has monopolized or attempted to monopolize air transportation on certain routes into and out of its three domestic hubs through a variety of exclusionary practices. The plaintiff purports to sue on behalf of all similarly situated passengers who purchased tickets on Northwest for travel on certain routes into or out of its three hubs since at least as early as April 1995. In March 2001, a second case, *Rodney v. Northwest Airlines* (U.S. D.C. Western District of Tennessee, Civ. Action No. 01-2167GV), was filed in the same court as a related case by the same counsel. The allegations in the *Rodney* case are substantially the same as those in the *McCoy-Johnson* case. In July 2001, the lawyers representing the plaintiffs in *McCoy-Johnson* and *Rodney* filed another companion lawsuit, *Sax v. Northwest* (U.S. D.C. Western District of Tennessee, Civ. Action No. 01-2582GV). The allegations in the *Sax* case

are substantially the same as those in the *McCoy-Johnson* and *Rodney* cases. Northwest believes these cases to be without merit and intends to defend against the claims. The plaintiffs' motion for class certification is pending.

Spirit Airlines v. Northwest Airlines (U.S. D.C. Eastern District of Michigan, Civ. Action No. 00-71535). In March 2000, Spirit Airlines filed a Sherman Act monopolization complaint against Northwest in the U.S. District Court for the Eastern District of Michigan alleging that Northwest had monopolized, or attempted to monopolize, air transportation service between Detroit and Philadelphia and between Detroit and Boston in 1996 by engaging in predatory pricing and other actions to exclude Spirit from those markets. Northwest believes the case to be without merit and intends to defend against the claim. Northwest's motion for summary judgment is pending.

In addition, in the ordinary course of its business, the Company is party to various other legal actions which the Company believes are incidental to the operation of its business. The Company believes that the outcome of the proceedings to which it is currently a party (including those described

above) will not have a material adverse effect on the Company's consolidated financial statements taken as a whole.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of the Company's security holders during the fourth quarter of 2002.

MANAGEMENT

Executive Officers of the Registrant

Richard H. Anderson, age 47, has served as Chief Executive Officer of NWA Corp. and Northwest since April 2001 and was elected a director of both companies in September 2001. He has served in a number of executive positions since joining Northwest in 1990, including Executive Vice President and Chief Operating Officer from December 1998 to April 2001, Executive Vice President-Technical Operations and Airport Affairs from April 1998 to December 1998 and Senior Vice President-Technical Operations and Airport Affairs from January 1997 to April 1998. From 1994 to 1996, he served as Senior Vice President-Labor Relations, State Affairs and Law, and from 1990 to 1994 he served as Vice President-Deputy General Counsel. Prior to joining Northwest, Mr. Anderson was Staff Vice President and Deputy General Counsel of Continental Airlines. Mr. Anderson also serves on the board of directors of Medtronic, Inc. and Mesaba Holdings, Inc.

Douglas M. Steenland, age 51, has served as President of NWA Corp. and Northwest since April 2001 and was elected a director of both companies in September 2001. He has served in a number of executive positions since joining Northwest in 1991, including Executive Vice President and Chief Corporate Officer from September 1999 to April 2001, Executive Vice President-Alliances, General Counsel and Secretary from January 1999 to September 1999, Executive Vice President, General Counsel and Secretary from June 1998 to January 1999, and Senior Vice President, General Counsel and Secretary from July 1994 to June 1998. Prior to joining Northwest, Mr. Steenland was a senior partner at the Washington, D.C. law firm of Verner, Liipfert, Bernhard, McPherson and Hand. Mr. Steenland also serves on the board of directors of Mesaba Holdings, Inc.

Bernard L. Han, age 38, was appointed Executive Vice President and Chief Financial Officer of the Company in October 2002. Prior to joining the Company, Mr. Han held several executive positions at America West Airlines, Inc. between January 1996 and September 2002, including Executive Vice President and Chief Financial Officer and Senior Vice President-Marketing and Planning. Between 1988 and 1995 Mr. Han held various finance and marketing positions at American Airlines and Northwest Airlines.

J. Timothy Griffin, age 51, has served as Executive Vice President-Marketing and Distribution of Northwest since January 1999. From June 1993 to January 1999, he served as Senior Vice President-Market Planning and Systems. Prior to joining Northwest in 1993, Mr. Griffin held senior positions with Continental Airlines and American Airlines.

Philip C. Haan, age 47, has served as Executive Vice President-International, Sales and Information Services of Northwest since January 1999. From December 1995 to January 1999, he served as Senior Vice President-International Services. Mr. Haan joined Northwest in 1991 as Vice President-Revenue Management.

James G. Mathews, age 52, joined Northwest as Vice President-Finance and Chief Accounting Officer in November 2000. From May 1997 to October 2000, Mr. Mathews served as Chief Financial and Administrative Officer of CARE-USA (an international relief and development agency) and from 1992 to 1997 Mr. Mathews held various executive positions at Delta Air Lines, Inc., including Corporate Treasurer.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The Company's common stock is quoted on the Nasdaq National Market under the symbol NWAC. The table below shows the high and low sales prices for the Company's common stock during 2002 and 2001:

Quarter	2002		2001	
	High	Low	High	Low
1st	20.92	13.56	33.06	19.00
2nd	20.69	10.66	27.75	20.50
3rd	12.24	6.33	27.63	9.04
4th	8.87	4.71	18.71	11.25

As of February 28, 2003, there were 1,884 stockholders of record.

Since 1989, NWA Corp. has not declared or paid any dividends on its common stock and does not currently intend to do so. Under the provisions of certain of the Company's bank credit agreements, NWA Corp.'s ability to pay dividends on or repurchase its common stock is restricted. Any future determination to pay cash dividends will be at the discretion of the Board of Directors, subject to applicable limitations under Delaware law, and will be dependent upon the Company's results of operations, financial condition, contractual restrictions and other factors deemed relevant by the Board of Directors.

The following table summarizes information as of December 31, 2002, relating to equity compensation plans of the Company pursuant to which grants of options, restricted stock units or other rights to acquire shares may be granted in the future.

EQUITY COMPENSATION PLAN INFORMATION

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights.	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights*	Number of Shares
			Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
(a)	(b)	(c)	(c)

Equity Compensation Plans Approved by Security Holders(1)	5,272,462	\$	23.36	3,110,680
Equity Compensation Plans not Approved by Security Holders(2)	6,317,276(3)		27.39(4)	5,145,926
Total	11,589,738	\$	25.35(4)	8,256,606

(1) These plans are the Company's 1990 Stock Option Plan and 2001 Stock Incentive Plan.

(2) These plans are the Company's 1999 Stock Incentive Plan and the 1998 Pilots Stock Option Plan.

(3) Includes 1,180,549 shares of restricted stock.

(4) Weighted average exercise price of outstanding options; excludes restricted stock units.

See Note 7 to the Consolidated Financial Statements for additional information regarding the Company's equity compensation plans.

ITEM 6. SELECTED FINANCIAL DATA

NORTHWEST AIRLINES CORPORATION

	Year Ended December 31				
	2002	2001(1)	2000	1999	1998(2)
<i>Statements of Operations (In millions, except per share data)</i>					
Operating revenues					
Passenger	\$ 8,025	\$ 8,417	\$ 9,653	\$ 8,692	\$ 7,607
Cargo	735	720	857	732	635
Other	729	768	730	709	686
	<u>9,489</u>	<u>9,905</u>	<u>11,240</u>	<u>10,133</u>	<u>8,928</u>
Operating expenses	10,335	10,773	10,671	9,419	9,119
	<u>(846)</u>	<u>(868)</u>	<u>569</u>	<u>714</u>	<u>(191)</u>
Operating income (loss)	(846)	(868)	569	714	(191)
Operating margin	(8.9)%	(8.8)%	5.1%	7.0%	(2.1)%
Net income (loss)	\$ (798)	\$ (423)	\$ 256	\$ 300	\$ (285)
Earnings (loss) per common share:					
Basic	\$ (9.32)	\$ (5.03)	\$ 3.09	\$ 3.69	\$ (3.48)
Diluted	\$ (9.32)	\$ (5.03)	\$ 2.77	\$ 3.26	\$ (3.48)
<i>Balance Sheets (In millions)</i>					
Cash, cash equivalents and unrestricted short-term investments	\$ 2,097	\$ 2,512	\$ 693	\$ 749	\$ 480

Total assets	13,289	12,975	10,877	10,584	10,281
Long-term debt, including current maturities	6,531	5,051	3,242	3,666	4,001
Long-term obligations under capital leases, including current obligations	451	586	556	597	655
Mandatorily redeemable preferred security of subsidiary	553	492	558	626	564
Preferred redeemable stock	226	227	232	243	261
Common stockholders' equity (deficit)(3)	(2,262)	(431)	231	(52)	(477)

Operating Statistics(4)

Scheduled service:

Available seat miles (ASM) (millions)	93,417	98,356	103,356	99,446	91,311
Revenue passenger miles (RPM) (millions)	72,027	73,126	79,128	74,168	66,738
Passenger load factor	77.1%	74.3%	76.6%	74.6%	73.1%
Revenue passengers (millions)	52.7	54.1	58.7	56.1	50.5
Passenger revenue per RPM (yield)	10.76¢	11.24¢	12.04¢	11.58¢	11.26¢
Passenger revenue per scheduled ASM (RASM)	8.30¢	8.36¢	9.21¢	8.64¢	8.23¢

Total available seat miles (ASM) (millions)	93,583	98,544	103,517	99,572	91,398
Operating revenue per total ASM(5)	9.11¢	9.17¢	10.01¢	9.44¢	9.12¢
Operating expense per total ASM(6)	9.50¢	9.67¢	9.33¢	8.68¢	9.05¢
Cargo ton miles (millions)	2,221	2,161	2,502	2,336	1,958
Cargo revenue per ton mile	33.08¢	33.28¢	34.25¢	31.31¢	32.41¢
Fuel gallons consumed (millions)	1,896	2,029	2,113	2,039	1,877
Average fuel cost per gallon, excluding taxes	69.33¢	79.26¢	82.99¢	53.55¢	53.60¢
Number of operating aircraft at year end	439	428	424	410	409
Full-time equivalent employees at year end	44,323	45,708	53,491	51,823	50,565

- (1) 2001 was affected by significantly reduced demand for travel resulting from the September 11, 2001 terrorist attacks. The Company recognized \$461 million of grant income from the U.S. Government under the Air Transportation Safety and System Stabilization Act, which was recorded as other non-operating income.
- (2) 1998 was affected by labor-related disruptions, which included work actions, a 30-day cooling off period, an 18-day cessation of flight operations due to the pilots' strike, a seven-day gradual resumption of flight operations and a rebuilding of traffic demand.
- (3) No dividends have been paid on common stock for any period presented.
- (4) All statistics exclude Pinnacle Airlines, a wholly-owned Northwest Airlink regional carrier, which is consistent with how the Company reports statistics to the DOT and is comparable to statistics reported by other major network airlines.
- (5) Excludes the revenues of Northwest's fleet of 747 freighter aircraft, MLT Inc., and NBA transportation program.
- (6) Reconciliation of passenger service operating expenses used to calculate operating expense per total ASM to total operating expenses:

	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
	(in millions)				
Passenger service operating expenses	\$ 8,889	\$ 9,526	\$ 9,657	\$ 8,643	\$ 8,268

747 Freighter operations	486	474	466	377	344
MLT and Pinnacle, net of intercompany eliminations	490	464	404	334	280
Unusual items	435	277	127	49	217
(Gain)/loss on assets and NBA transportaion	35	32	17	16	10
	<u> </u>				
Operating expenses	\$ 10,335	\$ 10,773	\$ 10,671	\$ 9,419	\$ 9,119
	<u> </u>				

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Northwest Airlines Corporation ("NWA Corp.") is a holding company whose principal indirect operating subsidiary is Northwest Airlines, Inc. ("Northwest"). The Consolidated Financial Statements include the accounts of NWA Corp. and all consolidated subsidiaries (collectively, the "Company"). The Company reported a net loss of \$798 million for the year ended December 31, 2002, compared with a net loss of \$423 million in 2001. Loss per common share was \$9.32 in 2002 compared with loss per common share of \$5.03 in 2001. Operating loss was \$846 million in 2002 compared with operating loss of \$868 million in 2001. Operating revenues for the year ended December 31, 2002 decreased by \$416 million compared to 2001 primarily due to a decline in business travel caused by an economic slowdown in the United States, weakness in the Asian economies and reduced demand for travel resulting from the September 11, 2001 terrorist attacks.

Full year 2002 results included \$464 million in unusual pre-tax charges, principally comprised of \$352 million attributable to the accelerated retirement of certain Boeing 747-200 and DC10-30 aircraft, \$53 million of costs associated with the closure of several facilities, \$32 million related to benefit costs and other asset write-downs, and a \$27 million partial write-down of the Company's receivable from the U.S. Government related to the grant under the Air Transportation Safety and System Stabilization Act ("Airline Stabilization Act"). In addition, the effective tax rate reflected a provision of \$15 million for tax credits the Company expects to expire unused.

Full year 2001 results included \$300 million in unusual pre-tax charges related to \$161 million of reductions in the estimated market values of aircraft, \$89 million retroactive wages and benefits as a result of labor contract settlements, \$27 million of employee severance costs following the events of September 11, 2001 and \$23 million in other non-operating charges. These charges were offset by \$461 million of grant income from the U.S. government under the Airline Stabilization Act and a \$27 million gain from the sale of the Company's investment in Continental Airlines, Inc.

Substantially all of the Company's results of operations are attributable to its principal indirect operating subsidiary, Northwest, which accounted for approximately 95% of the Company's 2002 consolidated operating revenues and expenses. The Company's results of operations also include other subsidiaries, of which MLT Inc. ("MLT") and Pinnacle Airlines, Inc. ("Pinnacle Airlines") are the most significant. The following discussion pertains primarily to Northwest and, where indicated, MLT and Pinnacle Airlines.

Northwest and Airline Industry Current Status

The current U.S. airline industry environment is the worst in history. Since early 2001, the U.S. airline industry has suffered a significant decline in revenues versus what would have been expected based on historical growth trends. This shortfall has been caused by a number of factors.

The rapid growth of low cost airlines has had a profound impact on industry revenues. Using the advantage of low unit costs, these carriers offer lower fares, particularly those targeted at business passengers, in order to shift demand from larger, more-established airlines. As a result of growth, these low cost carriers now transport nearly 25% of all domestic U.S. passengers compared to less than 10% a decade ago. They now compete for, and thus influence industry pricing on, approximately 75% of all domestic U.S. passenger ticket sales compared to less than 20% a decade ago. As a result of their better financial performance, low cost carriers are expected to continue to grow their market share.

While the advent of Internet travel Web sites has driven significant distribution cost savings for airlines, it has had a large negative impact on airline revenues. Having access to "perfect pricing information", air travel consumers have become more efficient at finding lower fare alternatives than in

the past. The increased price consciousness of travelers, as well as the proliferation of distribution channels, has further motivated airlines to price more aggressively to gain fare advantages through certain channels.

The U.S. airline industry is one of the most heavily taxed of all industries. Taxes and fees now represent approximately 25% of what a passenger pays for an average domestic airline ticket, a percentage even greater than that for alcohol and tobacco products. These taxes and fees have grown significantly in the past decade, most recently with the introduction of a \$2.50 security fee imposed on each passenger flight segment, subject to a \$10 per roundtrip cap. The company believes that every dollar of tax or fee increase imposed on airline passengers roughly translates into a dollar of reduced airline revenue, particularly over the long run.

The attacks of September 11, 2001 materially impacted and continue to impact air travel. Concerns about further terrorist attacks, which are unlikely to abate any time soon, have had a negative impact on air travel demand. Furthermore, security procedures introduced at airports since the attacks have increased, both in reality and in perception, the inconvenience of flying and thus further reduced demand.

While the factors noted are believed to be lasting, if not permanent, and could in fact worsen over time, some of the current airline industry revenue shortfall is believed to be cyclical in nature. U.S. airline revenues have historically been and continue to be influenced by the strength of the U.S. economy. Furthermore, airline business revenues are greatly influenced by the growth in corporate profitability. The current sluggishness of both the economy and corporate profitability is adversely affecting airline revenues.

The airline industry revenue decline has been further exacerbated in early 2003. In January, United Airlines introduced a new pricing structure, reducing its highest business fares by 40-50%. This action and the resulting match by other airlines has reduced average fares without a corresponding increase in demand. The threat of a war with Iraq has also materially affected future airline bookings, particularly for international travel.

In addition to the impact on industry revenue, the September 11, 2001 events caused a significant rise in certain operating costs, particularly for aviation and property insurance. Total aviation and property insurance expense nearly tripled in 2002, to \$121 million. These costs could rise further should coverage presently provided by the government under the Homeland Security Act, which has been extended until August 31, 2003, no longer be available.

During the past year, two major U.S. airlines, US Airways, Inc. and United Air Lines, Inc., have filed for Chapter 11 bankruptcy protection. Current trends make it likely that the airline industry will continue to post significant losses, at least through 2003.

In response to the industry environment, the Company has taken several steps to mitigate the impact on its results of operations and financial condition. These steps included a significant reduction in scheduled capacity on an available seat mile basis, a reduction in work force of 12,000 employees, deferral of certain aircraft orders previously scheduled for delivery in 2003 through 2005 for an average of two years, closure of maintenance facilities, flight crew bases, reservations and sales facilities and deferrals and cancellations of discretionary and other non-operationally critical spending. For the year ended December 31, 2002, capacity was 9.6% below 2000 levels.

While the Company has already taken these significant cost reduction steps, it believes additional measures will be necessary in this new and permanently changed revenue environment. Wages, salaries and benefits made up 41% of the Company's 2002 operating revenues and will need to be a major component of future cost reduction initiatives. The Company has begun discussions with its labor unions in an effort to align wages, benefits and work rules with the new revenue environment and to

remain competitive with those airlines achieving permanent cost reductions through bankruptcy proceedings.

Results of Operations—2002 Compared to 2001

Operating Revenues. Operating revenues decreased 4.2% (\$416 million). System passenger revenues decreased 5.7% (\$466 million), excluding Northwest's wholly owned regional carrier affiliate Pinnacle Airlines. The decrease in system passenger revenues was primarily attributable to a 1.5% decrease in traffic and a 4.3% decline in yields. System passenger load factor increased 2.8 points to 77.1% for the year ended December 31, 2002. Pinnacle Airlines passenger revenues, net of intercompany eliminations, increased 36.9% (\$73 million) to \$271 million due to increased capacity from 21 Bombardier Canadian Regional Jet ("CRJ") aircraft added in 2002 and higher rates under a new airline services agreement with Northwest that was effective March 1, 2002.

The following analysis by market is based on information reported to the U.S. Department of Transportation ("DOT") and excludes Pinnacle Airlines:

	<u>System</u>	<u>Domestic</u>	<u>Pacific</u>	<u>Atlantic</u>
2002				
Passenger revenues (in millions)	\$ 7,753	\$ 5,284	\$ 1,557	\$ 912
Increase (Decrease) from 2001:				
Passenger revenues (in millions)	(466)	(351)	(120)	5
Percent	(5.7)%	(6.2)%	(7.2)%	0.7%
Scheduled service ASMs (capacity)	(5.0)%	(4.3)%	(6.7)%	(5.2)%
Scheduled service RPMs (traffic)	(1.5)%	(2.3)%	(0.4)%	(0.7)%
Passenger load factor	2.8pts.	1.5pts.	5.3pts.	3.7pts.
Yield	(4.3)%	(4.0)%	(6.9)%	1.4%
Passenger RASM	(0.7)%	(2.1)%	(0.6)%	6.1%

Domestic passenger revenues decreased primarily due to lower yields and capacity, partially offset by a higher passenger load factor.

Pacific passenger revenues decreased due to lower yields and capacity, partially offset by a higher load factor. Capacity was reduced as a result of the September 11, 2001 terrorist attacks and yields were lower due to weakness in the Asian economies and a decline in the relative value of the Japanese yen. The average yen per U.S. dollar exchange rates for the years ended December 31, 2002 and 2001 were 126 and 121, respectively, a 4.2% weakening in the buying power of the yen. Additional information regarding the Company's yen exposure and currency hedging activities is provided in "Item 7a. Quantitative and Qualitative Disclosures about Market Risk".

Atlantic passenger revenues were effectively flat, as higher load factors and slightly improved yields were mostly offset by a reduction in capacity. Capacity was reduced as a result of the September 11, 2001 terrorist attacks and weakened U.S. and international economies.

Cargo revenues increased 2.1% (\$15 million) to \$735 million due to a 2.8% increase in cargo ton miles partially offset by a 0.6% decline in revenue per ton mile. Cargo revenues consist of freight and mail carried on passenger aircraft and the Company's 12 747-200F dedicated freighters. Freight revenue increased 7.4% (\$46 million), including a benefit of approximately \$27 million in the fourth quarter resulting from the west coast dockworkers' lockout. However, the freight revenue increase was partially offset by a 29.6% (\$31 million) decrease in mail revenue due largely to lower volume from U.S. Government restrictions on transportation of packages larger than 16 ounces on passenger aircraft.

Other revenues, the principal components of which are MLT (a wholly-owned subsidiary), other transportation fees and charter revenues, decreased 5.1% (\$39 million). This decline was primarily due to reduced revenues from MLT, KLM Royal Dutch Airlines ("KLM") joint venture settlements, ticketing and handling fees and support services, partially offset by an increase in frequent flyer program partnership revenue.

Operating Expenses. Operating expenses decreased 4.1% (\$438 million).

The following table presents operating expenses for the year ending December 31, 2002 and describes significant variances from the year ending December 31, 2001:

	Year ended December 31, 2002	Increase (Decrease) from 2001	Percent Change	Note
	(in millions)			
Operating Expenses				
Salaries, wages and benefits	\$ 3,878	\$ (85)	(2.1)%	A
Aircraft fuel and taxes	1,439	(288)	(16.7)	B
Depreciation and amortization	903	213	30.9	C
Selling and marketing	803	(201)	(20.0)	D
Aircraft maintenance materials and repairs	576	(93)	(13.9)	E
Other rentals and landing fees	576	43	8.1	F
Aircraft rentals	460	13	2.9	G
Other	1,700	(40)	(2.3)	H
Total operating expenses	\$ 10,335	\$ (438)	(4.1)%	

- A.** Salaries, wages and benefits decreased primarily due to 10.6% fewer full-time equivalent employees and \$89 million for retroactive wages and benefits related to the 2001 Aircraft Mechanics Fraternal Association ("AMFA") collective bargaining agreement. This decline was partially offset by higher average wage rates, pension, group insurance, and other postemployment benefit expenses. Pension expenses increased largely due to a lower actuarial discount rate, a decline in pension asset returns and increased benefits from the 2001 AMFA contract.
- B.** Aircraft fuel and taxes were lower due to a 12.5% decrease in the average fuel cost per gallon to 69.33 cents, net of hedging transactions, 6.6% fewer fuel gallons consumed as a result of reduced capacity and the use of more fuel efficient aircraft. Fuel hedge transactions reduced fuel costs by \$55 million in 2002 and had an immaterial effect in 2001.
- C.** Depreciation and amortization increased primarily due to \$372 million of aircraft and related parts write-downs recorded in 2002, offset by similar charges of \$161 million recorded in the third and fourth quarters of 2001. The increase in depreciation and amortization was partially offset by the elimination of \$24 million per year from international route and goodwill amortization recorded prior to 2002. See Note 1 to the Consolidated Financial Statements for additional discussion of the fleet disposition charges and international routes and goodwill no longer being amortized.
- D.** Selling and marketing (consisting of commissions, credit card fees, computer reservation system fees, advertising and promotion expenses) decreased \$109 million due primarily to the elimination of North American base commissions in the second quarter of 2002 and \$40 million due to lower revenues system wide.

- E. Aircraft maintenance materials and repairs decreased due to lower repair volume in 2002, which resulted from retirements and removal from service of older aircraft, as well as a higher level of scheduled work within the routine engine and airframe maintenance cycle in 2001.

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- F. Other rentals and landing fees increased primarily due to the new Detroit Midfield facility, as well as higher rates across the system due to unfunded Transportation Security Administration ("TSA") mandates.
- G. Aircraft rentals increased due to additional leased aircraft, partially offset by lower variable rates on existing leases.
- H. Other expenses (the principal components of which include outside services, insurance, passenger food, personnel expenses, communication expenses and supplies) decreased principally due to lower personnel, supplies and claims expenses and reduced levels of passenger food service, partially offset by significantly higher insurance costs.

Other Income and Expense. Other non-operating income decreased by \$572 million, primarily due to \$461 million recognized in 2001 under the Airline Stabilization Act, higher 2002 interest expense related to increased debt levels, and lower interest income as a result of lower interest rates. In the fourth quarter of 2002, the Company recorded a \$27 million charge to write-down a portion of a receivable from the U.S. Government to reflect the final amount received in January 2003 under the Airline Stabilization Act. Interest expense increased 15.7% (\$58 million) primarily due to the full year 2002 borrowings under the Company's revolving credit facilities and additional new financings. Higher earnings from affiliates during 2002 were partially offset by a \$27 million gain from the sale of the Company's remaining shares of Continental recorded in 2001.

Tax Expense (Benefit). The tax benefit recorded in 2002 includes a provision of \$15 million for tax credits that are expected to expire unused. The Company's net deferred tax liability declined from \$843 million at December 31, 2001 to \$30 million at December 31, 2002, primarily due to the increase in deferred tax assets relating to the Company's pension plans and the Company's 2002 losses. Given its recent loss experience, current accounting rules do not allow its balance sheet to reflect a net tax asset position. As a result, when future losses generate deferred tax assets that fully offset the Company's deferred tax liabilities, no further tax benefit may be recognized with respect to those losses. The Company expects that approximately \$80 million of losses in 2003 will yield tax benefits capable of being recognized. Consequently, pre-tax losses above \$80 million are not expected to be reduced by the recognition of future tax benefits associated with such losses. See Note 9 to the Consolidated Financial Statements for additional discussion of the Company's tax accounts.

Results of Operations—2001 Compared to 2000

Operating Revenues. Operating revenues decreased 11.9% (\$1.34 billion). System passenger revenues decreased 13.7% (\$1.30 billion), excluding Pinnacle Airlines. The decrease in system passenger revenues was primarily attributable to a 4.8% decrease in scheduled service ASMs and a 9.2% decrease in passenger RASM. System passenger load factor decreased 2.3 points to 74.3% for the year ended December 31, 2001. Pinnacle Airlines passenger revenues increased 52.3% (\$68 million) to \$198 million due to increased capacity resulting from 21 additional Bombardier CRJ 200 series aircraft.

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The following analysis by market is based on information reported to the DOT and excludes Pinnacle Airlines:

	System	Domestic	Pacific	Atlantic
2001				
Passenger revenues (in millions)	\$ 8,219	\$ 5,635	\$ 1,677	\$ 907

Increase (Decrease) from 2000:

Passenger revenues (in millions)	(1,304)	(820)	(413)	(71)
Percent	(13.7)%	(12.7)%	(19.7)%	(7.3)%
Scheduled service ASMs (capacity)	(4.8)%	(4.8)%	(9.2)%	3.8%
Scheduled service RPMs (traffic)	(7.6)%	(6.8)%	(12.6)%	(0.4)%
Passenger load factor	(2.3)pts.	(1.5)pts.	(3.1)pts.	(3.3)pts.
Yield	(6.6)%	(6.3)%	(8.1)%	(7.0)%
Passenger RASM	(9.2)%	(8.3)%	(11.6)%	(10.7)%

Domestic passenger revenues decreased due to lower yields, passenger load factor and capacity. Northwest experienced a decline in business and leisure travel due to the impact of the slowing U.S. economy and the events of September 11, 2001. Approximately 78% of the decrease in domestic passenger revenues occurred between September 1 and December 31, 2001. In response to the decline in demand for air travel after the terrorist attacks, domestic fourth quarter capacity was reduced 14.7%, as compared to 2000, on an ASM basis.

Pacific passenger revenues decreased due to lower yields, passenger load factor and capacity. Approximately 64% of the decrease in Pacific passenger revenues occurred between September 1 and December 31, 2001. In response to the reduced demand for air travel, Pacific fourth quarter capacity was reduced 19.5%, as compared to 2000, on an ASM basis. The introduction of a reconfigured World Business Class product, which improved seat pitch from 48 inches to 60 inches and replaced international first class, also contributed to the reduced capacity. Passenger load factor and yields were also impacted by the slowing Asian economies and a weakened Japanese yen. The average yen per U.S. dollar exchange rates for the years ended December 31, 2001 and 2000 were 121 and 107, respectively, an 11.2% weakening in the buying power of the yen. Additional information regarding the Company's yen exposure and currency hedging activities is provided in "Item 7a. Quantitative and Qualitative Disclosures about Market Risk".

Atlantic passenger revenues decreased due to a decline in yields and passenger load factor resulting from the terrorist attacks on September 11, 2001. In response to the reduced demand for air travel, Atlantic fourth quarter capacity was reduced 14.3%, as compared to 2000, on an ASM basis.

Cargo revenues decreased 16.0% (\$137 million) to \$720 million due to a 2.8% decline in revenue per ton mile and 13.6% fewer cargo ton miles. These decreases resulted primarily from reduced U.S. demand for Asian goods caused by the slowing U.S. economy, the weakened yen per U.S. dollar exchange rate, and a decline in total cargo space on passenger aircraft as a result of the reduction in system passenger capacity. Service began in July 2001 under a new five-year agreement with DHL Worldwide Express to provide daily freighter service from its U.S. hub operations in Cincinnati to various points in Asia. The Company's eleventh and twelfth freighters were placed in revenue service to support this agreement.

Other revenues (the principal components of which are MLT, other transportation fees and charter revenues) increased 5.2% (\$38 million) primarily due to higher charter revenues and other transportation fees.

Operating Expenses. Operating expenses increased 1.0% (\$102 million).

The following table presents operating expenses for the year ending December 31, 2001 and describes significant variances from the year ending December 31, 2000:

<u>Year ended</u> <u>December 31, 2001</u>	<u>Increase</u> <u>(Decrease)</u> <u>from 2000</u>	<u>Percent</u> <u>Change</u>	<u>Notes</u>
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Operating Expenses					
Salaries, wages and benefits	\$	3,963	\$	353	9.8% A
Aircraft fuel and taxes		1,727		(145)	(7.7) B
Depreciation and amortization		690		73	11.8 C
Selling and marketing		1,004		(196)	(16.3) D
Aircraft maintenance materials and repairs		669		29	4.5 E
Other rentals and landing fees		533		20	3.9
Aircraft rentals		447		24	5.7 F
Other		1,740		(56)	(3.1) G
Total operating expenses	\$	10,773	\$	102	1.0%

- A.** Salaries, wages and benefits increased primarily due to higher wages and benefits from settled contracts with collective bargaining units, retroactive wages and benefits of \$89 million related to the 2001 AMFA agreement and higher pension, group insurance, and other post-employment benefits expenses.
- B.** Aircraft fuel and taxes declined due to a decrease of 4.5% in average fuel cost per gallon to 79.26 cents, net of hedging transactions, and 4.0% fewer fuel gallons consumed as a result of the reduced capacity.
- C.** Depreciation and amortization increased primarily due to charges of \$161 million related to the reductions in the estimated market values of aircraft recorded in the third and fourth quarters of 2001, partially offset by \$125 million of DC10 impairments recorded in 2000. See Note 1 to the Consolidated Financial Statements for additional discussion of the fleet disposition charges.
- D.** Selling and marketing (consisting of commissions, credit card fees, computer reservation system fees, advertising and promotion expenses) decreased primarily due to lower passenger revenues, use of lower cost distribution channels and a decline in the percentage of commissionable transactions. Internet sales, which typically have lower commission rates than other distribution channels, represented approximately 13% of passenger revenues in 2001 compared with approximately 8.0% in 2000.
- E.** Aircraft maintenance materials and repairs increased due to a higher level of scheduled work within the routine engine and airframe maintenance cycle.
- F.** Aircraft rentals increased due to additional leased aircraft.
- G.** Other expenses (the principal components of which include outside services, insurance, passenger food, personnel expenses, communication expenses and supplies) decreased principally due to lower variable costs associated with reduced capacity and a favorable foreign currency impact on expenses, partially offset by higher insurance costs following the September 11, 2001 terrorist attacks.

Other Income and Expense. The Company recognized \$461 million of grant income from the U.S. Government under the Airline Stabilization Act in 2001. Interest expense increased 5.4% (\$19 million) primarily due to the borrowings under the Company's revolving credit facilities. Earnings of affiliated

companies decreased \$97 million, due principally to the Company no longer recognizing its share of Continental Airlines, Inc.'s ("Continental") earnings in 2001 following the sale of its investment in Continental, lower earnings from WORLDSPAN L.P. ("WORLDSPAN") in 2001 and Orbitz, LLC's loss in 2001. Other income decreased \$25 million primarily due to a \$58 million gain from the sale of a portion of Northwest's investment in priceline.com in 2000, partially offset by a \$27 million gain recorded in 2001 on the sale of the Company's remaining investment in Continental.

Liquidity and Capital Resources

As of December 31, 2002, the Company had cash, cash equivalents and restricted short-term investments of \$2.20 billion. This amount included \$100 million of restricted short-term investments, resulting in total liquidity of \$2.10 billion, a decrease in liquidity of \$414 million from December 31, 2001. As discussed later, the Company's secured credit facilities were fully drawn as of December 31, 2001 and had \$1 million available as of December 31, 2002.

Cash used in operating activities was \$284 million in 2002. Cash flows provided by operating activities were \$646 million in 2001 and \$893 million in 2000. The decrease of \$930 million in operating cash flows from 2001 was primarily due to \$410 million of cash received under the Airline Stabilization Act grant in 2001, the January 2002 disbursement of \$216 million of aviation taxes originally due between September 11, 2001 and January 15, 2002, but deferred pursuant to federal authorization, a \$108 million increase in the Company's income tax refund receivable and a decrease in the air traffic liability.

The Company operates, like its competitors, with negative working capital, which aggregated \$762 million at December 31, 2002. This position is primarily attributable to the \$1.22 billion air traffic liability, largely representing cash received from tickets that customers have purchased in advance and not yet used.

Investing Activities. Investing activities consist primarily of the purchase of aircraft and other related costs including engine purchases, costs to commission aircraft before entering revenue service, deposits on ordered aircraft, facility improvements and ground equipment purchases.

Investing activities consisted of the acquisition of the following aircraft for the years ended December 31:

	2002	2001	2000
Airbus A319	24	13	10
Airbus A320	2	4	-
Boeing 747-400	2	-	-
Boeing 747-200F	-	-	2
Boeing 757-200	3	5	-
Boeing 757-300	7	-	-
AVRO RJ85	-	-	7
	38	22	19

Investing activities in 2002 other than aircraft purchases include facilities and aircraft modification programs. Investing activities in 2001 other than aircraft purchases include \$582 million in proceeds from the sale of the Company's investment in Continental. See Note 13 to the Consolidated Financial Statements for additional discussion of the Company's investment in Continental. Investing activities in 2000 other than aircraft purchases include \$58 million of proceeds from the sale of a portion of the Company's investment in priceline.com.

In addition to the purchased aircraft shown in the above table, the Company also took delivery of 21 Bombardier CRJ200/440 regional jets in each of 2002 and 2001 and nine CRJ200 regional jets in 2000. These aircraft were financed with long-term leveraged operating leases provided by the manufacturer and were simultaneously subleased to Pinnacle Airlines.

Financing Activities. Financing activities in 2002 consisted primarily of the issuance of \$300 million of 9.875% public unsecured notes due in 2007, the payment of debt and capital lease obligations, and the financing of: (i) 18 Airbus A319 aircraft, one Boeing 747-400 aircraft, two Airbus A320 aircraft and three Boeing 757-300 aircraft with escrowed funds from pass-through certificate offerings issued in 2001; (ii) two Boeing 757-300 aircraft with escrowed funds from pass-through certificate offerings issued in 2002; (iii) three Boeing 757-200 aircraft, two Boeing 757-300 aircraft and six Airbus A319 aircraft with long-term bank debt; (iv) one Boeing 747-400 under a sale and leaseback; and the refinancing of three Boeing 747-400 aircraft purchased off capital lease.

In August 2002, the Company completed an offering of \$749 million of pass-through certificates to finance or refinance the acquisition of 11 new Airbus A319 aircraft, six new Boeing 757-300 aircraft and three new Airbus A330 aircraft scheduled to be delivered between October 2002 and December 2003. The pre-funded portion of cash proceeds from the offerings of certificates are invested and held in escrow with a depository bank. Such funds are not assets or direct obligations of, or guaranteed by, the Company and are therefore not included in the Consolidated Financial Statements. As aircraft are delivered or refinanced, the Company utilizes the cash proceeds to finance the acquisition of these aircraft as secured debt financing for ownership or as non-recourse debt for leveraged lease financing. If a leveraged lease is obtained for any aircraft, under which the aircraft would be sold and leased back to Northwest, the debt associated with the aircraft will become part of the lease and not a direct obligation of the Company or Northwest. Lease obligations that qualify as operating leases under Statement of Financial Accounting Standards ("SFAS") No. 13 are disclosed in Note 4 to the Consolidated Financial Statements. If any funds remain as deposits with the escrow agent for pass-through certificates at the end of the delivery period, such funds will be distributed back to the certificate holders, including interest on such amounts payable by the Company. Management believes that the likelihood funds would be distributed from escrow back to investors and that the interest due would be a material amount is remote. As of December 31, 2002, \$668 million of the unused offering proceeds were held in escrow to finance a portion of the aircraft scheduled for delivery in 2003.

Financing activities in 2001 consisted primarily of the Company's borrowing in March and subsequent repayment in May of \$1.10 billion under its revolving credit facilities, the borrowing on September 11, 2001, of \$1.12 billion under its revolving credit facilities, of which \$150 million was repaid in October 2001 as scheduled, the issuance of \$300 million of 8.875% public unsecured notes due 2006, \$120 million received under airport facility revenue bonds and payment of debt and capital lease obligations. Financing activities also included the receipt of \$678 million in financing for: (i) 13 Airbus A319 aircraft, seven of which were financed with funds from pass-through certificates and six with long-term bank debt; (ii) five Boeing 757-200 aircraft financed with long-term bank debt; and (iii) four Airbus A320 aircraft, three of which were financed with funds from pass-through certificates and one with long-term bank debt.

In June 2001, the Company completed a pre-funded offering of \$581 million of pass-through certificates at a blended fixed coupon rate of 7.18%. Proceeds from sales of the certificates were used to finance the acquisition of 14 aircraft consisting of nine new Airbus A319 aircraft, three new Boeing 757-300 aircraft and two new Boeing 747-400 aircraft delivered between March and December 2002. In July 2001, the Company completed an offering of \$396 million of European pass-through certificates due in 2013 at a blended floating rate of three-month London Interbank Offered Rate ("LIBOR") plus 0.60% (2.23% as of December 31, 2002) to finance the acquisition of nine new Airbus A319 aircraft and five new Airbus A320 aircraft delivered between November 2001 and July 2002.

Financing activities in 2000 consisted primarily of payment of debt and capital lease obligations, including \$165 million in term loan prepayments, and the long-term leveraged operating lease financing through sale and leaseback of ten Airbus A319 aircraft and three AVRO RJ85 aircraft.

During 2000, the Company completed a public offering totaling \$522 million of pass-through certificates to finance the acquisition of 13 new aircraft delivered in 2000 and 2001 and to refinance six other aircraft delivered in 1996.

Contractual Obligations. The following table summarizes the Company's commitments to make long-term debt and lease payments, aircraft purchases and certain other obligations for the years ending December 31:

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>Thereafter</u>	<u>Total</u>
	(in millions)						
Long-term debt(1)	\$ 281	\$ 623	\$ 1,430	\$ 563	\$ 673	\$ 2,961	\$ 6,531
Capital leases(2)	65	46	40	29	32	239	451
Operating leases:(3)							
Aircraft	582	575	565	577	577	4,703	7,579
Non-aircraft	160	151	139	130	120	1,245	1,945
Aircraft commitments(4)	1,793	1,226	1,186	576	246	232	5,259
Preferred redeemable stock(5)	226	-	-	-	-	-	226
Total(6)	<u>\$ 3,107</u>	<u>\$ 2,621</u>	<u>\$ 3,360</u>	<u>\$ 1,875</u>	<u>\$ 1,648</u>	<u>\$ 9,380</u>	<u>\$ 21,991</u>

- (1) Amounts represent principal payments only. The amount due in 2005 includes \$962 million of principal outstanding on the Company's bank revolving credit facilities. See Note 3 to the Consolidated Financial Statements for additional discussion of long-term debt and future maturities.
- (2) Amounts represent principal payments only. See Note 4 to the Consolidated Financial Statements for additional discussion of capital leases.
- (3) Amounts represent minimum lease payments with initial or remaining terms of more than one year and exclude related sublease rental income. See Note 4 to the Consolidated Financial Statements for additional discussion of operating leases.
- (4) Amounts include expenditures for aircraft and related equipment, including estimates for contracted price escalations and pre-delivery deposits. The Company's firm orders for 62 new aircraft to be operated by Northwest consist of scheduled deliveries for 14 Airbus A330-300 aircraft from 2003 through 2008, ten Airbus A330-200 aircraft from 2004 through 2008, eight Airbus A320 aircraft from 2003 through 2006, 21 Airbus A319 aircraft from 2003 through 2006, and nine Boeing 757-300 aircraft in 2003. Included in these firm orders are two Airbus A320 and four Airbus A319 aircraft scheduled for delivery in 2004 and 2005, which were converted from options to firm orders in the first quarter of 2002. Financing commitments available for use by the Company are in place for all of the aircraft on order. As of December 31, 2002, the Company also had firm orders for 78 Bombardier CRJ200/440 aircraft, 44 of which will be subleased to Pinnacle Airlines. The balance of the CRJ aircraft have not been committed to any carrier. The Company has the option to finance the CRJ200/440 aircraft through long-term operating lease commitments from the manufacturer, and if the manufacturer does not provide the financing, the Company is not required to take delivery of the aircraft.
- (5) See Note 6 to the Consolidated Financial Statements for additional discussion of the Company's obligations related to the Series C preferred stock.
- (6) The above table excludes \$553 million relating to the mandatorily redeemable preferred security of subsidiary, which can be satisfied by non cash means. See Note 5 to the Consolidated Financial Statements for additional discussion of the mandatorily redeemable preferred security of subsidiary.

Pension Funding Obligations. The Company has several noncontributory pension plans covering substantially all of its employees. Funding obligations under these plans are governed by the Employee Retirement Income Security Act of 1974 ("ERISA"). As of December 31, 2002, the Company's pension plans were underfunded by \$3.95 billion as calculated in accordance with SFAS No. 87. Also, as of December 31, 2002, on a current liability basis utilized for cash contribution purposes, the plans were underfunded by approximately \$3.1 billion. The Company's 2003 pension contributions associated with the 2003 plan year are estimated to be \$468 million. The Company also had, as of December 31, 2002, \$223 million of mandatory contributions related to the 2002 plan year remaining to be paid in 2003. Pension funding requirements are dependent upon various factors, including interest rate levels, asset returns, regulatory requirements for funding purposes and changes to pension plan benefits. Absent favorable changes to these factors, the Company will have to satisfy the underfunded amounts of its plans through cash contributions over time.

On November 5, 2002, the Company submitted an application to the Internal Revenue Service for authorization to reschedule 2003 plan year contributions required under the pension plans for contract and salaried employees. This application, if approved, could allow the Company to defer some or all of the \$468 million in 2003 plan year contributions due in calendar 2003. The Company anticipates receiving notice from the Internal Revenue Service by April 2003.

The Company has also submitted an application to the Department of Labor to permit the Company to contribute common stock of Pinnacle Airlines Corp. to the pension plans in lieu of making certain required contributions in cash. In January 2003, the Department of Labor issued a proposed prohibited transaction exemption that would allow the Company to contribute common stock of Pinnacle Airlines Corp. to satisfy a portion of the contribution requirements to Northwest's pension plans in 2003 and 2004. The proposed prohibited transaction exemption contemplates that the pension plans will have the right at any time to sell the shares back to the Company for cash at the greater of the original purchase price or the then market value. Pinnacle Airlines Corp. was incorporated in Delaware on January 10, 2002 for the sole purpose of becoming a holding company of Pinnacle Airlines. Prior to the contribution, the Company transferred all of the outstanding stock of Pinnacle Airlines to Pinnacle Airlines Corp. in exchange for all of the outstanding common stock of Pinnacle Airlines Corp. and one share of Series A preferred stock of Pinnacle Airlines Corp. The Company then contributed 1.9 million shares, or 12.9%, of the Pinnacle Airlines Corp. common stock to the pension plan to satisfy approximately \$44 million of its \$223 million scheduled funding requirement for the 2002 plan year. In lieu of making cash contributions, the Company intends to contribute additional common stock of Pinnacle Airlines Corp. to satisfy a portion of future mandatory pension contributions, including the remainder of 2002 plan year requirements.

Credit Ratings. At December 31, 2002, the Company's Standard & Poor's corporate credit rating and its senior unsecured credit rating were BB- and B, respectively; its Moody's Investor Services senior implied rating and senior unsecured rating were B1 and B2, respectively; and its Fitch Ratings senior unsecured credit rating was B+. The lowering of the Company's credit ratings could make it more difficult to issue debt, to renew outstanding letters of credit that back certain obligations and to obtain financial instruments used in its fuel and currency hedging programs, as well as to potentially increase the cost of these transactions. For information regarding the impact from the lowering of the Company's secured credit facility credit rating on June 28, 2002, see the related discussion below as well as Note 3 to the Consolidated Financial Statements. For information regarding the Company's receivables purchase agreement and the credit rating requirements of this agreement, see Note 13 to

the Consolidated Financial Statements. On February 25, 2003, Fitch Ratings downgraded the rating on the Company's senior unsecured debt to B from B+.

Secured Credit Facilities. The Company's secured credit facilities at December 31, 2002, consisted of a \$725 million revolving credit facility (\$12 million of which has been utilized to establish letters of credit) available until October 2005, and a \$250 million 364-day revolving credit facility available until October 2003 renewable annually at the option of the lenders; however, to the extent any portion of the \$250 million facility is not renewed for an additional 364-day period, the Company may borrow up to the entire non-renewed portion of the facility and such borrowings would then mature in October 2005. This credit agreement is secured by the Company's Pacific route system and certain aircraft. On June 28, 2002, Standard & Poor's downgraded the rating on the Company's secured credit facilities to BB- from BB. With the change in credit rating, the interest rate applicable to borrowings under these secured credit facilities increased 0.5%. Borrowings under

the \$725 million revolving credit facility bore interest at a variable rate equal to the three-month LIBOR plus 2.5% (3.84% at February 20, 2003) and borrowings under the \$250 million 364-day revolving credit facility bore interest at a variable rate equal to the three-month LIBOR plus 2.5% (3.84% at February 20, 2003). See Note 3 to the Consolidated Financial Statements for additional discussion of these credit facilities.

Other Financings. In January 2002, through NWA Funding LLC, the Company fully repaid \$61 million outstanding under a receivables purchase agreement. Such repayment was required upon the occurrence of certain events, including exceeding a threshold of passenger refunds as a percentage of sales and the lowering of the Company's unsecured credit rating, both of which occurred following the events of September 11, 2001.

During June 2002, a second receivables purchase agreement was executed by Northwest, NWA Funding II, LLC ("NWA Funding II"), a wholly-owned, non-consolidated subsidiary of the Company, and a certain third party purchaser (the "Purchaser") pursuant to a securitization transaction. During June 2002, Northwest sold \$114 million of accounts receivable on a non-recourse basis to NWA Funding II, which sold \$65 million of its undivided interest in such receivables to the Purchaser, subject to specified collateral requirements. The amount of loss recognized related to receivables securitized was not material. NWA Funding II maintains a variable undivided interest in these receivables and is subject to losses on its share of the receivables and, accordingly, maintains an allowance for doubtful accounts. The agreement is a one-year, \$100 million revolving receivable purchase facility renewable annually that allows Northwest to sell additional receivables to NWA Funding II and NWA Funding II to sell variable undivided interests in these receivables to the Purchaser. NWA Funding II pays a yield to the Purchaser equal to A1/F1 commercial paper, as well as a program fee. The agreement provides for the early termination upon the occurrence of certain events including, among others, a strike event, falling below a minimum liquidity requirement of \$1.10 billion as of the last day of any fiscal quarter, or the Company not meeting minimum credit ratings (defined as any two of the following three events occurring: (i) S&P's "Long Term Local Issuer Credit" rating below a B credit rating, (ii) Moody's "Senior Implied" rating below a B2 credit rating, or (iii) Fitch's "Senior Unsecured Debt" rating below a B credit rating). See Note 13 to the Consolidated Financial Statements for further discussion of NWA Funding II.

Shelf Registration Statement. The Company currently has an effective shelf registration statement for the issuance of \$451 million of unsecured debt and pass-through certificates.

Critical Accounting Estimates

The discussion and analysis of the Company's financial condition and results of operations are based upon the Consolidated Financial Statements, which have been prepared in accordance with generally accepted accounting principles. The preparation of the Consolidated Financial Statements requires the Company to make estimates and judgments that affect the reported amount of assets and

liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from these estimates under different assumptions or conditions.

Critical accounting estimates are defined as those that are reflective of significant judgments and uncertainties, and could potentially result in materially different results under different assumptions and conditions. See Note 1 to the Consolidated Financial Statements for additional discussion of the application of these estimates and other accounting policies. The Company's management discussed the development of the estimates and disclosures related to each of these matters with the audit committee of the Company's board of directors.

Aircraft Valuation and Impairments. The Company has evaluated its long-lived assets for possible impairments in compliance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. The Company records impairment losses on long-lived assets used in operations when events and circumstances indicate the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than their carrying amounts. Impairment losses are measured by comparing the fair value of the assets to their carrying amounts. In determining the need to record impairment charges, the Company is required to make certain estimates regarding such things as the current fair market value of the asset and future net cash flows to be generated by the asset. The current fair market value of

the asset is determined by independent appraisal, and the future net cash flows are based on assumptions such as asset utilization, expected remaining useful lives, future market trends and projected salvage values. Impairment charges are recorded in depreciation and amortization expense on the Company's Consolidated Statements of Operations. If there are subsequent changes in these estimates, or if actual results differ from these estimates, such changes could impact the Consolidated Financial Statements.

In December 2002, the Company revised its fleet plan, accelerating the retirement of 13 DC10-30 and nine Boeing 747-200 aircraft by an average of five and six years respectively. The Company recorded impairment charges of \$352 million associated with these aircraft, engines and related inventory as a result of the retirement acceleration. See Note 1 to the Consolidated Financial Statements for additional discussion of impairment of long-lived assets.

The Company's 2003 operating results will also be impacted by an estimated \$20 million of additional depreciation expense, reflecting the combined result of the reduced average lives, a decrease in net book values and lower salvage values. If the current fair market values and salvage values of the impaired aircraft were decreased by 10%, the aircraft impairment charge would have increased by \$17 million and the 2003 depreciation expense would decrease by \$7 million.

Pension Liability and Expense. The Company has several noncontributory pension plans covering substantially all of its employees. The Company accounts for its defined benefit pension plans in accordance with SFAS No. 87, *Employers' Accounting for Pensions*, which requires that amounts recognized in financial statements be determined on an actuarial basis. Benefits associated with these plans are based primarily on years of service and, in some cases, employee compensation. See Note 12 to the Consolidated Financial Statements for additional discussion of actuarial assumptions used in determining pension liability and expense.

A significant element in determining the Company's pension expense in accordance with SFAS No. 87 is the expected return on plan assets, which is based on historical results for similar allocations among asset classes. The difference between the expected return and the actual return on plan assets is deferred and, under certain circumstances, amortized over future years of service. Therefore, the net deferral of past asset gains (losses) ultimately affects future pension expense.

At December 31, 2002, the Company changed its assumed expected long-term rate of return on plan assets from 10.5% to 9.5%. In developing the expected long-term rate of return assumption, the

Company is provided projected returns by asset class from its pension investment advisors. Projected returns are based primarily on broad, publicly traded equity and fixed-income indices. The Company's expected long-term rate of return on plan assets is based on an asset allocation assumption of 70% U.S. and international equities, with an expected long-term rate of return of 9.7%, 10% private equities with an expected long-term rate of return of 15.0%, and 20% fixed-income securities with an expected long-term rate of return of 6.9%. These assumptions result in a 9.7% weighted average rate of return on an annualized basis. Because of temporary fluctuations in market values, the actual asset allocation as of December 31, 2002 was 79% equities and 21% fixed-income instruments. The actual asset allocation is reviewed regularly and is periodically rebalanced to the targeted allocation.

The plan assets have earned a rate of return substantially less than 9.5% in each of the last three years. Should this trend continue, the Company's average long-term historical rate of return in subsequent periods may be lower and could, in turn, cause the expected return on plan assets to be adjusted downward. If such adjustments become necessary, future pension expense would increase.

Plan assets for the Company's pension plans are managed by external investment management organizations. These advisors are prohibited by the investment policies of the plan from investing in Company securities, other than as part of a market index fund that could have a diminutive proportion of such securities.

At the end of each year, the Company determines the discount rate used to measure plan liabilities. The discount rate reflects the current rate at which the pension liabilities could be effectively settled at the end of the year. In estimating this rate, the Company looks to rates of return on fixed-income investments of similar duration to the liabilities in the plan that receive high, investment grade ratings by recognized

ratings agencies. By applying this methodology, the Company determined a discount rate of 6.75% to be appropriate at December 31, 2002, which is a reduction of 0.75% from the rate used at December 31, 2001.

For the year ended December 31, 2002, the net effect of accounting for changes in the Company's pension plans decreased accumulated other comprehensive income by \$1.03 billion. The negative impact on accumulated other comprehensive income was principally due to a 12.7% decrease in the fair value of the plan assets and the decrease in the discount rate to 6.75%. Holding all other factors constant, a change in the discount rate used to measure plan liabilities by 0.25% would have changed accumulated other comprehensive income by \$135 million.

For the year ended December 31, 2002, the Company recognized consolidated pretax pension expense of \$309 million, up from \$231 million in 2001. Pension expense is anticipated to increase to approximately \$400 million in 2003. Holding all other factors constant, an increase/decrease in the expected long-term rate of return on plan assets by 0.5% would decrease/increase pension expense by approximately \$25 million in 2003. Holding all other factors constant, an increase/decrease in the discount rate used to measure plan liabilities by 0.25% would decrease/increase pension expense by approximately \$25 million in 2003.

Revenue Recognition. Passenger ticket proceeds are recorded in the air traffic liability account at the time of sale and represent an obligation of the Company to provide air travel in the future. Revenue is recognized, and the air traffic liability is reduced, as passengers use these tickets for transportation. The Company also performs monthly evaluations of this estimated liability and recognizes any adjustments as passenger revenues for that period. These adjustments relate primarily to ticket usage patterns, refunds, exchanges, inter-airline transactions, and other items for which final settlement occurs in periods subsequent to the sale of the related tickets at amounts other than the original sales price. While these factors generally follow predictable patterns that provide a reliable basis for estimating the air traffic liability, and the Company uses historical trends and averages in its estimates, significant changes in business conditions and/or passenger behavior that affect these estimates could have a significant impact on the Consolidated Financial Statements. During 2002,

adjustments to the air traffic liability, reflecting unused tickets and the other factors cited above, were above historical norms by an amount that approximated one percent of passenger revenues.

Frequent Flyer Accounting. The Company utilizes a number of estimates in accounting for its WorldPerks frequent flyer program. The Company accounts for the frequent flyer program obligations by recording a liability for the estimated incremental cost of flight awards expected to be redeemed. A customer is expected to redeem their mileage, and a liability is recorded, when their account accumulates the minimum number of miles needed to obtain one flight award. Additional assumptions are made, based on past general customer behavior, regarding the likelihood of customers using the miles for first-class upgrades or other premiums instead of flight awards, as well as the likelihood of a customer never redeeming the miles. The estimated incremental cost is based on the system average cost per passenger for food and beverage, fuel, insurance, security, miscellaneous claims and WorldPerks service center expense. If the average incremental cost of outstanding awards were increased or decreased by 10%, the liability for the estimated incremental cost of flight awards expected to be redeemed would change by \$13 million.

The number of estimated travel awards outstanding at December 31, 2002, 2001 and 2000 was approximately 7,805,000, 8,320,000 and 7,162,000, respectively. The estimated liability excludes accounts that have never attained the minimum travel award level and awards that are expected to be redeemed for upgrades or are not expected to be redeemed at all, but includes an estimate for partially earned awards on accounts that previously earned an award. Northwest has recorded a liability for these estimated awards of \$127 million, \$132 million and \$115 million at December 31, 2002, 2001 and 2000, respectively. The number of travel awards used for travel on Northwest during the years ended December 31, 2002, 2001 and 2000 was approximately 1,459,000, 1,398,000 and 1,263,000, respectively. These awards represented an estimated 7.8%, 7.5% and 6.6% of Northwest's total RPMs for each such year, respectively. Northwest believes displacement of revenue passengers is minimal based on the low ratio of WorldPerks award usage to revenue passenger miles and the Company's ability to manage frequent flyer inventory through seat allocations. In June 2002, the minimum program award miles was changed from 20,000 to 25,000 miles.

The Company defers a portion of the revenue from the sale of mileage credits to participating partners such as credit card issuers, hotels, long-distance companies, car rental firms and other non-airline partners. The deferred revenue is recognized over the period in which the credits are expected to be redeemed for travel. The portion of revenue that is recognized at the time of sale represents amounts in excess of the fair value of the tickets to be redeemed.

Goodwill and Intangible Assets. In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 142, *Goodwill and Other Intangible Assets*. SFAS No. 142 requires that companies test goodwill and indefinite lived intangible assets for impairment on an annual basis rather than amortize such assets. The Company adopted SFAS No. 142 on January 1, 2002, and as a result no longer amortizes its indefinite lived intangible assets and goodwill. During the first quarter of 2002, the Company performed the impairment test of its international routes and found the fair value to be in excess of the carrying value. During the first quarter of 2003, an independent third party appraisal was conducted for the Company's annual impairment test of its international routes and found the fair value to be in excess of the carrying value. During the fourth quarter of 2002, the Company also completed its impairment test of goodwill and found the fair value to be in excess of the carrying value.

The Company's indefinite lived intangible asset derives from the U.S.-Japan bilateral aviation agreement, which establishes rights to carry traffic between Japan and the U.S., and extensive "fifth freedom" rights between Japan and India, the South Pacific and other Asian destinations. "Fifth freedom" rights allow Northwest to operate service from any gateway in Japan to points beyond Japan and carry Japanese originating passengers. These rights have no termination date, and the Company has the supporting infrastructure (airport gates, slots and terminal facility leases) in place to operate air

service to Japan and beyond from its U.S. hub airports indefinitely. Governmental policy and bilateral agreements between nations regulate international operating route authorities and alliances. The Company's carrying value of international route authorities was \$634 million at December 31, 2002. Should any changes occur in policies, agreements, infrastructure or economic feasibility of air service to Japan, the Company will assess this asset for impairment and re-evaluate the economic life of these international routes. If the life is then determined to be finite, the Company would begin amortizing the asset. The Company's goodwill balance of \$18 million relates solely to the 1997 purchase of Pinnacle Airlines.

Stock Based Compensation. As of December 31, 2002, the Company has stock option plans for officers and key employees of the Company. See Note 7 to the Consolidated Financial Statements for additional discussion of stock options. The Company historically accounted for those plans under the recognition and measurement principles of Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations. No stock-based employee compensation cost is reflected in the consolidated statement of operations, as all options granted under those plans have an exercise price equal to the market value of the underlying common stock on the date of grant.

In December, 2002, the FASB issued SFAS No. 148, *Accounting for Stock-Based Compensation—Transition and Disclosure, an amendment of FASB Statement No. 123*. SFAS No. 148 provides alternative methods of transition for companies that voluntarily change to the fair value based method of accounting for stock-based compensation. It also amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and quarterly financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results.

Effective January 1, 2003, the Company adopted the fair value method of recording stock-based employee compensation contained in SFAS No. 123 and will account for this change in accounting principle using the "prospective method" as described by SFAS No. 148. All employee stock option grants made on or after January 1, 2003 will be recorded as compensation expense over the vesting period based on the fair value at the date the stock-based compensation is granted. The Company also adopted the disclosure provisions of SFAS No. 148 for the year ended December 31, 2002, and the related disclosures are included in Note 7 to the Consolidated Financial Statements.

On January 14, 2003, the Company completed an option exchange program. Officers of the company were able to exchange their current stock options at a ratio of two old options for one newly issued option. The new options have a strike price of \$8.31, the average of the high and low price of the Company's common stock on the award date of January 15, 2003. The compensation expense related to these new options will be amortized over a four-year vesting period using the fair value method of recording stock-based employee compensation. Certain other management employees of the Company were able to exchange their current stock options for phantom units at a ratio of three old options for one phantom unit. The compensation expense related to these phantom units will be recognized over the four-year vesting period, adjusted for the current period stock price, consistent with how phantom units have been expensed in the past. Total compensation expense related to the options issued under the exchange program described above is anticipated to be approximately \$3 million for the year ending December 31, 2003.

Recent Accounting Pronouncements. In June 2002, the FASB issued SFAS No. 146, *Accounting for Costs Associated with Disposal or Exit Activities*. SFAS No. 146 requires that a liability for a cost associated with exit or disposal activity be recognized when the liability is incurred, rather than when an entity commits to an exit plan. The Company adopted SFAS No. 146 on January 1, 2003. This new statement will change the timing of liability and expense recognition related to exit or disposal activities, but not the ultimate amount of such expenses.

In November 2002, the FASB issued FASB Interpretation ("FIN") No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*. FIN No. 45 requires certain guarantees to be recorded at fair value and to provide additional disclosures about each guarantee, or each group of similar guarantees. The Company has adopted the disclosure requirements for the period ending December 31, 2002 and will adopt the initial recognition and measurement provisions for guarantees issued or modified after December 31, 2002. See Note 11 to the Consolidated Financial Statements for the Company's disclosures concerning its guarantor obligations.

In January 2003, the FASB issued FIN No. 46, *Consolidation of Variable Interest Entities*. FIN No. 46 requires companies that control another entity through interests other than voting interests to consolidate the controlled entity. FIN No. 46 applies to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after January 31, 2003. For all variable interest entities created before February 1, 2003, the provisions are effective July 1, 2003. The Company is presently evaluating the impact of the new interpretation.

Other Information

Labor Agreements. Approximately 91% of the Company's employees are members of collective bargaining units. At December 31, 2002, all of the Company's union workers were under contract.

Facilities Consolidation. On October 15, 2002, the Company announced that it would close its Atlanta aircraft maintenance facility and its reservations center in Long Beach, California. Maintenance activity performed at the Atlanta facility was subsequently transferred to the Company's facilities in Minneapolis and Duluth. 385 of the 1,450 employees at the Atlanta maintenance facility that were eligible for transfer to other Northwest facilities chose not to transfer. The Long Beach reservations center closed in December, 2002. 150 Long Beach reservationists were eligible but elected not to transfer to the airline's six other reservations facilities, which will handle calls previously routed to Long Beach. In addition, Northwest closed three city ticket offices. As a result of these actions, approximately 100 management positions were eliminated in Atlanta and Long Beach. During the fourth quarter of 2002, the Company recorded a charge of \$17 million for severance costs related to these closures.

Alliances. In August 2002, the Company announced that it had signed a cooperative marketing agreement with Continental and Delta Air Lines, Inc. ("Delta"). The marketing agreement is designed to connect the three carriers' domestic and international networks and provide for code sharing, frequent flyer program reciprocity and reciprocal airport club programs. Northwest, Continental and Delta reached an agreement in January 2003 with the U.S. Department of Justice on conditions related to the marketing agreement and are prepared to accept most of the additional conditions that the U.S. Department of Transportation ("DOT") sought to impose. However, several of the DOT's

conditions were not acceptable to the three carriers. Northwest, Delta and Continental subsequently resubmitted their agreements to the DOT with alternative conditions under which the airlines are prepared to proceed. The DOT has issued a notice requesting comments on the revised agreements by March 18, 2003. The DOT has stated that the review period will end on April 2, 2003. In the event the conditions in dispute are not resolved, the DOT may elect to commence an enforcement proceeding if Northwest, Delta and Continental implement the marketing agreement. Northwest and KLM are also in discussions regarding mutual waivers of provisions in their joint venture agreement that are related to the full implementation of the marketing agreement.

WORLDSPAN. Northwest, Delta Air Lines, Inc. and AMR Corporation hold respective partnership interests of 33.7%, 40.0% and 26.3% in WORLDSPAN, a global Computer Reservations System. WORLDSPAN provides travel technology for travel suppliers, travel agencies, e-commerce sites and corporations worldwide. On March 3, 2003, an agreement was signed by Travel Transaction Processing Corporation, an entity formed by Citigroup Venture Capital Equity Partners L.P. and Teachers' Merchant Bank, to purchase WORLDSPAN from the three airline owners. This transaction, which is scheduled to be completed in mid-2003, is subject to financing, government approvals and various other closing conditions.

Item 7a. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The risks inherent in the Company's market-sensitive instruments and positions are the potential losses arising from adverse changes in the price of fuel, foreign currency exchange rates and interest rates, as discussed below. The sensitivity analyses presented do not consider the effects that such adverse changes may have on overall economic activity nor do they consider additional actions management may take to mitigate its exposure to such changes. Actual results may differ from the outcomes estimated in the analysis due to factors beyond the Company's control. See Note 14 to the Consolidated Financial Statements for accounting policies and additional information.

Aircraft Fuel. The Company's earnings are affected by changes in the price and availability of aircraft fuel. In order to provide a measure of control over near-term price and supply, the Company trades and ships fuel and maintains fuel storage facilities to support its flight operations. The Company also manages the price risk of fuel costs primarily utilizing futures contracts traded on regulated futures exchanges, swap agreements and options. Market risk is estimated using a hypothetical 10% increase in the December 31, 2002 cost per gallon of fuel, assuming projected 2003 fuel usage. Net of hedging, such change would result in an increase to aircraft fuel expense of approximately \$65 million in 2003, compared to an estimated \$118 million for 2002 measured at December 31, 2001. As of December 31, 2002, the Company had hedged approximately 71% and 60% of 2003 first quarter and full year fuel requirements, respectively, compared to 9% and 2% of the 2002 first quarter and full year requirements, respectively, at December 31, 2001.

Foreign Currency. The Company is exposed to the effect of foreign exchange rate fluctuations on the U.S. dollar value of foreign currency-denominated operating revenues and expenses. The Company's largest exposure comes from the Japanese yen. From time to time, the Company uses financial instruments to hedge its exposure to the Japanese yen. The result of a uniform 10% strengthening in the value of the U.S. dollar from December 31, 2002 levels relative to each of the currencies in which the Company's revenues and expenses are denominated would result in a decrease in operating income of approximately \$68 million for the year ending December 31, 2003, compared to an estimated decrease of \$25 million for 2002 measured at December 31, 2001. This sensitivity analysis was prepared based upon projected foreign currency-denominated revenues and expenses as of December 31, 2002 and 2001. The variance is due to the Company's foreign currency-denominated revenues exceeding its foreign currency-denominated expenses.

The Company also has foreign currency non-cash exposure. The result of a 10% weakening in the value of the U.S. dollar would result in an increase to other income caused by the remeasurement of net foreign currency-denominated assets as of December 31, 2002 of an estimated \$2 million in 2003 compared with an estimated decrease of \$12 million caused by the remeasurement of net foreign currency denominated liabilities at December 31, 2001. This sensitivity analysis was prepared based upon projected foreign currency-denominated assets and liabilities as of December 31, 2002 and 2001.

In 2002, the Company's yen-denominated net cash inflow was approximately 23 billion yen (approximately \$225 million) and its yen-denominated liabilities exceeded its yen-denominated assets by an average of 5 billion yen (approximately \$38 million) compared with 34 billion yen (approximately \$369 million) and 12 billion yen (approximately \$97 million), respectively, in 2001. In general, each time the yen strengthens (weakens), the Company's operating income is favorably (unfavorably) impacted due to net yen-denominated revenues exceeding expenses and a non-operating foreign currency loss (gain) is recognized due to the remeasurement of net yen-denominated liabilities. The Company's operating income in 2002 was unfavorably impacted by approximately \$85 million due to the average yen being weaker in 2002 compared to 2001 and unfavorably impacted in 2001 by approximately \$12 million due to the average yen being weaker in 2001 compared to 2000. The average yen to U.S. dollar exchange rate, including the impact of hedge activity, for the years ending December 31, 2002, 2001 and 2000 was 104, 92 and 104, respectively. The Japanese yen financial

instruments utilized to hedge net yen-denominated cash flows resulted in gains of \$31 million and \$85 million in 2002 and 2001, respectively. As of December 31, 2002, the Company had entered into forward contracts to hedge approximately 22% of its anticipated 2003 yen-denominated sales at an average rate of 114 yen per U.S. dollar, compared to 56% of 2002 sales hedged as of December 31, 2001.

Interest. The Company's earnings are also affected by changes in interest rates due to the impact those changes have on its interest income from cash equivalents and short-term investments and its interest expense from floating rate debt instruments. The Company's floating rate indebtedness was approximately 40% and 39% of the total long-term debt and capital lease obligations at December 31, 2002 and 2001, respectively. If long-term floating interest rates increased by 100 basis points during 2003 as compared to 2002, the Company's interest expense would increase by approximately \$28 million, compared to an estimated \$22 million for 2002 measured at December 31, 2001. If short-term interest rates increased by 100 basis points during 2003 as compared to 2002, the Company's interest income from cash equivalents and short-term investments would increase by approximately \$21 million compared to an estimated \$17 million for 2002 measured at December 31, 2001. These amounts are determined by considering the impact of the hypothetical interest rates on the Company's floating rate indebtedness, cash equivalent and short-term investment balances at December 31, 2002 and 2001.

Market risk for fixed-rate indebtedness is estimated as the potential increase in fair value resulting from a hypothetical 100 basis point decrease in interest rates and amounts to approximately \$113 million during 2003, compared to an estimated \$142 million for 2002 measured at December 31, 2001. The fair values of the Company's indebtedness were estimated using estimated or quoted market prices and discounted future cash flows based on the Company's incremental borrowing rates for similar types of borrowing arrangements.

Item 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

To the Stockholders and Board of Directors
Northwest Airlines Corporation

We have audited the accompanying consolidated balance sheets of Northwest Airlines Corporation as of December 31, 2002 and 2001, and the related consolidated statements of operations, common stockholders' equity (deficit), and cash flows for each of the three years in the period ended December 31, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit

includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Northwest Airlines Corporation at December 31, 2002 and 2001, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 1 to the consolidated financial statements, effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets".

ERNST & YOUNG LLP

Minneapolis, Minnesota
January 21, 2003

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NORTHWEST AIRLINES CORPORATION
CONSOLIDATED BALANCE SHEETS

(In millions)

	December 31	
	2002	2001
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,097	\$ 2,512
Restricted short-term investments	100	100
Accounts receivable, less allowance (2002-\$19; 2001-\$20)	663	532
Flight equipment spare parts, less allowance (2002-\$175; 2001-\$121)	230	273
Deferred income taxes	105	122
Maintenance and operating supplies	79	64
Prepaid expenses and other	236	207
	3,510	3,810
PROPERTY AND EQUIPMENT		
Flight equipment	8,031	7,015
Less accumulated depreciation	2,046	1,981
	5,985	5,034
Other property and equipment	1,946	1,886
Less accumulated depreciation	900	854
	1,046	1,032

Total property and equipment	7,031	6,066
FLIGHT EQUIPMENT UNDER CAPITAL LEASES		
Flight equipment	464	846
Less accumulated amortization	175	303
	<u> </u>	<u> </u>
Total flight equipment under capital leases	289	543
OTHER ASSETS		
Intangible pension asset	857	943
International routes, less accumulated amortization (2002-\$333; 2001-\$333)	634	634
Investments in affiliated companies	255	213
Other	713	766
	<u> </u>	<u> </u>
Total other assets	2,459	2,556
	<u> </u>	<u> </u>
Total Assets	\$ 13,289	\$ 12,975
	<u> </u>	<u> </u>

The accompanying notes are an integral part of these consolidated financial statements.

NORTHWEST AIRLINES CORPORATION

CONSOLIDATED BALANCE SHEETS

(In millions, except share data)

	<u>December 31</u>	
	<u>2002</u>	<u>2001</u>
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Air traffic liability	\$ 1,216	\$ 1,275
Accrued compensation and benefits	1,173	737
Accounts payable	652	691
Collections as agent	131	298
Accrued aircraft rent	261	253
Other accrued liabilities	493	476
Current maturities of long-term debt	281	223
Current obligations under capital leases	65	193
	<u> </u>	<u> </u>
Total current liabilities	4,272	4,146
LONG-TERM DEBT	6,250	4,828
LONG-TERM OBLIGATIONS UNDER CAPITAL LEASES	386	393

DEFERRED CREDITS AND OTHER LIABILITIES

Long-term pension and postretirement health care benefits	3,050	1,749
Deferred income taxes	135	965
Other	679	606
	3,864	3,320

MANDATORILY REDEEMABLE PREFERRED SECURITY OF SUBSIDIARY WHICH HOLDS SOLELY NON-RECOURSE OBLIGATION OF COMPANY—Note 5

(Redemption value 2002—\$587; 2001—\$530)	553	492
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PREFERRED REDEEMABLE STOCK

(Liquidation value 2002—\$226; 2001—\$228)	226	227
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COMMITMENTS AND CONTINGENCIES**COMMON STOCKHOLDERS' EQUITY (DEFICIT)**

Common stock, \$.01 par value; shares authorized—315,000,000; shares issued (2002—110,799,943; 2001—110,344,796)	1	1
Additional paid-in capital	1,455	1,451
Accumulated deficit	(1,316)	(518)
Accumulated other comprehensive income (loss)	(1,347)	(305)
Treasury stock (2002—24,999,959 shares; 2001—25,136,582 shares)	(1,055)	(1,060)
	(2,262)	(431)
Total Liabilities and Stockholders' Equity (Deficit)	\$ 13,289	\$ 12,975

The accompanying notes are an integral part of these consolidated financial statements.

NORTHWEST AIRLINES CORPORATION**CONSOLIDATED STATEMENTS OF OPERATIONS**

(In millions, except per share amounts)

	Year Ended December 31		
	2002	2001	2000
OPERATING REVENUES			
Passenger	\$ 8,025	\$ 8,417	\$ 9,653
Cargo	735	720	857
Other	729	768	730
	9,489	9,905	11,240

OPERATING EXPENSES

Salaries, wages and benefits	3,878	3,963	3,610
Aircraft fuel and taxes	1,439	1,727	1,872
Depreciation and amortization	903	690	617
Selling and marketing	803	1,004	1,200
Aircraft maintenance materials and repairs	576	669	640
Other rentals and landing fees	576	533	513
Aircraft rentals	460	447	423
Other	1,700	1,740	1,796
	<u> </u>	<u> </u>	<u> </u>
Total operating expenses	10,335	10,773	10,671
	<u> </u>	<u> </u>	<u> </u>

OPERATING INCOME (LOSS) (846) (868) 569

OTHER INCOME (EXPENSE)

Airline Stabilization Act funds	(27)	461	–
Interest expense	(427)	(369)	(350)
Interest capitalized	25	29	23
Interest of mandatorily redeemable preferred security holder	(25)	(25)	(27)
Investment income	46	66	62
Earnings of affiliated companies	37	(5)	92
Other, net	(3)	41	66
	<u> </u>	<u> </u>	<u> </u>
Total other income (expense)	(374)	198	(134)
	<u> </u>	<u> </u>	<u> </u>

INCOME (LOSS) BEFORE INCOME TAXES (1,220) (670) 435

Income tax expense (benefit) (422) (247) 179

NET INCOME (LOSS) (798) (423) 256

Preferred stock requirements – (1) (1)

NET INCOME (LOSS) APPLICABLE TO COMMON STOCKHOLDERS \$ (798) \$ (424) \$ 255

EARNINGS (LOSS) PER COMMON SHARE:

Basic	\$ (9.32)	\$ (5.03)	\$ 3.09
	<u> </u>	<u> </u>	<u> </u>
Diluted	\$ (9.32)	\$ (5.03)	\$ 2.77
	<u> </u>	<u> </u>	<u> </u>

The accompanying notes are an integral part of these consolidated financial statements.

NORTHWEST AIRLINES CORPORATION**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In millions)

	Year Ended December 31		
	2002	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	\$ (798)	\$ (423)	\$ 256
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	903	690	617
Income tax expense (benefit)	(422)	(247)	179
Net receipts (payments) of income taxes	122	(24)	(61)
Pension and other postretirement benefit contributions less than expense	139	189	72
Sale proceeds of frequent flyer miles less than revenue	(5)	(48)	(161)
Net loss (earnings) of affiliates	(37)	64	(65)
Other, net	128	46	(26)
Changes in certain assets and liabilities:			
Decrease (increase) in accounts receivable	(38)	102	(31)
Decrease (increase) in flight equipment spare parts	(14)	8	(2)
Decrease (increase) in supplies, prepaid expenses and other	(68)	79	(54)
Increase (decrease) in air traffic liability	(24)	16	(27)
Increase (decrease) in accounts payable	(46)	91	97
Increase (decrease) in other liabilities	(164)	220	43
Increase (decrease) in accrued liabilities	40	(117)	56
Net cash provided by (used in) operating activities	(284)	646	893
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(1,588)	(1,253)	(672)
Purchases of short-term investments	(334)	(205)	(194)
Proceeds from maturities of short-term investments	391	135	198
Proceeds from sale of property, equipment and other assets	15	602	97
Investments in affiliated companies and other, net	(36)	(9)	(8)
Net cash used in investing activities	(1,552)	(730)	(579)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of long-term debt	(201)	(152)	(1,268)
Payment of capital lease obligations	(58)	(65)	(60)
Payment of short-term borrowings	(2)	(1,261)	-
Proceeds from long-term debt	1,740	2,102	614
Proceeds from short-term borrowings	-	1,245	-
Proceeds from sale and leaseback transactions	136	84	387
Other, net	(194)	(50)	(43)
Net cash provided by (used in) financing activities	1,421	1,903	(370)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period	2,512	693	749
Cash and cash equivalents at end of period	\$ 2,097	\$ 2,512	\$ 693

Available to be borrowed under credit facilities	\$	1	\$	-	\$	1,116
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The accompanying notes are an integral part of these consolidated financial statements.

NORTHWEST AIRLINES CORPORATION
CONSOLIDATED STATEMENTS OF COMMON STOCKHOLDERS' EQUITY (DEFICIT)

(In millions)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
	Shares	Amount					
Balance January 1, 2000	109.6	\$ 1	\$ 1,454	\$ (349)	\$ (9)	\$ (1,149)	\$ (52)
Net income	-	-	-	256	-	-	256
Other comprehensive income	-	-	-	-	4	-	4
Comprehensive income, net of tax							260
Accretion of Series C Preferred Stock	-	-	-	(1)	-	-	(1)
Series C Preferred Stock converted to Common Stock	0.3	-	11	-	-	-	11
Common Stock held in rabbi trusts	-	-	(11)	-	-	19	8
Other	0.2	-	5	-	-	-	5
Balance December 31, 2000	110.1	1	1,459	(94)	(5)	(1,130)	231
Net loss	-	-	-	(423)	-	-	(423)
Other comprehensive loss	-	-	-	-	(300)	-	(300)
Comprehensive loss, net of tax							(723)
Accretion of Series C Preferred Stock	-	-	-	(1)	-	-	(1)
Series C Preferred Stock converted to Common Stock	0.2	-	6	-	-	-	6
Common Stock held in rabbi trusts	-	-	(16)	-	-	70	54
Other	-	-	2	-	-	-	2
Balance December 31, 2001	110.3	1	1,451	(518)	(305)	(1,060)	(431)
Net loss	-	-	-	(798)	-	-	(798)
Other comprehensive loss	-	-	-	-	(1,042)	-	(1,042)

Comprehensive loss, net of tax								(1,840)
Series C Preferred Stock converted to Common Stock	0.1	–	1	–	–	–	–	1
Common Stock held in rabbi trusts	–	–	(3)	–	–	–	5	2
Other	0.4	–	6	–	–	–	–	6
Balance December 31, 2002	110.8	\$ 1	1,455	\$ (1,316)	\$ (1,347)	\$ (1,055)	\$ (2,262)	

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1—Summary of Significant Accounting Policies

Basis of Presentation: Northwest Airlines Corporation ("NWA Corp.") is a holding company whose principal indirect operating subsidiary is Northwest Airlines, Inc. ("Northwest"). The consolidated financial statements include the accounts of NWA Corp. and all consolidated subsidiaries (collectively, the "Company"). All significant intercompany transactions have been eliminated. Investments in 20% to 50% owned companies, as well as Orbitz, LLC and NWA Funding II, LLC, are accounted for by the equity method. Other investments are accounted for by the cost method.

Certain prior year amounts have been reclassified to conform to the current year financial statement presentation.

Business: Northwest's operations comprise approximately 95% of the Company's consolidated operating revenues and expenses. Northwest is a major air carrier engaged principally in the commercial transportation of passengers and cargo, directly serving more than 175 cities in 24 countries in North America, Asia and Europe. Northwest's global airline network includes domestic hubs at Detroit, Minneapolis/St. Paul and Memphis, an extensive Pacific route system with a hub in Tokyo, a trans- Atlantic alliance with KLM Royal Dutch Airlines ("KLM"), which operates through a hub in Amsterdam, and a global alliance with Continental Airlines, Inc. ("Continental").

Flight Equipment Spare Parts: Flight equipment spare parts are carried at the lower of average cost or market and are expensed when consumed in operation. An allowance for depreciation is provided at rates which depreciate cost, less residual value, over the estimated useful lives of the related aircraft. Inventory sales at amounts greater or less than their carried values are recorded in a reserve account and therefore do not generate gain or loss recognition for income statement purposes.

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. Property and equipment are depreciated to residual values using the straight-line method over the estimated useful lives of the assets, which generally range from four to 25 years for flight equipment and three to 32 years for other property and equipment. Leasehold improvements are generally amortized over the remaining period of the lease or the estimated service life of the related asset, whichever is less. Property and equipment under capital leases are amortized over the lease terms or the estimated useful lives of the assets.

The Company accounts for certain airport leases under the Emerging Issues Task Force ("EITF") Issue No. 99-13, *Application of EITF Issue No. 97-10, The Effect of Lessee Involvement in Asset Construction, and FASB Interpretation No. 23, Leases of Certain Property Owned by a Governmental Unit or Authority, to Entities that Enter into Leases with Governmental Entities*, which requires the financing related to certain guaranteed airport construction projects committed to after September 23, 1999, to be recorded on the balance sheet. These capitalized

expenditures of \$201 million at December 31, 2002, are recorded in other property and equipment with the corresponding obligation included in long-term obligations under capital leases, and relate to airport improvements at Minneapolis-St. Paul, Memphis, Knoxville and Seattle.

Airframe and Engine Maintenance: Routine maintenance, airframe and engine overhauls are charged to expense as incurred, except engine overhaul costs covered by third-party maintenance agreements, which are accrued on the basis of hours flown. Modifications that enhance the operating performance or extend the useful lives of airframes or engines are capitalized and amortized over the remaining estimated useful life of the asset.

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International Routes and Goodwill: The Company's international routes result from the U.S.-Japan bilateral aviation agreement, which establishes rights to carry traffic between Japan and the U.S., and extensive "fifth freedom" rights from Japan to India, the South Pacific and other Asian destinations. "Fifth freedom" rights allow Northwest to operate service from any gateway in Japan to points beyond Japan and carry Japanese originating passengers. These rights have no termination date, and the Company has the supporting infrastructure (airport gates, slots and terminal facility leases) in place to operate air service to Japan from its U.S. hub and gateway airports indefinitely. The Company's goodwill balance of \$18 million relates solely to the 1997 purchase of Pinnacle Airlines. Through the end of 2001, the international routes and goodwill were amortized on a straight-line basis over 40 years.

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 142, *Goodwill and Other Intangible Assets*. SFAS No. 142 requires that companies test goodwill and indefinite lived intangible assets for impairment on an annual basis rather than amortize such assets. The Company adopted SFAS No. 142 on January 1, 2002, and as a result no longer amortizes its international routes and goodwill.

During the first quarter of 2002, the Company performed the impairment test of its international routes and found the fair value to be in excess of the carrying value. During the first quarter of 2003, an independent third party appraisal was conducted for the Company's annual impairment test of its international routes and found the fair value to be in excess of the carrying value. During the fourth quarter of 2002, the Company also completed its impairment test of goodwill and found the fair value to be in excess of the carrying value.

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The following table presents net income (loss) and earnings (loss) per share for comparable periods in 2002, 2001 and 2000 adjusted for amortization of goodwill and indefinite lived intangible assets, which are not tax effected since these expenses were not deductible for tax purposes:

	Twelve Months Ended December 31,		
	2002	2001	2000
	(in millions, except per share amounts)		
Reported net income (loss)	\$ (798)	\$ (423)	\$ 256
Goodwill amortization	-	1	1
International route amortization	-	23	23
Adjusted net income (loss)	<u>\$ (798)</u>	<u>\$ (399)</u>	<u>\$ 280</u>
Basic earnings per share:			
Reported earnings (loss) per common share	\$ (9.32)	\$ (5.03)	\$ 3.09

Goodwill amortization	-	0.01	0.01
International route amortization	-	0.28	0.28
Adjusted basic earnings (loss) per share	\$ (9.32)	\$ (4.74)	\$ 3.38

Diluted earnings per share:(1)

Reported earnings (loss) per common share	\$ (9.32)	\$ (5.03)	\$ 2.77
Goodwill amortization	-	0.01	0.01
International route amortization	-	0.28	0.25
Adjusted diluted earnings (loss) per share	\$ (9.32)	\$ (4.74)	\$ 3.03

- (1) For the twelve months ended December 31, 2002 and 2001, no incremental shares related to dilutive securities were used to calculate diluted earnings per share because of the anti-dilutive impact caused by inclusion of these securities. See Note 2 for additional information regarding earnings (loss) per share.

Impairment of Long-Lived Assets: The Company evaluates long-lived assets for potential impairment in compliance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. The Company records, in depreciation expense, impairment losses on long-lived assets used in operations when events and circumstances indicate the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than their carrying amounts. The current fair market value of the assets is determined by recent transactions involving sales of similar aircraft, outside appraisals, asset utilization, expected remaining useful lives, future market trends and projected salvage values to determine the fair market value of these assets. Impairment losses are measured by comparing the fair value of the asset to its carrying amount.

In December 2002, the Company revised its fleet plan, accelerating the retirement of nine Boeing 747-200 and 13 DC10-30 aircraft. The Company recorded non-cash impairment charges of \$352 million to reflect reductions in the estimated market values of certain aircraft, engines and related inventory in the fourth quarter of 2002. These charges consisted of \$294 million related to the aircraft, \$23 million write-down of spare engines, and \$35 million of related inventory.

In the third and fourth quarters of 2001, the Company recorded non-cash impairment charges of \$161 million to reflect reductions in the estimated market values of certain aircraft and related inventory due to reduced demand resulting from the events of September 11, 2001. The impairment charges consisted of a \$96 million write-down to the estimated market value of 25 Boeing 727 aircraft and five Boeing 747 freighter aircraft. The remaining \$65 million of impairment charges related to seven non-operating aircraft that had been stored for future sale, two DC9 aircraft and three Boeing 727 aircraft retired during 2001, and four Boeing 747-200 aircraft retired or scheduled to be retired by 2004. These impairment charges included \$9 million to write-down related spare parts to their estimated fair market value.

In December 2000, the Company accelerated the retirement of 21 DC10-40 and six DC10-30 aircraft in anticipation of the replacement of these aircraft with Airbus A330 and Boeing 757-300 aircraft. As a result, the Company recorded a non-cash fleet disposition charge of \$125 million in depreciation and amortization. The fleet disposition charge included a \$29 million write-down of related spare parts to their estimated fair market value.

Frequent Flyer Program: The estimated incremental cost of providing travel awards earned under Northwest's WorldPerks frequent flyer program is accrued and included in the accompanying consolidated balance sheets as air traffic liability. The Company also sells mileage credits to participating companies in its frequent flyer program. A portion of such revenue is deferred and amortized as transportation is provided.

Operating Revenues: Passenger and cargo revenues are recognized when the transportation is provided or the ticket expires unused. The air traffic liability represents the estimated value of sold but unused tickets and is regularly evaluated by the Company. Other revenues include MLT Inc. ("MLT"), transportation fees and charter revenues, and are recognized when the service or transportation is provided.

Advertising: Advertising costs, included in selling and marketing expenses, are expensed as incurred and were \$93 million, \$98 million and \$127 million in 2002, 2001, and 2000, respectively.

Employee Stock Options: As of December 31, 2002, the Company has stock option plans for officers and key employees of the Company. The Company accounted for those plans under the recognition and measurement principles of Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations. No stock-based employee compensation cost is reflected in the statement of operations, as all options granted under those plans have an exercise price equal to the market value of the underlying common stock on the date of grant.

In December 2002, the FASB issued SFAS No. 148, *Accounting for Stock-Based Compensation—Transition and Disclosure, an amendment of FASB Statement No. 123*. SFAS No. 148 amends SFAS No. 123, *Accounting for Stock-Based Compensation*, to provide alternative methods of transition for companies that voluntarily change to the fair value based method of accounting for stock-based compensation. It also amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and quarterly financial statements regarding the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The Company adopted the disclosure provisions of SFAS No. 148 for the year ended December 31, 2002. See Note 7 to the Consolidated Financial Statements for additional disclosure of the Company's stock options, including a table which illustrates the effect on net income and earnings per share if the

Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation.

Effective January 1, 2003, the Company adopted the fair value method of recording stock-based employee compensation contained in SFAS No. 123 and will account for this change in accounting principal using the "prospective method" as described by SFAS No. 148. All employee stock option grants made on or after January 1, 2003 will be recorded as compensation expense over the vesting period based on the fair value at the date the stock-based compensation is granted.

New Accounting Standards: In June 2002, the FASB issued SFAS No. 146, *Accounting for Costs Associated with Disposal or Exit Activities*. SFAS No. 146 requires that a liability for costs associated with exit or disposal activities be recognized when the liability is incurred, rather than when an entity commits to an exit plan. The Company adopted SFAS No. 146 on January 1, 2003. This new statement will change the timing of liability and expense recognition related to exit or disposal activities, but not the ultimate amount of such expenses.

In November 2002, the FASB issued FASB Interpretation ("FIN") No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*. FIN No. 45 requires certain guarantees to be recorded at fair value and to provide additional disclosures about each guarantee, or each group of similar guarantees. The Company has adopted the disclosure requirements of FIN No. 45 for the period ending December 31, 2002 and will adopt the initial recognition and measurement provisions for guarantees issued or modified after December 31, 2002. See Note 11 to the Consolidated Financial Statements for the Company's disclosures concerning its guarantor obligations.

In January 2003, the FASB issued FIN No. 46, *Consolidation of Variable Interest Entities*. FIN No. 46 requires that companies that control another entity through interests other than voting interests should consolidate the controlled entity. FIN No. 46 applies to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after January 31, 2003. For all variable interest entities created before February 1, 2003, the provisions are effective July 1, 2003. The Company is evaluating the impact of the new interpretation.

Foreign Currency: Assets and liabilities denominated in foreign currency are remeasured at current exchange rates with resulting gains and losses generally included in net income. The mandatorily redeemable preferred security (see Note 5) and other assets and liabilities associated with certain properties located outside of the U.S. whose cash flows are primarily in the local functional currency are translated at current exchange rates, with translation gains and losses recorded directly to accumulated other comprehensive income (loss), a component of common stockholders' equity (deficit).

Income Taxes: The Company accounts for income taxes utilizing the liability method. Deferred income taxes are primarily recorded to reflect the tax consequences of differences between the tax and financial reporting bases of assets and liabilities.

Use of Estimates: The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in its consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Note 2—Earnings (Loss) Per Share Data

The following table sets forth the computation of basic and diluted earnings (loss) per common share for the years ended December 31:

	2002	2001	2000
	(in millions, except share data)		
Numerator:			
Net income (loss) applicable to common stockholders for basic earnings (loss) per share	\$ (798)	\$ (424)	\$ 255
Effect of dilutive securities—Series C Preferred Stock	—	—	1
Net income (loss) applicable to common stockholders after assumed conversions for diluted earnings (loss) per share	\$ (798)	\$ (424)	\$ 256
Denominator:			
Weighted-average shares outstanding for basic earnings (loss) per share	85,655,786	84,280,222	82,629,233
Effect of dilutive securities:			
Series C Preferred Stock	—	—	6,941,938
Shares held in non-qualified rabbi trusts	—	—	2,183,978
Employee stock options	—	—	500,317
Adjusted weighted-average shares outstanding and assumed conversions for diluted earnings (loss) per share	85,655,786	84,280,222	92,255,466
Shares related to dilutive securities excluded because inclusion would be anti-dilutive	6,926,103	7,921,443	—

Note 3—Long-Term Debt and Short-Term Borrowings

Long-term debt as of December 31 consisted of the following (with interest rates as of December 31, 2002):

	<u>2002</u>	<u>2001</u>
	(in millions)	
Pass-through certificates due through 2022, 6.2% weighted-average rate(a)	\$ 1,651	\$ 820
Unsecured notes due 2004 through 2039, 8.7% weighted-average rate(b)	1,591	1,291
Equipment pledge notes due through 2019, 3.4% weighted-average rate(c)	1,103	654
Revolving Credit Facilities due 2005, 4.3%(d)	962	962
Secured notes due through 2009, 2.7% weighted-average rate	307	339
Aircraft notes due through 2016, 6.0% weighted-average rate	299	315
Sale-leaseback financing obligations due through 2020, 8.5% imputed rate(e)	221	219
NWA Trust No. 2 aircraft notes due through 2012, 9.8% weighted-average rate(f)	220	230
NWA Trust No. 1 aircraft notes due through 2006, 8.6% weighted-average rate(g)	117	141
Other	60	80
	<u>6,531</u>	<u>5,051</u>
Total debt		
Less current maturities	281	223
	<u>6,250</u>	<u>4,828</u>
Long-term debt		

- (a) In 1999, the Company completed public offerings of \$795 million in pass-through certificates to finance seven Airbus A320, 14 Airbus A319 and 14 AVRO RJ85 aircraft. In June 2000, the Company completed a public offering of \$522 million in pass-through certificates to finance 13 new Airbus A319 aircraft delivered in 2001 and to refinance six Boeing 757-200 aircraft delivered in 1996. In June 2001, the Company completed a public offering of \$581 million of pass-through certificates to finance or refinance the acquisition of 14 aircraft consisting of nine new Airbus A319 aircraft, three new Boeing 757-300 aircraft and two new Boeing 747-400 aircraft delivered between March and December 2002. In July 2001, the Company completed a public offering of \$396 million in European pass-through certificates to finance nine new Airbus A319 aircraft and five new Airbus A320 aircraft delivered between November 2001 and July 2002. In August 2002, the Company completed a pre-funded public offering of \$749 million of pass-through certificates to finance or refinance the acquisition of 11 new Airbus A319 aircraft, six new Boeing 757-300 aircraft and three new Airbus A330 aircraft scheduled to be delivered between October 2002 and December 2003.

The pre-funded cash proceeds from the pass-through certificates were deposited with an escrow agent and are not assets or direct obligations of, or guaranteed by, the Company and are therefore not included in the Consolidated Financial Statements. As aircraft are delivered or refinanced, the Company utilizes the cash proceeds to finance these aircraft as secured debt financing for ownership

or as non-recourse debt used for leveraged lease financing. If a leveraged lease is obtained for any aircraft (under which the aircraft would be acquired from the manufacturer, and

leased back by Northwest) the debt associated with the aircraft becomes part of the lease and will not be a direct obligation of the Company or Northwest. Lease obligations that qualify as operating leases under SFAS No. 13 are disclosed in Note 4 to the Consolidated Financial Statements.

At December 31, 2002, \$1.65 billion of the equipment notes underlying the pass-through certificates issued for 61 aircraft are direct obligations of Northwest. Interest on the pass-through certificates is payable semi-annually or quarterly. At December 31, 2002, \$668 million of the unused proceeds from pass-through certificates were held in escrow and are not recorded as an asset or direct obligation of NWA Corp. or Northwest.

- (b) In March 1997, the Company issued \$150 million of 8.375% notes due 2004 and \$100 million of 8.70% notes due 2007. In March 1998, the Company issued \$200 million of 7.625% notes due 2005 and \$200 million of 7.875% notes due 2008. In April 1999, the Company issued \$200 million of 8.52% notes due 2004. In August 1999, the Company completed the retail issuance of \$143 million of 9.5% senior unsecured quarterly interest bonds, maturing in 2039. These bonds may be redeemed by Northwest beginning in 2004 without penalty. In May 2001, the Company issued \$300 million of 8.875% notes due 2006. In March 2002, the Company issued \$300 million of 9.875% notes due 2007. Interest on each of these notes is payable semi-annually unless otherwise noted.
- (c) The equipment pledge notes include new financings completed during 2002 of \$492 million for the acquisition of six Airbus A319 aircraft and refinancing of three Boeing 757-200 aircraft, two Boeing 757-300 aircraft and the refinancing of three Boeing 747-400 aircraft (formerly held under capital leases). Interest on the notes is payable semi-annually or quarterly.
- (d) The Company's secured credit facilities consisted of a \$725 million revolving credit facility (\$12 million of which has been utilized to establish letters of credit), available until October 2005, and a \$250 million 364-day revolving credit facility, available until October 2003, which is renewable annually at the option of the lenders; however, to the extent any portion of the \$250 million facility is not renewed for an additional 364-day period, the Company may borrow up to the entire non-renewed portion of the facility and such borrowings would then mature in October 2005. This credit agreement is secured by the Company's Pacific route system and certain aircraft. On June 28, 2002, Standard & Poor's downgraded the rating on the Company's secured credit facilities to BB- from BB. With the change in credit rating, the interest rate on borrowings under these secured credit facilities increased 0.5%. As of December 31, 2002 borrowings under the \$725 million revolving credit facility bears interest at a variable rate equal to the six-month London Interbank Offered Rate ("LIBOR") plus 2.5% (4.25% at December 31, 2002) and borrowings under the \$250 million 364-day revolving credit facility bears interest at a variable rate equal to the four-month LIBOR plus 2.5% (4.33% at December 31, 2002). Commitment fees are payable by the Company on the unused portion of the revolving credit facilities at a variable rate equal to 0.5% per annum at December 31, 2002, and are not considered material.

The credit agreement contains certain financial covenants, including limitations on secured indebtedness (excluding secured indebtedness for new aircraft and airport facilities) and certain equity redemptions and dividends, as well as the requirement to maintain a certain level of liquidity.

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- (e) In March 1992, the Company completed agreements with the Minneapolis/St. Paul Metropolitan Airports Commission ("MAC") for the sale and leaseback of various corporate assets. The sale-leaseback agreements, which are accounted for as debt, call for increasing quarterly payments over a 30-year term and include a provision that gives the Company the option to repurchase the assets. The agreements with the MAC are part of a group of financing arrangements with the State of Minnesota and other government agencies.

In February 2002, the MAC refinanced the debt used to finance the MAC's original purchase of Northwest assets. The savings generated by this refinancing will be passed on to Northwest as reduced lease payments to the MAC. The Company's imputed interest rate related to these bonds is 8.458%.

- (f) In December 1994, the Company completed a structured aircraft financing transaction in which 13 Airbus A320 aircraft were transferred from Northwest (subject to existing indebtedness) to an owner trust (NWA Trust No. 2). A limited partnership, of which Northwest is the limited partner and Norbus, Inc. (an affiliate of Airbus Industrie A.I.E.) is the general partner, is the sole equity participant in the owner trust. All proceeds from the transaction were used to repay equipment pledge notes, which had previously been issued to finance the acquisition of these aircraft by Northwest. The aircraft were simultaneously leased back to Northwest.

Financing of \$352 million was obtained through the issuance of \$176 million of 9.25% Class A Senior Aircraft Notes, \$66 million of 10.23% Class B Mezzanine Aircraft Notes, \$44 million of 11.30% Class C Mezzanine Aircraft Notes and \$66 million of 13.875% Class D Subordinated Aircraft Notes. Substantially all of the Class D notes were repurchased by the Company in December 1997. The notes are payable semi-annually from rental payments made by Northwest under the lease of the aircraft and are secured by the aircraft subject to the lease as well as the lease itself.

- (g) In March 1994, Northwest consummated a financing transaction in which six Boeing 747-200 and four Boeing 757 aircraft were sold to an owner trust (NWA Trust No. 1) of which NWA Aircraft Finance, Inc., an indirect subsidiary of the Company, is the sole equity participant. A portion of the purchase price was financed through the issuance of \$177 million of 8.26% Class A Senior Aircraft Notes and \$66 million of 9.36% Class B Subordinated Aircraft Notes. The aircraft were simultaneously leased back to Northwest. The notes are payable semi-annually from rental payments made by Northwest under the lease of the aircraft and are secured by the aircraft subject to the lease as well as the lease itself.

Maturities of long-term debt for the five years subsequent to December 31, 2002 are as follows (in millions):

2003	\$	281
2004		623
2005		1,430
2006		563
2007		673

At December 31, 2002, the Company was in compliance with the covenants of all of its debt and lease agreements. Various assets, principally aircraft and route authorities, having an aggregate book value of \$5.89 billion at December 31, 2002, were pledged under various loan agreements.

The weighted-average interest rates on short-term borrowings outstanding at December 31 were 3.04%, 3.59% and 6.57% for 2002, 2001 and 2000, respectively.

Cash payments of interest, net of capitalized interest, aggregated \$421 million, \$307 million and \$312 million in 2002, 2001 and 2000, respectively.

Manufacturer debt financing utilized in connection with the acquisition of aircraft was \$25 million, \$21 million and \$254 million in 2002, 2001 and 2000, respectively. These amounts are considered non-cash transactions and are therefore excluded from proceeds from long-term debt and capital expenditures in the Consolidated Statements of Cash Flows. These amounts are included in the Consolidated Balance Sheets as long-term debt and flight equipment.

Note 4—Leases

The Company leases under noncancelable operating leases certain aircraft, space in airport terminals, land and buildings at airports, ticket, sales and reservations offices, and other property and equipment, which expire in various years through 2032. Certain aircraft and portions of facilities are subleased under noncancelable operating leases expiring in various years through 2032.

Rental expense for all operating leases for the years ended December 31 consisted of the following:

	<u>2002</u>	<u>2001</u>	<u>2000</u>
	(in millions)		
Gross rental expense	\$ 863	\$ 811	\$ 765
Sublease rental income	(145)	(129)	(110)
Net rental expense	<u>\$ 718</u>	<u>\$ 682</u>	<u>\$ 655</u>

At December 31, 2002, Northwest leased 126 of the 439 aircraft it operates. Of these, 18 were capital leases and 108 were operating leases. Base term lease expiration dates range from 2003 to 2009 for aircraft under capital leases, and from 2003 to 2025 for aircraft under operating leases. Northwest's aircraft leases can generally be renewed for terms ranging from one to eight years at rates based on the aircraft's fair market value at the end of the lease term. Of the 126 aircraft lease agreements, 116 provide Northwest with purchase options during the lease, at the end of the lease, or both, on terms that approximate fair market value.

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At December 31, 2002, future minimum lease payments under capital leases and noncancelable operating leases with initial or remaining terms of more than one year were as follows:

	<u>Capital Leases</u>	<u>Operating leases</u>	
		<u>Aircraft</u>	<u>Non-aircraft</u>
	(in millions)		
2003	\$ 99	\$ 582	\$ 160
2004	74	575	151
2005	64	565	139
2006	50	577	130
2007	51	577	120
Thereafter	583	4,703	1,245
	<u>921</u>	<u>7,579</u>	<u>1,945</u>
Less sublease rental income		369	33
Total minimum operating lease payments		<u>\$ 7,210</u>	<u>\$ 1,912</u>
Less amounts representing interest	470		
Present value of future minimum capital lease payments	451		
Less current obligations under capital leases	65		

Long-term obligations under capital leases	\$	386
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The above table includes operating leases for 51 aircraft operated by and subleased to Pinnacle Airlines, Inc. ("Pinnacle Airlines"), and 85 aircraft operated by and subleased to Mesaba Aviation, Inc. ("Mesaba"). Base term lease expiration dates for Northwest range from 2003 to 2021. These aircraft leases can generally be renewed by Northwest for terms ranging from one to eight years at rates based on the aircraft's fair market value at the end of the lease term.

Note 5—Mandatorily Redeemable Preferred Security of Subsidiary Which Holds Solely Non-Recourse Obligation of Company

In October 1995, the Company completed a restructuring of its yen-denominated non-recourse obligation secured by land and buildings the Company owns in Tokyo. A newly formed consolidated subsidiary of the Company (the "Subsidiary") entered into a Japanese business arrangement designated under Japanese law as a tokumei kumiai ("TK"). Pursuant to the TK arrangement, the holder of the non-recourse obligation restructured such obligation and then assigned title to and ownership of such obligation to the Subsidiary as operator under the TK arrangement in exchange for a preferred interest in the profits and returns of capital from the business of the Subsidiary (the "Preferred Security"). The restructured non-recourse obligation is the sole asset of the Subsidiary. As a result of this restructuring, the original holder of such non-recourse obligation ceased to be a direct creditor of the Company and the Company's obligation is reflected in the Company's Consolidated Balance Sheet as Mandatorily Redeemable Preferred Security of Subsidiary Which Holds Solely Non-Recourse Obligation of Company. Northwest Airlines Holdings Corporation has guaranteed the obligation of the Subsidiary to distribute payments on the Preferred Security pursuant to the TK arrangement if and to the extent payments are received by the Subsidiary.

The restructured obligation matures in three approximately equal annual installments due in 2005, 2006 and 2007. In addition to these installments, cash payments of interest and principal are made semi-annually throughout the term. The rate of interest varies from period to period and is capped at 6%. The obligation is non-recourse to the Company. The Company has the ability to transfer the land and buildings in full satisfaction of all Company obligations related to the financing.

The carrying value is being accreted over 12 years from October 1995 to the ultimate maturity value of 69.83 billion yen (\$587 million based on the December 31, 2002 exchange rate). Such accretion is included as a component of interest of mandatorily redeemable preferred security holder.

Note 6—Preferred Redeemable and Common Stock

Series C Preferred Stock: As part of labor agreements reached in 1993, NWA Corp. issued to trusts for the benefit of participating employees 9.1 million shares of a new class of Series C cumulative, voting, convertible, redeemable preferred stock, par value of \$.01 per share (the "Series C Preferred Stock"), and 17.5 million shares of Common Stock and provided the union groups with three positions on the Board of Directors. NWA Corp. has authorized 25 million shares of Series C Preferred Stock except as described below. The Series C Preferred Stock ranks senior to Common Stock with respect to liquidation and certain dividend rights. As long as the Common Stock is publicly traded, no dividends accrue on the Series C Preferred Stock. Each share of the Series C Preferred Stock is convertible at any time into 1.364 shares of Common Stock. As of December 31, 2002, 4.3 million shares of Series C Preferred Stock have been converted into Common Stock and the remaining 4.8 million shares outstanding are convertible into 6.6 million shares of Common Stock. During 2002, 30,845 shares of Series C Preferred Stock were converted into 42,071 shares of Common Stock.

The holders of outstanding Series C Preferred Stock have a "put right" in 2003 to require NWA Corp. to repurchase such shares for an amount (projected to be \$226 million at the August 1, 2003 put date) equal to the actual wage savings achieved under the 1993 labor agreement. NWA Corp. has the option to repurchase such shares in cash, by the issuance of additional Common Stock, or by the use of cash and stock. A decision to issue only additional Common Stock must be approved by a majority of the three directors elected by the holders of the Series C Preferred Stock. If NWA Corp. decides not to repurchase the Series C Preferred Stock, quarterly dividends will accrue beginning

August 1, 2003, at 12% per annum and the employee unions will receive three additional Board of Directors positions. If, on August 1, 2003, NWA Corp. decides not to repurchase the Series C Preferred Stock, on each succeeding quarter end date, NWA Corp. must use all "Available Cash", as defined, to effect partial repurchases of the Series C Preferred Stock. Any decision not to use all Available Cash to effect such partial purchases must be approved by a majority of the directors elected by the holders of the Series C Preferred Stock. The financial statement carrying value of the Series C Preferred Stock is being accreted over 10 years commencing August 1993 to the ultimate put price, and was \$226 million at December 31, 2002.

Common Stock: The Company was required to adopt the provisions of EITF Issue No. 97-14, *Accounting for Deferred Compensation Arrangements Where Amounts Earned are Held in a Rabbi Trust*, on September 30, 1998. As a result, the Company revised its consolidation of the assets and liabilities of the non-qualified rabbi trusts. The 4,401 and 141,021 shares of Common Stock as of December 31, 2002 and 2001, respectively, that are held in the trusts are recorded similar to treasury stock and the deferred compensation liability is recorded in other long-term liabilities. The Company elected to

record the difference between the market value of the common shares and the historical cost of the shares in the trusts at the date of adoption as a credit to common stockholders' equity (deficit), net of tax. After the adoption date, but prior to settlement through either contribution to qualified trusts or diversification, increases or decreases in the deferred compensation liability will be recognized in earnings to the extent the Common Stock market price exceeds the average historical cost of the shares of \$38.04 per share or falls below the September 30, 1998 price of \$25.06 per share, respectively. For the purpose of computing diluted earnings per share, the shares held by the rabbi trusts are considered potentially dilutive securities. The Company has classified the diversified assets held by the rabbi trusts as trading and recorded them at fair market value.

Stockholder Rights Plan: Pursuant to the Stockholder Rights Plan (the "Rights Plan"), each share of Common Stock has attached to it a right and, until the rights expire or are redeemed, each new share of Common Stock issued by NWA Corp., including the shares of Common Stock into which the Series C Preferred Stock is convertible, will include one right. Upon the occurrence of certain events, each right entitles the holder to purchase one one-hundredth of a share of Series D Junior Participating Preferred Stock at an exercise price of \$150, subject to adjustment. The rights become exercisable only after any person or group (other than the trusts holding Common Stock for the benefit of employees) acquires beneficial ownership of 19% or more (25% or more in the case of certain institutional investors) of NWA Corp.'s "outstanding" Common Stock (as defined in the Rights Plan) or commences a tender or exchange offer that would result in such person or group acquiring beneficial ownership of 19% or more (25% or more in the case of certain institutional investors) of NWA Corp.'s outstanding Common Stock. If any person or group acquires beneficial ownership of 19% or more (25% or more in the case of certain institutional investors) of NWA Corp.'s outstanding Common Stock, the holders of the rights (other than the acquiring person or group) will be entitled to receive, upon exercise of the rights, Common Stock of NWA Corp. having a market value of two times the exercise price of the right. In addition, if after the rights become exercisable NWA Corp. is involved in a merger or other business combination or sells more than 50% of its assets or earning power, each right will entitle its holder (other than the acquiring person or group) to receive common stock of the acquiring company having a market value of two times the exercise price of the rights. The rights expire on November 16, 2005 and may be redeemed by NWA Corp. at a price of \$.01 per right prior to the time they become exercisable.

Note 7—Stock Options

Stock Option Plan for Officers and Key Employees: As of December 31, 2002, NWA Corp. had stock option plans for officers and key employees of the Company. Options generally become exercisable in equal annual installments over four or five years and expire 10 years from the date of the grant. The Company accounted for those plans under the recognition and measurement principles of APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations. No stock-based employee compensation cost is reflected in the consolidated statement of operations, as all options granted under those plans have an exercise price equal to the market value of the underlying common stock on the date of grant.

The following table illustrates the effect on net income (loss) and earnings (loss) per share if the company had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation:

	Year Ended December 31		
	2002	2001	2000
	(in millions, except per share amounts)		
Net income (loss), as reported	\$ (798)	\$ (423)	\$ 256
Deduct: Total stock-based employee compensation expense determined under a fair value based method for all awards, net of tax.	(9)	(10)	(12)
Pro forma net income (loss)	\$ (807)	\$ (433)	\$ 244
Earnings (loss) per share:			
Basic—as reported	\$ (9.32)	\$ (5.03)	\$ 3.09
Basic—pro forma	\$ (9.43)	\$ (5.14)	\$ 2.95
Diluted—as reported	\$ (9.32)	\$ (5.03)	\$ 2.77
Diluted—pro forma	\$ (9.43)	\$ (5.14)	\$ 2.65

Following is a summary of stock option activity for the years ended December 31:

	2002		2001		2000	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
	(shares in thousands)					
Outstanding at beginning of year	8,757	\$ 25.40	6,235	\$ 29.94	5,067	\$ 31.79
Granted	218	7.33	3,454	17.98	1,959	25.05
Forfeited	(639)	28.93	(850)	29.61	(620)	33.67
Exercised	(413)	12.74	(82)	14.76	(171)	15.05
Outstanding at end of year	7,923	25.27	8,757	25.40	6,235	29.94
Exercisable at end of year	3,728	31.73	3,259	30.60	2,425	30.28
Reserved for issuance	21,815		21,815		16,806	
Available for future grants	7,570		7,150		5,613	

At December 31, 2002:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Shares	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price

(shares in thousands)

\$4.740 to \$25.125	5,014	7.8 years	\$ 18.75	1,425	\$ 22.08
25.406 to 39.375	2,231	5.6	33.46	1,654	34.36
40.188 to 64.406	678	4.9	46.63	649	46.23

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The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	2002	2001	2000
Weighted average risk-free interest rate	3.3%	4.5%	6.4%
Stock price volatility	40%	30%	30%
Expected lives in years	6	6	6

The weighted-average fair value of options granted during 2002, 2001 and 2000 is \$3.23, \$6.96 and \$10.77 per option, respectively.

Stock Option Plan for Pilots: In September 1998, in conjunction with the labor agreement reached between Northwest and the Air Line Pilots Association, International, NWA Corp. established the 1998 Pilots Stock Option Plan ("Pilot Plan"). The Company has reserved for issuance 2.5 million shares of Common Stock under the Pilot Plan.

Following is a summary of the Pilot Plan activity for the years ended December 31:

	2002		2001		2000	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
	(shares in thousands)					
Outstanding at beginning of year	2,486	\$ 25.58	1,987	\$ 27.08	1,497	\$ 26.81
Granted	–	–	500	19.62	500	27.88
Exercised	–	–	(1)	26.33	(10)	26.82
Outstanding at end of year	2,486	25.58	2,486	25.58	1,987	27.08

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	2001	2000
Weighted average risk-free interest rate	4.5%	6.4%
Stock price volatility	30%	30%
Expected lives in years	6	6

There were no options granted under the pilot plan in 2002. The weighted-average fair value of options granted during 2001 and 2000 is \$7.37 and \$11.56 per option, respectively. All outstanding options are exercisable at December 31, 2002 and the weighted-average remaining contractual life was 6.9 years.

Stock Incentive Plans: Shares of restricted stock were awarded at no cost to certain officers and key employees in 2002, 2001 and 2000. These shares are subject to forfeiture and will be issued when vested. Unearned compensation, representing the fair market value of the stock on the measurement date, is amortized over the four-year vesting period. As of December 31, 2002, 1,181,229 shares were outstanding and not vested.

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A long-term incentive performance plan was established in 2000 under which 503,600 phantom stock units were awarded to certain key officers. Phantom units were awarded to other management employees in 2002 and 2001 with 521,006 and 492,496 phantom stock units awarded, respectively. The performance plan units vest over three to five performance periods upon satisfaction of certain established performance standards. The phantom units vest over a four year period. Each unit represents the right to receive a cash payment equal to the market price of the Company's stock as defined in the plan. The average market price on the date of grant was between \$5.70 and \$18.45 for 2002, and \$24.55 and \$24.60 for the 2001 and 2000 grants, respectively.

Option Exchange Program: On January 14, 2003, the Company completed an option exchange program. Officers of the Company were able to exchange their current stock options at a ratio of two old options for one newly issued option. The new options have a strike price of \$8.31, the average of the high and low stock price of the Company's common stock on the award date of January 15, 2003. The compensation expense related to these new options will be amortized over a four-year vesting period using the fair value method of recording stock-based employee compensation. Certain other management employees of the Company were able to exchange their current stock options for phantom units at a ratio of three old options for one phantom unit. The compensation expense related to these phantom units will be recognized over the four-year vesting period, adjusted for the current period ending stock price consistent with how phantom units have been expensed in the past. Compensation expense related to stock options issued under this exchange program is anticipated to be approximately \$3 million for the year ending December 31, 2003. The Company has agreed to a similar option exchange program for outstanding awards under the stock option plan for pilots. Such an exchange program is contingent upon commencement of codesharing under the marketing agreement with Continental and Delta Air Lines, Inc.

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Note 8—Accumulated Other Comprehensive Income (Loss)

The following table sets forth information with respect to accumulated other comprehensive income (loss) ("OCI"):

	Foreign Currency Translation Adjustment	Deferred Gain (Loss) on Hedging Activities	Minimum Pension Liability Adjustment	OCI of Affiliated Companies	Unrealized Gain on Investments	Accumulated Other Comprehensive Income (Loss)
	(in millions)					
Balance at January 1, 2000	\$ (46)	\$ 31	\$ —	\$ (3)	\$ 9	\$ (9)
Before tax amount	11	3	(30)	13	9	6
Tax effect	(4)	(1)	11	(5)	(3)	(2)
Net-of-tax amount	7	2	(19)	8	6	4

<i>Balance at December 31, 2000</i>	(39)	33	(19)	5	15	(5)
Before tax amount	14	(3)	(452)	(8)	(23)	(472)
Tax effect	(5)	1	165	3	8	172
Net-of-tax amount	9	(2)	(287)	(5)	(15)	(300)
<i>Balance at December 31, 2001</i>	(30)	31	(306)	–	–	(305)
Before tax amount	(11)	(14)	(1,618)	–	–	(1,643)
Tax Effect	4	5	592	–	–	601
Net-of-tax amount	(7)	(9)	(1,026)	–	–	(1,042)
<i>Balance at December 31, 2002</i>	\$ (37)	\$ 22	\$ (1,332)	\$ –	\$ –	\$ (1,347)

Note 9—Income Taxes

Income tax expense (benefit) consisted of the following for the years ended December 31:

	<u>2002</u>	<u>2001</u>	<u>2000</u>
	(in millions)		
Current:			
Federal	\$ (218)	\$ (127)	\$ 57
Foreign	2	2	1
State	2	1	6
	<u>(214)</u>	<u>(124)</u>	<u>64</u>
Deferred:			
Federal	(185)	(94)	110
Foreign	(2)	(5)	(1)
State	(21)	(24)	6
	<u>(208)</u>	<u>(123)</u>	<u>115</u>
Total income tax expense (benefit)	<u>\$ (422)</u>	<u>\$ (247)</u>	<u>\$ 179</u>

Reconciliations of the statutory rate to the Company's income tax expense (benefit) for the years ended December 31 are as follows:

<u>2002</u>	<u>2001</u>	<u>2000</u>
-------------	-------------	-------------

(in millions)

Statutory rate applied to income (loss) before income taxes	\$ (427)	\$ (235)	\$ 152
Add (deduct):			
State income tax expense (benefit) net of federal benefit	(19)	(24)	7
Non-deductible meals and entertainment	7	10	11
Adjustment to valuation allowance and other income tax accruals	15	6	5
Other	2	(4)	4
	<u> </u>	<u> </u>	<u> </u>
Total income tax expense (benefit)	\$ (422)	\$ (247)	\$ 179
	<u> </u>	<u> </u>	<u> </u>

The net deferred tax liabilities listed below include a current net deferred tax asset of \$105 million and \$122 million and a long-term net deferred tax liability of \$135 million and \$965 million as of December 31, 2002 and 2001, respectively.

Significant components of the Company's net deferred tax liability as of December 31 were as follows:

	<u>2002</u>	<u>2001</u>
	(in millions)	
Deferred tax liabilities:		
Accounting basis of assets in excess of tax basis	\$ 1,784	\$ 1,781
Expenses other than accelerated depreciation and amortization	250	256
Other	10	9
	<u> </u>	<u> </u>
Total deferred tax liabilities	2,044	2,046
	<u> </u>	<u> </u>
Deferred tax assets:		
Expenses not yet deducted for tax purposes	365	371
Pension and postretirement benefits	995	405
Gains from the sale-leaseback of aircraft	124	154
Rent expense	95	93
Travel award programs	38	48
Leases capitalized for financial reporting purposes	29	41
Net operating loss carryforward	274	11
Foreign tax, general business and other credit carryforward	33	34
Alternative minimum tax credit carryforward	76	46
	<u> </u>	<u> </u>
Total deferred tax assets	2,029	1,203
Valuation allowance for deferred tax asset	(15)	-
	<u> </u>	<u> </u>
Net deferred tax assets	2,014	1,203
	<u> </u>	<u> </u>
Net deferred tax liability	\$ 30	\$ 843
	<u> </u>	<u> </u>

The Company has certain federal tax deferred assets available for use in the regular tax system or the alternative minimum tax ("AMT") system. The deferred assets available for utilization in the

regular system include: AMT credits of \$76 million, net operating loss carryforwards of \$688 million, general business credits of \$8 million and foreign tax credits of \$18 million. The deferred assets available for utilization in the AMT system are: net operating loss carryforwards of \$288 million and foreign tax credits of \$18 million. AMT credits available for use in the regular system have an unlimited carryforward period and all other deferred tax assets in both systems are available for carryforward to years beyond 2002, expiring in 2003 through 2022.

The Company also has the following deferred tax assets available at December 31, 2002 for use in certain states: net operating losses with tax benefit value of approximately \$33 million and state job credits of \$7 million available for carryforward to years beyond 2002, expiring in 2006 through 2022.

Under the provisions of SFAS No. 109, *Accounting for Income Taxes*, the realization of the future tax benefits of a deferred tax asset is dependent on future taxable income against which such tax benefits can be applied. All available evidence must be considered in the determination of whether sufficient future taxable income will exist. Such evidence includes, but is not limited to, the company's financial performance, the market environment in which the company operates, the utilization of past tax credits, and the length of relevant carryback and carryover periods. Sufficient negative evidence, such as cumulative net losses during a three-year period that includes the current year and the prior two years, may require that a valuation allowance be established with respect to existing and future deferred tax assets. The tax benefit recorded in 2002 includes a provision of \$15 million for tax credits that are expected to expire unused. As a result of the Company's cumulative losses over the past two fiscal years and the full utilization of its loss carryback potential, it is more likely than not that any future deferred tax assets would require a valuation allowance be recorded to fully reserve against the uncertainty that those assets would be realized.

On March 9, 2002, the Job Creation and Worker Assistance Act of 2002 ("the Act") was enacted. The Act provides, in part, an extension of the period for the carryback of net operating losses ("NOLs") arising in 2001 and 2002 from two years to five years. The Act also allows that Alternative Minimum Tax NOLs generated in either 2001 or 2002 can fully offset Alternative Minimum Taxable Income in the carryback period. These changes allowed the Company to claim a federal income tax refund of \$24 million and \$218 million related to the carryback of its 2001 and 2002 NOLs. As of December 31, 2002, the Company had a \$30 million net deferred tax liability that could be utilized against tax benefits generated by future pre-tax losses of approximately \$80 million at the Company's current statutory tax rate. Consequently, pre-tax losses above \$80 million are not expected to be reduced by the recognition of tax benefits associated with such losses.

Note 10—Commitments

The Company's firm orders for 62 new aircraft to be operated by Northwest consist of scheduled deliveries for 14 Airbus A330-300 aircraft from 2003 through 2008, ten Airbus A330-200 aircraft from 2004 through 2008, eight Airbus A320 aircraft from 2003 through 2006, 21 Airbus A319 aircraft from 2003 through 2006, and nine Boeing 757-300 aircraft in 2003. Included in these firm orders are two Airbus A320 and four Airbus A319 aircraft scheduled for delivery in 2004 and 2005, which were converted from options to firm orders in the first quarter of 2002. As of December 31, 2002, the Company also had firm orders for 78 Bombardier CRJ200/440 aircraft, which will be leased or subleased to and operated by Northwest Airlink regional carriers. The Company has the option to finance the CRJ200/440 aircraft through long-term operating lease commitments from the manufacturer, and if the manufacturer does not provide the financing, the Company is not required to take delivery of the aircraft.

Committed expenditures for these aircraft and related equipment, including estimated amounts for contractual price escalations and predelivery deposits, will be approximately \$1.79 billion in 2003, \$1.23 billion in 2004, \$1.19 billion in 2005, \$576 million in 2006, \$246 million in 2007 and \$232 million in 2008. Consistent with prior practice, the Company intends to finance its aircraft deliveries through a combination of internally generated funds, debt and long-term lease financings. Financing commitments available for use by the Company are in place for all of the aircraft on order.

Note 11—Contingencies

The Company is involved in a variety of legal actions relating to antitrust, contract, trade practice, environmental and other legal matters pertaining to the Company's business. While the Company is unable to predict the ultimate outcome of these legal actions, it is the opinion of management that the disposition of these matters will not have a material adverse effect on the Company's Consolidated Financial Statements taken as a whole.

Guarantees and Indemnifications: The Company is the lessee under many aircraft financing agreements and real estate leases. It is common in such transactions for the Company as the lessee to agree to indemnify the lessor and other related third parties for the manufacture, design, ownership, financing, use, operation and maintenance of the aircraft, and for tort liabilities that arise out of or relate to the Company's use or occupancy of the leased asset. In some cases, this indemnity extends to related liabilities arising from the negligence of the indemnified parties, but usually excludes any liabilities caused by their gross negligence or willful misconduct. Additionally, in the case of real estate leases, the Company typically indemnifies such parties for any environmental liability that arises out of or relates to the Company's use of the leased premises. The Company expects that it would be covered by insurance (subject to deductibles) for most tort liabilities and related indemnities described above with respect to leased real estate and operated aircraft.

The Company is the guarantor of approximately \$398 million of obligations related to tax-exempt facilities bonds issued by airports and/or airport commissions in Minneapolis/St. Paul, Detroit, Memphis, New York (JFK) and Duluth. These obligations are included in the future minimum lease payments listed in Note 4 to the Consolidated Financial Statements and payable solely from the Company's space rentals paid under long-term lease agreements with the respective governing bodies. The lease terms end between 2011 and 2029.

The Company guarantees \$89 million of residual value on four operating leased aircraft. The Company also guarantees the lease payments on eight aircraft leased by a non-consolidated affiliate. As of December 31, 2002, the total amount of future lease payments on these eight aircraft was \$34 million.

Note 12—Pension and Other Postretirement Health Care Benefits

The Company has several noncontributory pension plans covering substantially all of its employees. The benefits for these plans are based primarily on years of service and, in some cases, employee compensation. It is the Company's policy to annually fund at least the minimum contribution as required by the Employee Retirement Income Security Act of 1974. The Company did not make any excess contributions in 2002 or 2001. In 2000, the Company made contributions of \$36 million in excess of its minimum requirement.

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The Company sponsors various contributory and noncontributory medical, dental and life insurance benefit plans covering certain eligible retirees and their dependents. The expected future cost of providing such postretirement benefits is accrued over the service life of active employees. Retired employees are not offered Company-paid medical and dental benefits after age 64, with the exception of certain employees who retired prior to 1987 and receive lifetime Company-paid medical and dental benefits. Prior to age 65, the retiree share of the cost of medical and dental coverage is based on a combination of years of service and age at retirement. Medical and dental benefit plans are unfunded and costs are paid as incurred. The pilot group is provided Company-paid life insurance coverage in amounts which decrease based on age at retirement and age at time of death.

On May 11, 2001, the Company amended the pension plan of contract employees represented by the Aircraft Mechanics Fraternal Association ("AMFA"). The plan amendment resulted in a benefit level increase of 113% for mechanics and 84% for cleaners and custodians. The amended benefit increases are retroactive to participants who terminated after October 2, 1996 and to certain participants that retired after April 30, 1992, subject to specific criteria. The plan liability was remeasured as of June 30, 2001 at a discount rate of 7.9% and resulted in increases to pension expense on a prorated basis for 2001 of \$30 million and on an annual basis of \$59 million.

The following is a reconciliation of the beginning and ending balances of the benefit obligation and the fair value of plan assets:

Pension Benefits

Other Benefits

	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	(in millions)			
Change in benefit obligation:				
Benefit obligation at beginning of year	\$ 6,674	\$ 5,491	\$ 647	\$ 531
Service cost	218	188	26	19
Interest cost	503	451	51	40
Plan amendments	–	356	(128)	16
Actuarial loss and other	596	497	95	73
Benefits paid	(353)	(309)	(39)	(32)
	<u>7,638</u>	<u>6,674</u>	<u>652</u>	<u>647</u>
Change in plan assets:				
Fair value of plan assets at beginning of year	4,399	5,005	5	5
Actual return on plan assets	(548)	(370)	–	–
Employer contributions	192	73	39	32
Benefits paid	(353)	(309)	(39)	(32)
	<u>3,690</u>	<u>4,399</u>	<u>5</u>	<u>5</u>
Funded Status–underfunded	(3,948)	(2,275)	(647)	(642)
Unrecognized net actuarial loss	2,734	1,082	313	234
Unrecognized prior service cost	804	905	(81)	48
	<u>\$ (410)</u>	<u>\$ (288)</u>	<u>\$ (415)</u>	<u>\$ (360)</u>

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Amounts recognized in the Consolidated Balance Sheets as of December 31 were as follows:

	<u>Pension Benefits</u>		<u>Other Benefits</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	(in millions)			
Prepaid benefit costs	\$ 13	\$ 6	\$ –	\$ –
Intangible asset	857	943	–	–
Accrued benefit liability	(3,380)	(1,719)	(415)	(360)
Accumulated other comprehensive loss	2,100	482	–	–
	<u>\$ (410)</u>	<u>\$ (288)</u>	<u>\$ (415)</u>	<u>\$ (360)</u>

The Company's pension plans with accumulated benefit obligations in excess of plan assets as of December 31 were as follows:

	<u>2002</u>	<u>2001</u>
	(in millions)	
Projected benefit obligation	\$ 7,624	\$ 6,661

Accumulated benefit obligation	7,031	6,086
Fair value of plan assets	3,675	4,384

Weighted-average assumptions for pension and other benefits as of December 31 were as follows:

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Discount rate	6.75%	7.50%	7.85%
Rate of future compensation increase	3.60%	3.90%	3.90%
Expected long-term return on plan assets	10.50%	10.50%	10.50%

At December 31, 2002, the Company changed its assumed expected long-term rate of return on plan assets from 10.5% to 9.5%. This change will increase 2003 pension expenses, but does not impact any disclosures made as of December 31, 2002.

For measurement purposes, a 7.5% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2003. The rate was assumed to decrease 0.5% per year for five years to 5% in 2008 and remain at that level thereafter.

The components of net periodic cost of defined benefit plans included the following:

	<u>Pension Benefits</u>			<u>Other Benefits</u>		
	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
	(in millions)					
Service cost	\$ 218	\$ 188	\$ 149	\$ 26	\$ 19	\$ 14
Interest cost	503	451	397	51	40	32
Expected return on plan assets	(538)	(514)	(468)	–	–	(1)
Amortization of prior service cost	80	75	55	5	3	1
Recognized net actuarial loss and other events	46	31	1	12	6	2
Net periodic benefit cost	<u>\$ 309</u>	<u>\$ 231</u>	<u>\$ 134</u>	<u>\$ 94</u>	<u>\$ 68</u>	<u>\$ 48</u>

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Assumed health care cost trend rates have a significant impact on the amounts reported under other benefits, above, for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	<u>One-Percentage- Point Increase</u>	<u>One-Percentage- Point Decrease</u>
	(in millions)	
Effect on total of service and interest cost components	\$ 11	\$ (9)
Effect on accumulated postretirement benefit obligations	75	(65)

Note 13—Related Party Transactions

Continental Airlines, Inc.: On November 20, 1998, the Company issued 2.6 million shares of Common Stock and paid \$399 million in cash to acquire the beneficial ownership of approximately 8.7 million shares of Class A Common Stock of Continental. Northwest and Continental also entered into a 13-year global strategic commercial alliance that connects the two carriers' networks and includes extensive code-sharing (the joint designation of flights under the Northwest "NW" code and the Continental "CO" code), frequent flyer program

reciprocity and other cooperative activities. In connection with the Company's investment in Continental and Northwest's alliance with Continental, the Company entered into agreements with Continental which contained certain restrictions on the Company's ability to vote shares of Continental common stock, to acquire additional shares of Continental common stock and to affect the composition and conduct of Continental's Board of Directors for a 10-year period. Due to the restrictions in these agreements, the Company accounted for its investment under the equity method and recognized its interest in Continental's earnings on a one-quarter lag. The difference between the cost of the Company's investment and the proportionate share of the underlying equity of Continental of \$319 million was being amortized over 40 years.

On January 22, 2001, pursuant to an agreement reached in November 2000, (i) the Company sold to Continental approximately 6.7 million shares of the Continental Class A Common Stock held by the Company for \$450 million in cash; (ii) subsequently, Continental effected a recapitalization as a result of which the Company's remaining 2.0 million shares of Continental Class A Common Stock were converted into 2.6 million shares of Continental Class B Common Stock; (iii) the Company and Continental extended the term of their alliance agreement through 2025; and (iv) Continental issued to the Company a special series of preferred stock that gives the Company the right to block certain business combinations and similar change of control transactions involving Continental and a third-party major air carrier during the term of the alliance agreement. The preferred stock is subject to redemption by Continental in certain events, including a change of control of the Company. The Company also entered into a revised standstill agreement that contains certain restrictions on the Company's ability to vote and acquire additional shares of Continental common stock. In December 2000, the Company recorded a \$26 million loss in other non-operating income (expense) as a result of the sale of the 6.7 million Class A shares to Continental. At December 31, 2000, the remaining 2.6 million Class B shares were being accounted for as marketable securities and \$15 million was recorded in unrealized gains in accumulated other comprehensive income (loss). In February 2001, the Company sold the remaining 2.6 million Class B shares for \$132 million, as a result of which a pre-tax gain of \$27 million was recorded (\$11 million after tax or \$.13 per common share).

Mesaba Holdings, Inc.: The Company owns 27.8% of the common stock of Mesaba Holdings, Inc., the holding company of Mesaba, a Northwest Airliner carrier. The Company also has warrants to acquire Mesaba Holdings, Inc. common stock, none of which were in-the-money as of December 31, 2002. The Company accounts for its investment in Mesaba using the equity method.

Northwest and Mesaba signed a 10-year Airline Services Agreement ("ASA") effective July 1, 1997, under which Northwest determines Mesaba's commuter aircraft scheduling and fleet composition. The ASA is structured as a capacity purchase agreement under which Northwest pays Mesaba to operate the flights on Northwest's behalf and Northwest is entitled to all revenues associated with those flights. Under this agreement, Northwest paid Mesaba \$454 million, \$398 million and \$442 million for the years ended December 31, 2002, 2001 and 2000, respectively. These payments are recorded on a net basis as a reduction to passenger revenues. The Company had a payable to Mesaba of \$28 million and \$48 million as of December 31, 2002 and 2001, respectively. As of December 31, 2002, the Company has leased 49 Saab 340 aircraft, which are in turn subleased to Mesaba. In addition, as of December 31, 2002, the Company has leased 11 owned and subleased 25 leased AVRO regional jet aircraft to Mesaba under a Regional Jet Services Agreement consummated in October 1996.

Worldspan: The Company owns a 33.7% interest in WORLDSPAN, L.P., an affiliate that provides computer reservations services, which it accounts for using the equity method.

NWA Funding, LLC ("NWF"): In December 1999, a Receivables Purchase Agreement was executed by Northwest, NWF, a wholly-owned, non-consolidated subsidiary of the Company, and a certain third-party purchaser (the "Purchaser") pursuant to a securitization transaction. The amount of loss recognized related to receivables securitized at December 31, 2001, was not material. NWF maintained a variable undivided interest in these receivables and was subject to losses on its share of the receivables and, accordingly, maintained an allowance for doubtful accounts. The agreement was a five-year \$85 million revolving receivables purchase facility, renewable annually for five years at the option of the Purchaser, allowing Northwest to sell additional receivables to NWF and NWF to sell variable undivided interests in these receivables to the Purchaser. The fair value of securitized receivables was estimated from the anticipated future cash flows. The Company recorded the discount on the sale of receivables and its interest in NWF's earnings in other non-operating income (expense). The agreement provided for early termination upon the occurrence of certain events, including high passenger refunds as a percentage of sales

and a downgrade in the Company's unsecured credit rating, both of which occurred following the events of September 11, 2001. As a result, on January 3, 2002, the facility was paid in full and terminated.

NWA Funding II, LLC ("NWA Funding"): During June 2002, a Receivables Purchase Agreement was executed by Northwest, NWA Funding, a wholly-owned, non-consolidated subsidiary of the Company, and third party purchasers (the "Purchasers"). The agreement is a 364-day, up to \$100 million revolving receivables purchase facility, renewable annually for five years at the option of the Purchasers, that allows NWA Funding to sell variable undivided interests in account receivables acquired from Northwest to the Purchasers. NWA Funding pays a yield to the Purchasers equal to the rate on A1/F1 commercial paper plus a program fee.

During the second quarter of 2002, NWA Funding sold an initial undivided interest in such receivables to the Purchasers for \$65 million, subject to specified collateral requirements. The amount of loss recognized related to receivables securitized at December 31, 2002 was not material. NWA

Funding retains a variable undivided interest in these receivables and is subject to losses on its share of the receivables and, accordingly, maintains an allowance for doubtful accounts.

The agreement provides for early termination upon the occurrence of certain events including, among others, a strike event causing a significant schedule reduction for seven consecutive days, failure to maintain a minimum liquidity requirement of \$1.10 billion as of the last day of any fiscal quarter, or the Company's failure to meet minimum credit ratings (defined as any two of the following three events: (i) S&P's "Long Term Local Issuer Credit" rating below a B credit rating, (ii) Moody's "Senior Implied" rating below a B2 credit rating, or (iii) Fitch's "Senior Unsecured Debt" rating below a B credit rating).

The Company is the sole owner of NWA Funding, which is accounted for under the equity method and not consolidated. NWA Funding purchases accounts receivable on a non-recourse basis from the Company and sells an undivided interest in substantially all of those receivables to the Purchasers pursuant to a securitization transaction. Under the terms of this arrangement, the Company surrenders control over the receivables sold to NWA Funding, having met all of the conditions of SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. SFAS No. 140 requires a qualifying special purpose entity ("SPE") to be demonstrably distinct from the transferor and also requires its permitted activities to be significantly limited, specific, and not easily changed as established in its legal documents; in addition, the entity may hold only financial assets transferred to it that are passive in nature. SFAS No. 140 directs that NWA Funding not be consolidated into the Company's financial statements since it meets these qualifying special purpose entity requirements.

Orbitz: The Company owns a 15.6% interest in Orbitz LLC, an affiliate that provides a travel Web site for consumers providing airfares, rental cars, hotel rooms and other travel related services. Orbitz is a corporate joint venture owned by five airlines as a separate and specific business for the mutual benefit of those airlines. Additionally, the Company participates in the management of Orbitz through its membership on the board of directors, holding two out of eleven total board seats. The Company accounts for its investment in Orbitz under the equity method in accordance with Accounting Principles Board Opinion 18, which directs that investments in common stock of corporate joint ventures be accounted for under the equity method of accounting. During 2002, the Company recognized \$3 million of losses, which represents its share of Orbitz losses.

Note 14—Risk Management and Financial Instruments

The Company adopted SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, which requires the Company to recognize all derivatives on the balance sheet at fair value. The Company uses derivatives as cash flow hedges to manage the price risk of fuel and its exposure to foreign currency fluctuations. SFAS No. 133 requires that for cash flow hedges, which hedge the exposure to variable cash flows of a forecasted transaction, the effective portion of the derivative's gain or loss be initially reported as a component of other comprehensive income (loss) in the equity section of the balance sheet and subsequently reclassified into earnings when the forecasted transaction affects earnings. The ineffective portion of the derivative's gain or loss is reported in earnings immediately.

Risk Management: The Company principally uses derivative financial instruments to manage specific risks and does not hold or issue them for trading purposes. The notional amounts of financial instruments summarized below did not represent amounts exchanged between parties and, therefore, are not a measure of the Company's exposure resulting from its use of derivatives.

Foreign Currency: The Company is exposed to the effect of foreign exchange rate fluctuations on the U.S. dollar value of foreign currency-denominated operating revenues and expenses. The Company's largest exposure comes from the Japanese yen. In 2002, the Company's yen-denominated net cash inflow was approximately 23 billion yen (\$225 million).

The Company uses forward contracts, collars or put options to hedge a portion of its anticipated yen-denominated sales. The changes in market value of such instruments have historically been highly effective at offsetting exchange rate fluctuations in yen-denominated sales. At December 31, 2002, the Company recorded \$4 million of unrealized gains in accumulated other comprehensive income (loss) as a result of forward contracts to sell 21.25 billion yen (\$187 million) at an average forward rate of 114 yen per dollar with various settlement dates through December 2003. These forward contracts hedge approximately 22% of the Company's anticipated 2003 yen-denominated sales. Hedging gains or losses are recorded in revenue when transportation is provided. The Japanese yen financial instruments utilized to hedge net yen-denominated cash flows resulted in gains of \$31 million, \$85 million and \$23 million in 2002, 2001 and 2000, respectively.

Counterparties to these financial instruments expose the Company to credit loss in the event of nonperformance, but the Company does not expect any of the counterparties to fail to meet their obligations. The amount of such credit exposure is generally the unrealized gains, if any, in such contracts. To manage credit risks, the Company selects counterparties based on credit ratings, limits exposure to a single counterparty and monitors the market position with each counterparty. It is the Company's policy to participate in foreign currency hedging transactions with a maximum span of 25 months.

Aircraft Fuel: The Company is exposed to the effect of changes in the price and availability of aircraft fuel. In order to provide a measure of control over price and supply, the Company trades and ships fuel and maintains fuel storage facilities to support its flight operations. To further manage the price risk of fuel costs, the Company primarily utilizes futures contracts traded on regulated futures exchanges, swap agreements and options. The changes in market value of such contracts have historically been highly effective at offsetting fuel price fluctuations. It is the Company's policy to participate in hedging transactions with a maximum span of 18 months.

As of December 31, 2002, the Company had \$22 million of unrealized gains (net of \$5 million of hedging ineffectiveness recorded in fuel expense for the year ended December 31, 2002) in accumulated other comprehensive income (loss) as a result of the fuel hedge contracts. Such gains, if realized, will be recorded in fuel expense when the related fuel inventory is utilized. As of December 31, 2002, the Company had hedged approximately 71% and 60% of its first quarter 2003 and full year 2003 fuel requirements, respectively, in the form of futures contracts traded on regulated futures exchanges, swaps, and options to secure ongoing operating supplies.

Interest Rates: The Company used financial instruments to hedge its exposure to interest rate market fluctuations prior to pricing pass-through certificates issued in 2000 and 2001. Additionally, the Company used financial instruments to hedge its exposure to interest rate fluctuations on the interest rate resets on A320 aircraft financing during the fourth quarter of 2001. As of December 31, 2002, the Company had \$4 million of unrealized losses in accumulated other comprehensive income (loss) which is amortized over the term of the related obligations.

priceline.com: During 1999, the Company entered into agreements with priceline.com, Inc. to provide ticket inventory for sale through priceline.com's Internet site. As part of the agreements, the

Company received warrants for 2,062,500 shares with various vesting requirements. During 1999, the Company exercised 312,500 warrants to purchase 296,354 shares, which were recorded as available for sale investments at December 31, 1999. During 2000, the Company sold its shares outstanding from 1999, additional shares converted from warrants exercised during 2000 and a portion of its remaining warrants for a combined gain of \$58 million (\$36 million after tax or \$0.40 per diluted share). During 2001, the remaining 625,000 warrants were sold for a nominal gain.

Fair Values of Financial Instruments: Cash equivalents are carried at cost and consisted primarily of unrestricted money market funds as of December 31, 2002. These instruments approximate fair value due to their short maturity.

The Company classifies investments with a remaining maturity of more than three months on their acquisition date that are expected to be sold or called by the issuer within the next year, and those temporarily restricted, as short-term investments. The carrying values of such investments approximate fair value due to their short maturity. Restricted short-term investments consist primarily of money market funds. During 2002 and 2001, there were no purchases or sales of short-term investments classified as available-for-sale securities.

The financial statement carrying values and estimated fair values of the Company's financial instruments, including current maturities, as of December 31 were:

	2002		2001	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(in millions)			
Long-Term Debt	\$ 6,531	\$ 5,496	\$ 5,051	\$ 4,692
Mandatorily Redeemable Preferred Security of Subsidiary	553	579	492	513
Series C Preferred Stock	226	217	227	202

The fair values of the Company's long-term debt were estimated using quoted market prices, where available. For long-term debt not actively traded and the Preferred Security, fair values were estimated using discounted cash flow analyses, based on the Company's current incremental borrowing rates for similar types of securities. The fair value of the Series C Preferred Stock shares was estimated using current market value of the Common Stock and the Black-Scholes option pricing model.

Note 15—Segment Information

The Company is managed as one cohesive business unit, of which revenues are derived primarily from the commercial transportation of passengers and cargo. Operating revenues from flight segments serving a foreign destination are classified into the Pacific or Atlantic regions, as appropriate. The following table shows the operating revenues for each region for the years ended December 31:

	2002	2001	2000
	(in millions)		
Domestic	\$ 6,410	\$ 6,726	\$ 7,459
Pacific, principally Japan	2,043	2,144	2,650
Atlantic	1,036	1,035	1,131
Total operating revenues	\$ 9,489	\$ 9,905	\$ 11,240

The Company's tangible assets consist primarily of flight equipment, which are utilized across geographic markets and therefore have not been allocated.

Note 16—Quarterly Financial Data (Unaudited)

Unaudited quarterly results of operations for the years ended December 31 are summarized below:

	<u>1st Quarter</u>	<u>2nd Quarter</u>	<u>3rd Quarter</u>	<u>4th Quarter</u>
	(in millions, except per share amounts)			
2002:				
Operating revenues	\$ 2,180	\$ 2,406	\$ 2,564	\$ 2,339
Operating income (loss)	(196)	(46)	8	(612)
Net loss	\$ (171)	\$ (93)	\$ (46)	\$ (488)
<i>Basic loss per common share</i>	\$ (2.01)	\$ (1.08)	\$ (0.55)	\$ (5.68)
<i>Diluted loss per common share</i>	\$ (2.01)	\$ (1.08)	\$ (0.55)	\$ (5.68)
2001:				
Operating revenues	\$ 2,611	\$ 2,715	\$ 2,594	\$ 1,985
Operating loss	(236)	(36)	(155)	(441)
Net income (loss)	\$ (171)	\$ (55)	\$ 19	\$ (216)
<i>Basic earnings (loss) per common share</i>	\$ (2.05)	\$ (0.65)	\$ 0.22	\$ (2.55)
<i>Diluted earnings (loss) per common share</i>	\$ (2.05)	\$ (0.65)	\$ 0.20	\$ (2.55)

The sum of the quarterly earnings per share amounts may not equal the annual amount reported since per share amounts are computed independently for each quarter and for the full year based on respective weighted-average common shares outstanding and other dilutive potential common shares.

Note 17—Subsequent Events (Unaudited)

Pinnacle Airlines: Pinnacle Airlines Corp. was incorporated in Delaware on January 10, 2002 for the sole purpose of becoming a holding company of Pinnacle Airlines. In November 2002, the Company submitted an application to the Department of Labor to permit the Company to contribute common stock of Pinnacle Airlines Corp. to the Company's pension plans in lieu of making certain required contributions in cash. In January 2003, the Department of Labor issued a proposed prohibited transaction exemption that would allow the Company to contribute common stock of Pinnacle Airlines Corp. to satisfy a portion of the contribution requirements to Northwest's pension plans in 2003 and 2004. The proposed prohibited transaction exemption contemplates that the pension plans will have the right at any time to require the Company to repurchase the shares for cash equal to the greater of the original purchase price or the then market value of such shares. In anticipation of receiving this exemption, on January 14, 2003, the Company transferred all of the outstanding stock of Pinnacle Airlines to Pinnacle Airlines Corp. in exchange for all of the outstanding common stock of Pinnacle Airlines Corp. and one share of Series A preferred stock of Pinnacle Airlines Corp. Pinnacle Airlines Corp. then issued a dividend to Northwest consisting of a \$200 million seven year note from Pinnacle Airlines that bears interest at 3.4%. The Note is subject to accelerated payment terms if Pinnacle Airlines Corp.'s cash balance exceeds certain levels. The Company then contributed 1.9 million shares, or 12.9%, of the Pinnacle Airlines Corp. common stock to its pension plans to satisfy certain scheduled funding requirements.

Effective March 1, 2002, the Company entered into a new ASA with Pinnacle Airlines. The new ASA is a capacity purchase agreement, similar to the agreement previously held with Pinnacle Airlines, under which Pinnacle Airlines operates flights on behalf of the Company and is compensated at

specified rates for each completed block hour and cycle, as well as for specified fixed costs based on the size of its fleet. The Company also reimburses Pinnacle Airlines for specified expenses, such as fuel and aviation insurance. The Company continues to control the scheduling, pricing, reservations, ticketing, and seat inventories and is entitled to all revenues associated with the operation of Pinnacle Airlines' aircraft under the new ASA.

Excluding the actual results of operations of Pinnacle Airlines, the Company's net income (loss) would have been \$(829) million, \$(437) million and \$247 million for 2002, 2001, and 2000, respectively.

Worldspan. On March 3, 2003, an agreement was signed by Travel Transaction Processing Corporation, an entity formed by Citigroup Venture Capital Equity Partners L.P. and Teachers' Merchant Bank, to purchase Worldspan from Northwest, Delta Air Lines, Inc. and AMR Corporation, the three airline owners. This transaction, which is scheduled to be completed in mid-2003, is subject to financing, government approvals and various other closing conditions.

Note 18—Condensed Consolidating Financial Statements

The following tables present condensed consolidating financial information for: (i) Northwest, the principal indirect subsidiary of NWA Corp., the holding company, (ii) on a combined basis, NWA Corp. and all other subsidiaries of NWA Corp., and (iii) NWA Corp. on a consolidated basis. The principal consolidating adjusting entries eliminate investments in subsidiaries and inter-company balances and transactions.

Condensed Consolidating Statements of Operations for the years ended December 31:

	<u>Northwest</u>	<u>Other Subsidiaries</u>	<u>Consolidating Adjustments</u>	<u>NWA Corp. Consolidated</u>
	(in millions)			
2002:				
Operating revenues	\$ 8,988	\$ 718	\$ (217)	\$ 9,489
Operating expenses	9,836	702	(203)	10,335
Operating income (loss)	(848)	16	(14)	(846)
Other income (expense)	(418)	(2,333)	2,377	(374)
Loss before income taxes	(1,266)	(2,317)	2,363	(1,220)
Income tax expense (benefit)	(458)	36	—	(422)
Net loss	\$ (808)	\$ (2,353)	\$ 2,363	\$ (798)

2001:

Operating revenues	\$ 9,445	\$ 639	\$ (179)	\$ 9,905
Operating expenses	10,346	592	(165)	10,773
Operating income (loss)	(901)	47	(14)	(868)
Other income (expense)	150	(1,284)	1,332	198
Loss before income taxes	(751)	(1,237)	1,318	(670)
Income tax expense (benefit)	(267)	20	–	(247)
Net loss	\$ (484)	\$ (1,257)	\$ 1,318	\$ (423)

2000:

Operating revenues	\$ 10,844	\$ 615	\$ (219)	\$ 11,240
Operating expenses	10,290	586	(205)	10,671
Operating income	554	29	(14)	569
Other income (expense)	(215)	821	(740)	(134)
Income before income taxes	339	850	(754)	435
Income tax expense	138	41	–	179
Net income	\$ 201	\$ 809	\$ (754)	\$ 256

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Condensed Consolidating Statements of Cash Flows for the years ended December 31:

	<u>Northwest</u>	<u>Other Subsidiaries</u>	<u>Consolidating Adjustments</u>	<u>NWA Corp. Consolidated</u>
	(in millions)			
2002:				
Net cash flows from operating activities	\$ (442)	\$ 158	\$ –	\$ (284)
Net cash flows from investing activities	(1,546)	2	(8)	(1,552)
Net cash flows from financing activities	1,551	(138)	8	1,421
Increase (decrease) in cash and cash equivalents	(437)	22	–	(415)
Cash and cash equivalents at beginning of period	2,471	41	–	2,512
Cash and cash equivalents at end of period	\$ 2,034	\$ 63	\$ –	\$ 2,097
2001:				
Net cash flows from operating activities	\$ 477	\$ 169	\$ –	\$ 646
Net cash flows from investing activities	(1,291)	569	(8)	(730)
Net cash flows from financing activities	2,627	(732)	8	1,903
Increase (decrease) in cash and cash equivalents	1,813	6	–	1,819
Cash and cash equivalents at beginning of period	659	34	–	693

Cash and cash equivalents at end of period	\$ 2,472	\$ 40	\$ -	\$ 2,512
2000:				
Net cash flows from operating activities	\$ 783	\$ 110	\$ -	\$ 893
Net cash flows from investing activities	(540)	(32)	(7)	(579)
Net cash flows from financing activities	(319)	(58)	7	(370)
Increase (decrease) in cash and cash equivalents	(76)	20	-	(56)
Cash and cash equivalents at beginning of period	735	14	-	749
Cash and cash equivalents at end of period	\$ 659	\$ 34	\$ -	\$ 693

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Condensed Consolidating Balance Sheets as of December 31, 2002:

	<u>Northwest</u>	<u>Other Subsidiaries</u>	<u>Consolidating Adjustments</u>	<u>NWA Corp. Consolidated</u>
	(in millions)			
Assets				
Current Assets				
Cash, cash equivalents and restricted short-term investments	\$ 2,104	\$ 93	\$ -	\$ 2,197
Accounts receivable, net	428	235	-	663
Other current assets	515	203	(68)	650
Total current assets	3,047	531	(68)	3,510
Property and Equipment	6,751	280	-	7,031
Flight Equipment Under Capital Leases	289	-	-	289
Other Assets	2,288	(4,257)	4,428	2,459
Total Assets	\$ 12,375	\$ (3,446)	\$ 4,360	\$ 13,289
Liabilities and Stockholders' Equity				
Current Liabilities				
Air traffic liability	\$ 1,154	\$ 80	\$ (18)	\$ 1,216
Accounts payable and other liabilities	2,686	74	(50)	2,710
Current maturities of long-term debt and capital lease obligations	318	28	-	346
Total current liabilities	4,158	182	(68)	4,272
Long-Term Debt and Capital Lease Obligations	6,401	235	-	6,636
Pension and Postretirement Benefits	3,050	-	-	3,050
Deferred Income Taxes	-	135	-	135
Other Liabilities	657	62	(40)	679
Mandatorily Redeemable Preferred Security	553	-	-	553
Preferred Redeemable Stock	-	226	-	226
Common Stockholders' Equity	(2,444)	(4,286)	4,468	(2,262)

Total Liabilities and Stockholders' Equity	\$ 12,375	\$ (3,446)	\$ 4,360	\$ 13,289
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Condensed Consolidating Balance Sheets as of December 31, 2001:

	<u>Northwest</u>	<u>Other Subsidiaries</u>	<u>Consolidating Adjustments</u>	<u>NWA Corp. Consolidated</u>	
	(in millions)				
Assets					
Current Assets					
Cash, cash equivalents and restricted short-term investments	\$ 2,538	\$ 74	\$ -	\$ 2,612	
Accounts receivable, net	386	146	-	532	
Other current assets	519	180	(33)	666	
	Total current assets	3,443	400	(33)	3,810
Property and Equipment	5,724	342	-	6,066	
Flight Equipment Under Capital Leases	543	-	-	543	
Other Assets	2,370	2,169	(1,983)	2,556	
	Total Assets	\$ 12,080	\$ 2,911	\$ (2,016)	\$ 12,975
Liabilities and Stockholders' Equity					
Current Liabilities					
Air traffic liability	\$ 1,212	\$ 69	\$ (6)	\$ 1,275	
Accounts payable and other liabilities	2,420	62	(27)	2,455	
Current maturities of long-term debt and capital lease obligations	388	28	-	416	
	Total current liabilities	4,020	159	(33)	4,146
Long-Term Debt and Capital Lease Obligations	4,963	258	-	5,221	
Pension and Postretirement Benefits	1,749	-	-	1,749	
Deferred Income Taxes	-	965	-	965	
Other Liabilities	566	84	(44)	606	
Mandatorily Redeemable Preferred Security	492	-	-	492	
Preferred Redeemable Stock	-	227	-	227	
Common Stockholders' Equity	290	1,218	(1,939)	(431)	
	Total Liabilities and Stockholders' Equity	\$ 12,080	\$ 2,911	\$ (2,016)	\$ 12,975

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Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this Item is incorporated by reference and will be set forth under the heading "Election of Directors—Information Concerning Director—Nominees" to be included in the Company's Proxy Statement for the 2003 Annual Meeting of Stockholders to be filed with the Commission pursuant to Regulation 14A within 120 days after the end of the last fiscal year. The information regarding executive officers is included in Part I of this report under the caption "Executive Officers of the Registrant".

Item 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference and will be set forth under the headings "Board of Directors—Compensation of Directors", "Board of Directors—Compensation Committee Interlocks and Insider Participation" and "Executive Compensation" to be included in the Company's Proxy Statement for the 2003 Annual Meeting of Stockholders to be filed with the Commission pursuant to Regulation 14A within 120 days after the end of the last fiscal year.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item is incorporated by reference and will be set forth under the heading "Beneficial Ownership of Securities" to be included in the Company's Proxy Statement for the 2003 Annual Meeting of Stockholders to be filed with the Commission pursuant to Regulation 14A within 120 days after the end of the last fiscal year.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is incorporated by reference and will be set forth under the headings "Board of Directors—Compensation Committee Interlocks and Insider Participation" and "Board of Directors—Related Party Transactions" to be included in the Company's Proxy Statement for the 2003 Annual Meeting of Stockholders to be filed with the Commission pursuant to Regulation 14A within 120 days after the end of the last fiscal year.

Item 14. CONTROLS AND PROCEDURES

On March 10, 2003, an evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Executive Vice President and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Company's management, including the Chief Executive Officer and Executive Vice President and Chief Financial Officer, concluded that the Company's disclosure controls and procedures were effective in ensuring that material information relating to the Company with respect to the period covered by this report was made known to them. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to March 10, 2003.

PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

The following is an index of the financial statements, schedules and exhibits included in this Report.

(a) 1. Financial Statements:

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Schedules not included have been omitted because they are not applicable or because the required information is included in the consolidated financial statements or notes thereto.

3. Exhibits

The following is an index of the exhibits included in this Report or incorporated herein by reference.

- 3.1 Restated Certificate of Incorporation of Northwest Airlines Corporation (filed as Exhibit 4.1 to the Registration Statement on Form S-3, File No. 333-69655 and incorporated herein by reference).
- 3.2 Amended and Restated Bylaws of Northwest Airlines Corporation (filed as Exhibit 4.1 to NWA Corp.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 1999 and incorporated herein by reference).
- 3.3 Restated Certificate of Incorporation of Northwest Airlines, Inc. (filed as Exhibit 3.3 to Northwest's Registration Statement on Form S-3, File No. 33-74772, and incorporated herein by reference).
- 3.4 Bylaws of Northwest Airlines, Inc. (filed as Exhibit 4.2 to NWA Corp.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 1999 and incorporated herein by reference).
- 4.1 Certificate of Designation of Series C Preferred Stock of Northwest Airlines Corporation (included in Exhibit 3.1).
- 4.2 Certificate of Designation of Series D Junior Participating Preferred Stock of NWA Corp. (included in Exhibit 3.1).
- 4.3 Rights Agreement dated as of November 20, 1998 between Northwest Airlines Corporation and Norwest Bank Minnesota, N.A., as Rights Agent (filed as Exhibit 1 to NWA Corp.'s Form 8-A filed November 20, 1998 and incorporated herein by reference).

- 4.4 The registrant hereby agrees to furnish to the Commission, upon request, copies of certain instruments defining the rights of holders of long-term debt of the kind described in Item 601 (b) (4) of Regulation S-K.
- 10.1 Standstill Agreement, among Continental Airlines, Inc., Northwest Airlines Corporation, Northwest Airlines Holdings Corporation and Northwest Airlines, Inc., dated as of November 15, 2000 (filed as Exhibit 99.8 to Continental Airlines, Inc.'s Current Report on Form 8-K dated November 15, 2000 and incorporated herein by reference).
- 10.2 Standstill Agreement between Northwest Airlines Corporation and David Bonderman, Bonderman Family Limited Partnership, Lectair Partners, Eli Broad, Donald Strum, 1992 Air GP and 1992 Air, Inc. (collectively the "Holders"), dated as of November 20, 1998 (filed as Exhibit 10.8 to NWA Corp.'s Annual Report on Form 10-K for the year ended December 31, 1998 and incorporated herein by reference).
- 10.3 Registration Rights Agreement among Northwest Airlines Corporation, the Holders and 1992 Air, Inc., as the representative of the Holders, dated November 20, 1998 (filed as Exhibit 10.9 to NWA Corp.'s Annual Report on Form 10-K for the year ended December 31, 1998 and incorporated herein by reference).
- 10.4 Amended and Restated Standstill Agreement between Koninklijke Luchtvaart Maatschappij N.V. and Northwest Airlines Corporation dated May 1, 1998 (filed as Exhibit 10.2 of NWA Corp.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 1998 and incorporated herein by reference).
- 10.5 First Amended and Restated Common Stock Registration Rights Agreement among NWA Corp., the holders of the Series C Preferred Stock and the Original Investors named therein (filed as Exhibit 10.9 to NWA Corp.'s Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated herein by reference).
- 10.6 Acknowledgement of Northwest Airlines Corporation regarding assumption of obligations as successor under the First Amended and Restated Common Stock Registration Rights Agreement, dated November 20, 1998 (filed as Exhibit 10.28 to NWA Corp.'s Annual Report on Form 10-K for the year ended December 31, 1998 and incorporated herein by reference).
- 10.7 Airport Uses and Lease Agreement between The Charter County of Wayne, Michigan and Northwest dated as of June 21, 2002.
- 10.8 Airline Operating Agreement and Terminal Building Lease Minneapolis-St. Paul International Airport dated as of January 1, 1999 between the Metropolitan Airports Commission and Northwest (filed as Exhibit 10.24 to NWA Corp.'s Annual Report on Form 10-K for the year ended December 31, 1999 and incorporated herein by reference).
- 10.9 Master Financing Agreement dated as of March 29, 1992 among Northwest Airlines Corporation, Northwest and the State of Minnesota (filed as Exhibit 10.9 to the registration statement on Form S-1, File No. 33-74210, and incorporated herein by reference).
- 10.10 Credit and Guarantee Agreement among Northwest Airlines Corporation, Northwest Airlines Holdings Corporation, NWA Inc., Northwest Airlines, Inc. and various lending institutions named therein dated as of October 24, 2000 (filed as Exhibit 10.21 to NWA Corp.'s Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated herein by reference).
- 10.11 Second Amendment dated as of October 23, 2001 to Credit and Guarantee Agreement among Northwest Airlines Corporation, Northwest Airlines Holdings Corporation, NWA Inc., Northwest Airlines, Inc. and various lending institutions named therein dated as of October 24, 2000 (filed as Exhibit 10.13 to NWA Corp.'s Annual Report on Form 10-K for the year ended December 31, 2001 and incorporated herein by reference).

- 10.12 A319-100 Purchase Agreement dated as of September 19, 1997 between AVSA, S.A.R.L. and Northwest Airlines, Inc. (filed as Exhibit 10.1 to NWA Corp.'s Form 10-Q for the quarter ended September 30, 1997 and incorporated herein by reference; the Commission has granted confidential treatment for certain portions of this document).
- 10.13 A330 Purchase Agreement between AVSA, S.A.R.L. and Northwest Airlines, Inc. dated as of December 21, 2000 (filed as Exhibit 10.1 to NWA Corp.'s Form 10-Q for the quarter ended March 31, 2001 and incorporated herein by reference; the Commission has granted confidential treatment for certain portions of this document).
- 10.14 Amendment No. 1 to A330 Purchase Agreement between AVSA, S.A.R.L. and Northwest Airlines, Inc. dated as of November 26, 2001 (NWA Corp. has filed a request with the SEC for confidential treatment as to certain portions of this document).
- 10.15 Amendment No. 2 to A330 Purchase Agreement dated as of December 20, 2002 between AVSA, S.A.R.L. and Northwest Airlines, Inc. (NWA Corp. has filed a request with the SEC for confidential treatment as to certain portions of this document).
- 10.16 Bombardier CRJ440 Purchase Agreement between Bombardier Inc. and Northwest Airlines, Inc. dated as of July 6, 2001 (filed as Exhibit 10.1 to NWA Corp.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2001 and incorporated herein by reference; the Commission has granted confidential treatment for certain portions of this document).
- 10.17 Third Amendment dated as of September 9, 2002 to Credit and Guarantee Agreement among Northwest Airlines Corporation, Northwest Airlines Holdings Corporation, NWA Inc., Northwest Airlines, Inc. and various lending institutions named therein dated as of October 24, 2000 (filed as Exhibit 10.1 to NWA Corp.'s Form 10-Q for the quarter ended September 30, 2002 and incorporated herein by reference).
- 10.18 Corrected Schedule I and Schedule II to Aircraft Mortgage and Security Agreement included in Exhibit 10.13 to NWA Corp.'s Annual Report on Form 10-K for the year ended December 31, 2001 (filed in substitution) (filed as Exhibit 10.2 to NWA Corp.'s Form 10-Q for the quarter ended September 30, 2002 and incorporated herein by reference).
- 10.19 Consulting Agreement dated as of December 20, 2002 between Northwest Airlines, Inc. and Aviation Consultants LLC.
- *10.20 Management Compensation Agreement with Richard H. Anderson dated as of June 28, 2001 (filed as Exhibit 10.17 to NWA Corp.'s Annual Report on Form 10-K for the year ended December 31, 2001 and incorporated herein by reference).
- *10.21 Management Compensation Agreement with Douglas M. Steenland dated as of June 28, 2001 (filed as Exhibit 10.18 to NWA Corp.'s Annual Report on Form 10-K for the year ended December 31, 2001 and incorporated herein by reference).
- *10.22 Management Compensation Agreement with J. Timothy Griffin dated as of January 14, 2002. (filed as Exhibit 10.20 to NWA Corp.'s Annual Report on Form 10-K for the year ended December 31, 2001 and incorporated herein by reference).
- *10.23 Management Compensation Agreement with Bernard L. Han dated as of September 27, 2002.
- *10.24 Management Compensation Agreement with Philip C. Haan dated as of January 14, 2002. (filed as Exhibit 10.21 to NWA Corp.'s Annual Report on Form 10-K for the year ended December 31, 2001 and incorporated herein by reference).
- *10.25 Key Employee Annual Cash Incentive Program (filed as Exhibit 10.42 to the registration statement on Form S-1, File No. 33-74210, and incorporated herein by reference).

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- *10.26 Northwest Airlines Excess Pension Plan for Salaried Employees (2001 Restatement) (filed as Exhibit 10.23 to NWA Corp.'s Annual Report on Form 10-K for the year ended December 31, 2001 and incorporated herein by reference).
 - *10.27 Northwest Airlines Supplemental Executive Retirement Plan (2001 Restatement) (filed as Exhibit 10.24 to NWA Corp.'s Annual Report on Form 10-K for the year ended December 31, 2001 and incorporated herein by reference).
 - *10.28 1990 Stock Option Plan for Key Employees of the Company (filed as Exhibit 10.44 to the registration statement on Form S-1, File No. 33-74210, and incorporated herein by reference).
 - *10.29 Northwest Airlines Corporation 1999 Stock Incentive Plan, as amended. (filed as Exhibit 10.26 to NWA Corp.'s Annual Report on Form 10-K for the year ended December 31, 2001 and incorporated herein by reference).
 - *10.30 2001 Northwest Airlines Corporation Stock Incentive Plan, as amended (filed as Exhibit 10.43 to NWA Corp.'s Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated herein by reference).
 - *10.31 Form of Non-Qualified Stock Option Agreement for executive officers under the 2001 Northwest Airlines Corporation Stock Incentive Plan (filed as Exhibit 10.28 to NWA Corp.'s Annual Report on Form 10-K for the year ended December 31, 2001 and incorporated herein by reference).
 - *10.32 Form of Phantom Stock Unit Award Agreement for executive officers under the 2001 Northwest Airlines Corporation Stock Incentive Plan (filed as Exhibit 10.39 to NWA Corp.'s Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated herein by reference).
 - *10.33 Form of Deferred Stock Award Agreement for executive officers under the 1999 Northwest Airlines Corporation Stock Incentive Plan (filed as Exhibit 10.40 to NWA Corp.'s Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated herein by reference).
 - *10.34 Northwest Airlines Corporation E-Commerce Incentive Compensation Program, including form of Award Agreement.
 - *10.35 2003 Long-Term Cash Incentive Plan, including form of Award Agreement
 - *10.36 The Chairman's Long-Term Retention and Incentive Program (filed as Exhibit 10.62 to NWA Corp.'s Annual Report on Form 10-K for the year ended December 31, 1999 and incorporated herein by reference).
 - 12.1 Computation of Ratio of Earnings to Fixed Charges.
 - 12.2 Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Requirements.
 - 21.1 List of Subsidiaries.
 - 23.1 Consent of Ernst & Young LLP.
 - 24.1 Powers of Attorney (included in signature page).
 - 99.1 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
 - 99.2 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

/s/ GARY L. WILSON

Gary L. Wilson
Chairman of the Board

/s/ GEORGE J. KOURPIAS

George J. Kourpias
Director

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/s/ RAY W. BENNING, JR.

Ray W. Benning, Jr.
Director

/s/ FREDERIC V. MALEK

Frederic V. Malek
Director

/s/ RICHARD C. BLUM

Richard C. Blum
Director

/s/ V. A. RAVINDRAN

V. A. Ravindran
Director

/s/ ALFRED A. CHECCHI

Alfred A. Checchi
Director

/s/ MICHAEL G. RISTOW

Michael G. Ristow
Director

/s/ JOHN ENGLER

John Engler
Director

/s/ DOUGLAS M. STEENLAND

Douglas M. Steenland
President and Director

Leo M. van Wijk
Director

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CERTIFICATIONS

I, Richard H. Anderson, certify that:

1. I have reviewed this annual report on Form 10-K of Northwest Airlines Corporation;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 10, 2003

/s/ RICHARD H. ANDERSON

Richard H. Anderson
Chief Executive Officer

I, Bernard L. Han, certify that:

1. I have reviewed this annual report on Form 10-K of Northwest Airlines Corporation;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with

respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 10, 2003

/s/ BERNARD L. HAN

Bernard L. Han
Chief Financial Officer

Northwest Airlines Corporation

SCHEDULE II-VALUATION OF QUALIFYING ACCOUNTS AND RESERVES

(In millions)

Col. A	Col. B	Col. C		Col. D	Col. E
Description	Balance at Beginning of Period	Additions		Deductions -Describe	Balance at End of Period
		Charged to Costs and Expenses	Charged to Other Accounts -Describe		
Year Ended December 31, 2002					
Allowances deducted from asset accounts:					
Allowance for doubtful accounts	\$ 20	\$ 9	\$ -	\$ 10(1)	\$ 19
Accumulated allowance for depreciation of flight equipment spare parts	121	67	22(2)	35(3)	175
Year Ended December 31, 2001					
Allowances deducted from asset accounts:					
Allowance for doubtful accounts	16	12	-	8(1)	20
Accumulated allowance for depreciation of flight equipment spare parts	131	32	2(2)	44(3)	121
Year Ended December 31, 2000					
Allowances deducted from asset accounts:					
Allowance for doubtful accounts	16	8	-	8(1)	16
Accumulated allowance for depreciation of flight equipment spare parts	131	37	6(2)	43(3)	131
(1) Uncollectible accounts written off, net of recoveries					
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(3) Dispositions and write-offs					

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REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

NORTHWEST AIRLINES CORPORATION CONSOLIDATED BALANCE SHEETS (In millions)

NORTHWEST AIRLINES CORPORATION CONSOLIDATED BALANCE SHEETS (In millions, except share data)

NORTHWEST AIRLINES CORPORATION CONSOLIDATED STATEMENTS OF OPERATIONS (In millions, except per share amounts)

NORTHWEST AIRLINES CORPORATION CONSOLIDATED STATEMENTS OF CASH FLOWS (In millions)

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(In millions)

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AIRPORT USE AND LEASE AGREEMENT

BETWEEN

THE CHARTER COUNTY OF WAYNE, MICHIGAN

AND

NORTHWEST AIRLINES, INC.

DATED AS OF JUNE 21, 2002

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AIRPORT USE AND LEASE AGREEMENT

This Airport Use and Lease Agreement (this "Agreement") made and entered into this day of , 2002, by and between the County of Wayne, a Michigan Charter County, by and through its Chief Executive Officer, with principal offices located at 600 Randolph Street, Detroit, Michigan 48226, hereinafter referred to as "Lessor", and Northwest Airlines, Inc., a Minnesota corporation, with principal offices located at 2700 Lone Oak Parkway, Eagan, Minnesota 55121 hereinafter referred to as "Lessee". Unless defined elsewhere in this Agreement, capitalized terms shall have the meanings set forth in Article XXVIII hereof.

Witnesseth:

WHEREAS, Lessor owns and operates Detroit Metropolitan Wayne County Airport (the "Airport"), said airport being more fully described in **Exhibit A** attached hereto and hereby made a part hereof, with the power to lease premises and facilities and to grant rights and privileges with respect thereto pursuant to the provisions of the Aeronautics Code of the State of Michigan; and

WHEREAS, Lessee is engaged in the Air Transportation business; and

WHEREAS, Lessor and Lessee are parties to a First Amended and Restated Airport Agreement (the "First Amended and Restated Airport Agreement"), pursuant to which Lessee leases certain premises, facilities, rights, licenses, services and privileges with and on the Airport and which is effective until the Date of Beneficial Occupancy of the South Terminal; and

WHEREAS, Lessor and Lessee are parties to a Second Amended and Restated Airport Agreement (the "Second Amended and Restated Airport Agreement"), which is scheduled to become effective upon the Date of Beneficial Occupancy of the South Terminal, and at such time would amend and restate, and supersede in all respects, the First Amended and Restated Airport Agreement; and

WHEREAS, the parties desire to enter into this Agreement, which shall supersede in all respects and replace the Second Amended and Restated Airport Agreement;

NOW, THEREFORE, for and in consideration of the premises and of the mutual covenants and agreements herein contained, and other valuable considerations, as of the effectiveness of this Agreement Lessor does hereby grant, demise and let unto Lessee and Lessee does hereby hire and take from Lessor, certain premises and facilities, rights, licenses, services and privileges hereinafter described in connection with and upon the Airport.

ARTICLE I

PREMISES

A. USE OF AIRPORT: In common with others so authorized, Lessee shall have the use of the common areas of the Airport and its appurtenances, together with all facilities, equipment, improvements and services which have been, or may hereafter be, provided at or in connection with the Airport from time to time, including, without limiting the generality hereof and subject to the rules and regulations of Lessor promulgated in accordance with Article XI hereof, the landing field and any extensions thereof or additions thereto, passenger and cargo ramp areas and facilities, aircraft parking areas and facilities, roadways, runways, aprons, taxiways, sewage and water facilities, floodlights, landing lights, beacons, control tower, signals, radio aids, and all other conveniences for flying, landings and take-offs of aircraft of Lessee, which use, without limiting the generality hereof, shall include:

1. The right to operate thereat and therefrom a transportation system by aircraft for the carriage of persons, property, cargo and mail;
2. The right to repair, maintain, condition, service, test, park or store aircraft or other equipment of Lessee, or of any other scheduled air transportation company, or aircraft of the U.S. Armed Forces or the FAA within such areas as are designated by Lessor; provided, that such right

shall not be construed as authorizing the conduct of a separate business by Lessee, but shall permit Lessee to perform such functions as an incident to its conduct of Air Transportation;

3. The right to train, subject to rules and regulations as promulgated under Article XI hereof, on the Airport, personnel in the employ of or to be employed by Lessee or any scheduled air transportation company, or of the U.S. Armed Forces, or of the FAA, provided, that such right shall not be construed as authorizing the conduct of a separate business by Lessee, but shall permit Lessee to perform such functions as an incident to its conduct of Air Transportation;

4. The right to sell, dispose of or exchange Lessee's aircraft, engines, accessories, supplies or other personal property; provided, that such right shall not be construed as authorizing the conduct of a separate business by Lessee, but shall permit such sales as an incident to its conduct of Air Transportation or accommodation to others engaged therein;

5. The right, subject to the terms and conditions hereof, to purchase or otherwise obtain personal property of any nature (including aircraft, engines, accessories, gasoline, oil, greases, lubricants, other fuel or propellant, food, beverages, other equipment and supplies and any articles or goods) reasonably necessary or convenient for its operations, from any supplier of its choice;

6. The right to service, by Lessee or others selected by Lessee, Lessee's aircraft or other equipment by truck or otherwise, with gasoline, oil, greases, lubricants, or any other fuel or propellant or other supplies, required by Lessee; such right to include, without limiting the generality thereof, the right to install and maintain on the Airport, separately or in common with others, appropriate pipes (including a pipeline or lines between Lessee's sources of supply and its storage facilities for gasoline, oil, greases, lubricants or other fuel or propellant and from such storage facilities to the point or points of servicing), pumps, motors, filters and other appurtenances incidental to the use thereof, either through construction and maintenance by Lessee or by a nominee of Lessee in accordance with plans and specifications therefor approved by Lessor; provided, however, that Lessor shall not be responsible for the cost of excavation, construction, installation and maintenance of any such storage facilities, pipes or pipelines, pumps, motors, filters or other appurtenances;

7. The right to land, take-off, fly, taxi, tow, park, load, and unload Lessee's aircraft and other equipment used in the operation of schedule, shuttle, courtesy, test, training, inspection, emergency, special, charter, sightseeing and other flights;

8. The right to transfer, load and unload persons, cargo, property and mail to, from and at the Airport by such loading and unloading devices, motor cars, buses, trucks or other means of conveyance as Lessee may choose or require in the operation of its Air Transportation system; with the non-exclusive right to designate and enter into arrangements with any carrier or carriers of its choice to transport to and from the Airport, passengers and their baggage, cargo, property and mail carried or to be carried by air by Lessee provided that with respect to passengers, Lessee shall not enter into arrangements with a carrier for transportation to or from the Airport except for such period or periods during which there is no satisfactory ground transportation service provided by bus or limousine operator selected by the Lessor;

9. The right to install, maintain and operate, without cost to Lessor, by Lessee alone, or in conjunction with any other air transportation companies who are lessees at the Airport, or through a nominee, communication systems between suitable locations in the aircraft loading areas and suitable locations in or about Lessee's hangar, and between any or all of said locations and Lessee's offices;

10. The right to install, maintain and operate, without cost to Lessor, by Lessee alone, or in conjunction with any other air transportation companies that are lessees at the Airport, or through

a nominee, suitable Lessee-owned aircraft air-conditioning equipment, including, but not limited to, trucks, or a suitable airplane air-conditioning system in the loading area.

11. The right to provide in any hangar or other non-public space leased by Lessee without cost to Lessor, by Lessee alone, a subsidiary of Lessee or by contract with a supplier or caterer, foods and beverages for consumption by employees and occasional invitees of Lessee on such premises for business purposes. Without limiting the generality of the foregoing, said right shall include the right to install, maintain, and operate, or cause to be installed, maintained and operated without cost to Lessor, in any hangar on premises leased to Lessee at the Airport, vending machines, a cafeteria, restaurant or other plant for the purpose of preparing, cooking, and dispensing of foods and beverages for consumption as aforesaid;

12. The right to provide, without cost to Lessor, by Lessee alone, a subsidiary of Lessee, or by contract with a supplier or caterer of its choice, food and beverages for consumption on aircraft of Lessee; provided, however, that if Lessee shall purchase such foods and beverages by contract with a supplier or caterer other than an Airport food concessionaire, Lessee shall require such supplier or caterer, other than its wholly-owned subsidiary, to pay to Lessor the same percentage commission as would be paid to Lessor by an Airport food concessionaire;

13. The right to install and operate, at Lessee's expense, a reasonable number and type of company identification signs, subject to the right of Lessor to approve the same as to type and location;

14. The right to install, maintain and operate, at Lessee's expense, by Lessee alone, or in conjunction with any other air transportation companies who are lessees at the Airport, or through a nominee, such radio communications, meteorological and aerial navigation equipment and facilities in or on premises preferentially leased to Lessee, and, subject to the approval of Lessor's Director of Airports with respect to location of installation, elsewhere on the Airport as may be necessary or convenient in the opinion of Lessee for its operations; provided, however, that such approval shall not be withheld unless such installation, maintenance and operation at the location selected by Lessee shall interfere with the reasonable use of the Airport by other authorized persons;

15. The right to conduct operations or activities other than those enumerated in Subparagraphs (1) to (14), inclusive, of this paragraph, reasonably related to the landing, taking off, flying, moving, loading, unloading, or servicing of aircraft which are reasonably necessary or convenient to the conduct by it of Air Transportation; provided, however, that all such other operations and activities shall be subject to the approval of the Lessor.

B. LEASE OF SPACE:

1. **EXISTING TERMINAL SPACE.** As of the effectiveness of this Agreement, Lessor leases to Lessee, and grants to Lessee, its employees, agents, guests, patrons and invitees, the exclusive use of the space in the Existing Terminal Facilities identified on **Exhibit B** attached hereto (hereinafter referred to as "Lessee's Existing Terminal Space"). As promptly as possible after the commencement of Lessee's Air Transportation business in the South Terminal, but in any event not more than 60 days after such commencement, Lessee shall vacate Lessee's Existing Terminal Space, and the lease hereunder of Lessee's Existing Terminal Space shall terminate upon the earlier of 90 days after such commencement and the date on which the Northwest Demolition Project (as defined in the Project Development Agreement) shall have been completed. Lessee and Lessor shall cooperate with one another in the transfer of Lessee's Air Transportation activities to the South Terminal so as to (a) minimize the cost to Lessee and the inconvenience to Lessee and its passengers, (b) facilitate the relocation of other air carriers within the Existing Terminal Facilities and the renovation of space within the Existing Terminal Facilities, and (c) facilitate the

demolition of the space in the Existing Terminal Facilities scheduled for demolition as part of the Northwest Demolition Project (hereinafter referred to as "Existing Terminal Space To Be Demolished").

2. PREFERENTIAL USE PREMISES.

(a) At such time as such space is available for beneficial occupancy, Lessor grants to Lessee, its employees, agents, guests, patrons and invitees, the preferential use of space, improvements and facilities in the South Terminal consisting of the Preferential

South Terminal Space identified on **Exhibit C** attached hereto (hereinafter referred to as "Lessee's Preferential South Terminal Space"). Lessee shall have the right to permit its code share partners and commuter carriers to have access to Lessee's Preferential South Terminal Space.

(b) Lessee's Preferential South Terminal Space shall be available to Lessee in accordance with the following preferential use provisions:

(i) Lessee shall have priority in using such space, subject to the provisions of subsection (iii) below. In addition, Lessor hereby grants to Lessee, and Lessee hereby accepts from Lessor, for so long as Lessee leases such space, the preferential right to use the aircraft parking positions adjacent to such space, as shown on **Exhibit C**, for the parking of aircraft and support vehicles and the loading and unloading of passengers and cargo.

(ii) Lessor intends to maintain a policy of providing open access to the Airport and achieving a balanced utilization of Airport facilities. To achieve that goal, Lessor reserves the right to require shared use of Preferential Use Premises as described in subsection (iii) below.

(iii) (A) If an airline, including any airline seeking to expand its service or an airline seeking entry into the Airport, is in need of space or facilities at the Airport after the Date of Beneficial Occupancy of the South Terminal, which need cannot be met by use of then unleased premises, if any, in the South Terminal or the North Terminal, Lessor shall direct such airline to request the use of leased space or facilities of all Signatory Airlines on a voluntary basis. Lessee and the other Signatory Airlines shall make reasonable efforts to accommodate such requests in a timely manner from any Preferential Use Premises leased to them.

(B) In the event (I) Lessor receives a written request from an airline requesting space or facilities of a type granted to Signatory Airlines on a preferential use basis, (II) the requesting airline demonstrates to Lessor that it has contacted all Signatory Airlines and has exhausted all reasonable efforts to find reasonable accommodation for its proposed operations and the space or facilities it needs, and (III) Lessor determines that (x) such requesting airline needs the requested space or facilities to accommodate passengers or aircraft and (y) Lessor cannot provide such space or facilities to such airline on a timely basis, then Lessor may grant such requesting airline the right of temporary or shared use of a designated portion of Lessee's Preferential South Terminal Space, including, but not limited to, the use of passenger loading bridges and other appurtenant equipment which are reasonably necessary for the effective use of such space, whether owned by the Lessee or the Lessor, as well as the aircraft parking positions adjacent to such space, but excluding Lessee's member-only airline clubs within Lessee's Preferential South Terminal Space.

(C) In the event Lessor determines that a requesting airline's needs require granting such requesting airline the right to share or temporarily use Preferential Use Premises, Lessor shall serve written notice to all Signatory Airlines of that determination and notice of Lessor's intention to make a further determination, in not less than 15 calendar days, as to how the requesting airline will be accommodated.

(D) In accordance with the rules and priorities set forth in subparagraph (F) below, Lessor may grant the requesting airline the right of shared or temporary use of a designated portion of Lessee's Preferential South Terminal Space (excluding Lessee's member-only airline clubs), as well as rights of ingress and egress, the right to use the aircraft parking positions adjacent thereto and the right to use passenger loading bridges and other appurtenant equipment which are reasonably necessary for the effective use of such space, provided, that:

(I) such proposed user provides Lessee with indemnification and proof of insurance satisfactory to Lessee; provided, however, that Lessee may not require any indemnification more favorable to it than that which Lessee provides to Lessor hereunder;

(II) such proposed user agrees to pay Lessee the sum of the following:

(x) an amount equal to a pro rata share of the sum of the terminal rentals and any other applicable payments, fees or taxes payable by Lessee hereunder with respect to such areas during such shared or temporary use period as calculated herein; and

(y) additional amounts sufficient to recover Lessee's direct costs and operation and maintenance expenses, if any, of such shared or temporary use, including a reasonable allocation of any capital and equipment costs for property and equipment owned by Lessee;

(III) such proposed user enters into a written agreement with Lessee therefor, which agreement shall not be inconsistent with the terms and conditions stated herein and shall be submitted to Lessor for written approval prior to the effective date thereof.

(E) Lessee agrees to make reasonable efforts to facilitate the temporary or shared accommodation of the requesting airline's scheduled operations, including the use of passenger loading bridges used or owned by Lessee and other portions of Lessee's Preferential South Terminal Space (excluding Lessee's member-only airline clubs) as may be reasonably necessary to accommodate the requesting airline in the event Lessor requires such use. In the event that the requesting airline and Lessee are not able to agree to a form of written agreement pursuant to subparagraph (D)(III) above after reasonable efforts by both parties, Lessor shall have the right, after consultation with both parties, to set the final terms of such written agreement, which shall provide no less protection of Lessee's interests than Lessee provides for Lessor's interest hereunder, and be binding on both the requesting airline and Lessee.

(F) In the event that, pursuant to subparagraph (B) above, Lessor determines that a requesting airline is in need of facilities to accommodate passengers or aircraft and such facilities should be made available from Preferential Use Premises, Lessor will follow the following rules and priorities in designating the specific premises for temporary or shared use by the requesting airline:

(I) Preferential Use Premises shall be designated for temporary or shared use in the reverse order of the magnitude of the then present utilization by Signatory Airlines.

(II) In assessing the degree of such utilization by Signatory Airlines, Lessor will consider all factors deemed relevant, which may include: (u) the average number of flight arrivals and departures per aircraft parking position per day; (v) flight

scheduling considerations; (w) potential labor conflicts; (x) the number, availability and type (e.g. wide-body or narrow body) of aircraft parking position locations; (y) the preferences of the Signatory Airlines as to which of their specific premises are designated for temporary or shared use by the requesting airline and (z) other operational considerations.

(III) In the event Lessee is required to share Lessee's Preferential South Terminal Space, Lessee shall have priority in all aspects of usage of such shared premises over all other airlines; provided that

Lessee shall not change its scheduling or ordinary course usage of such premises for the purpose of interfering with the usage of such premises by a requesting airline sharing such premises.

(G) The foregoing provisions of this Article IB.2.(b)(iii) notwithstanding, Lessor may grant a requesting airline the right to temporarily use a designated portion of Lessee's Preferential South Terminal Space (excluding Lessee's member-only airline clubs) in non-recurring emergency or safety-related circumstances, so long as such use will not unreasonably adversely affect Lessee's Air Transportation operations at the Airport.

(H) During the use of Lessee's Preferential South Terminal Space or other related facilities by other airlines scheduled by Lessor pursuant to this Article IB.2., Lessee shall not be held liable by Lessor with regard to any claim for damages or personal injury arising out of or in connection with such requesting airline's use of Lessee's Preferential South Terminal Space or other related facilities, unless caused by the negligence of Lessee, its employees or agents.

3. **SHARED USE PREMISES.** At such time as such space is available for beneficial occupancy, Lessor grants to Lessee, its employees, agents, guests, patrons and invitees, the shared use, along with all other air carriers operating Air Transportation businesses in the South Terminal to whom such shared use has been granted, of space, improvements and facilities in the South Terminal consisting of the Shared Use South Terminal Space identified on **Exhibit C** attached hereto. That portion of the Shared Use South Terminal Space consisting of the international gates in the South Terminal, together with related holdrooms, jetbridges, ramp access and baggage facilities, shall be allocated for use by the users thereof in accordance with the priorities described in **Exhibit D** attached hereto.

C. PUBLIC SPACE: Lessee, its employees, passengers, guests, patrons and invitees, in common with others, shall have the use of all public space in the terminals at the Airport, and all additional public space which may thereafter be made available therein and in any additions thereto, including, without limiting the generality thereof, common areas for passenger movement, concessions areas, entrances, exits, lobbies, public waiting areas, public restrooms, hallways and other premises for other public and passenger convenience.

D. PARKING SPACE: Vehicular parking spaces shall be provided near the terminal from which Lessee is operating (adequate in Lessor's judgment, considering the number of vehicles and traffic to be accommodated) for the use of Lessee, its employees, passengers and limousine operators, in common with any other scheduled air transportation companies, their employees, passengers and limousine operators. Lessor or its concessionaires may make a reasonable charge to passengers for the use of the parking space provided for them, but no charges shall be made for use of such adequate parking spaces as are designated by Lessor for the respective use of Lessee's employees or limousine operators.

E. RIGHT OF INGRESS AND EGRESS: Subject to the reasonable rules and regulations promulgated by Lessor in accordance with Article XI hereof, Lessee shall have the right and privilege over the Airport of ingress to and egress from the premises and facilities described in this Article I for its employees, agents, passengers, guests, patrons and invitees, its or their suppliers of materials and furnishers of service, its or their aircraft, equipment, vehicles, machinery and other property, and, except as herein otherwise specifically provided, no charges, fees or tolls of any nature, direct or indirect, shall be imposed by Lessor upon Lessee, its employees, agents, passengers, guests, patrons and invitees, its or their suppliers of materials and furnishers of service for such right of ingress and egress, or for the privilege of purchasing, selling or using any materials, or services purchased or otherwise obtained by Lessee, or for transporting, loading, unloading or handling persons, property, cargo or mail in connection with Lessee's business or exercising any right or privilege granted by Lessor hereunder. Nothing in this Article I shall limit Lessor's right to impose, collect and use PFCs.

F. FUEL: Lessee shall have the right during the term of this Agreement to lease land in the common fuel storage area as shown in the Airport Master Plan, at a rental rate of not to exceed five cents (\$.05) per square foot per year, together with the right to install thereon underground fuel storage tanks, pumps, piping, and appurtenances for the storage of aviation fuel; the location and amount of such land to be

determined by written agreement of the parties hereto, a copy of which agreement, if entered into prior to the effective date of this Agreement, will be attached to this Agreement as an exhibit.

ARTICLE II

TERM

Except as expressly provided otherwise in Article IB.1., Lessee shall have full authority to use the premises and facilities and to exercise the rights, licenses and privileges set forth in Article I hereof for a term beginning on the Date of Beneficial Occupancy of the South Terminal and ending on September 30, 2032.

ARTICLE III

RENTALS AND FEES

Lessee agrees to pay to Lessor for the use of the premises, facilities, rights, licenses, services and privileges granted hereunder, the following rentals, fees and charges, all payable in monthly installments in accordance with paragraph G. below. In the event that the commencement or termination of the term with respect to any of the particular premises, facilities, rights, licenses, services or privileges as herein provided falls on any date other than the first or last day of a calendar month, the applicable rentals, fees and charges for that month shall be paid for said month pro rata according to the number of days in that month during which the particular premises, facilities, rights, licenses, services or privileges were enjoyed. No rentals, fees, charges or tolls imposed by Lessor other than those specifically provided in this Agreement are payable by Lessee for the use of or access to the Airport, provided that the foregoing shall not be construed to prohibit Lessor from imposing and collecting charges and fees from passengers for the use of the public auto parking areas on the Airport, from operators of ground transportation to, from and on the Airport or from any concessionaire at the Airport in accordance with the terms of a contract with Lessor for the operation of such concession; and provided, further, that Lessor reserves the right to impose and use PFCs; and provided, further, that the foregoing shall not preclude Lessor from imposing or levying any permit or license fee not inconsistent with the rights and privileges granted to Lessee hereunder.

A. TERMINAL RENTALS AND TERMINAL USE CHARGES: During the term hereof, Lessee shall pay to Lessor the following Terminal Charges:

1. **EXISTING TERMINAL SPACE:** For so long as Lessee shall retain any Lessee's Existing Terminal Space pursuant to Article IB.1., Lessee shall be obligated to pay terminal rentals for such premises equal to that which would have been applicable for such space under the First Amended and Restated Airport Agreement, immediately prior to the effectiveness of this Agreement.

2. **PREFERENTIAL USE PREMISES:**

(a) Lessee shall pay the following Terminal Rentals for the use of Lessee's Preferential South Terminal Space:

(i) commencing on the date of beneficial occupancy by Lessee of the South Terminal, as evidenced by written notice thereof from Lessor to Lessee, for each Fiscal Year (or portion thereof on a pro rated basis), through Fiscal Year 2008, Lessee shall pay an amount equal to the product of the total number of square feet of Lessee's

Preferential South Terminal Space multiplied by the following Terminal Rental Rates per square foot for the following Fiscal Years:

2002	\$	17.92	2006	\$	19.71
2003		18.22	2007		19.71

2004	19.71	2008	20.04
2005	19.71		

(ii) commencing with Fiscal Year 2009, for each Fiscal Year (or portion thereof on a pro rated basis), Lessee shall pay an amount equal to the product of (A) the total number of square feet of Lessee's Preferential South Terminal Space multiplied by (B) the Terminal Rental Rate for such Fiscal Year, as established pursuant to paragraph (b) below.

(b) Commencing with Fiscal Year 2009, the Terminal Rental Rate for each Fiscal Year shall be established as follows:

(i) For Fiscal Year 2009, the Terminal Rental Rate shall be the greater of (A) and (B) below, rounded up to the nearest \$5:

(A) The County's projection at the beginning of Fiscal Year 2009 of the Cost of the South Terminal Airline Premises for that Fiscal Year calculated pursuant to subparagraph (iv) below, divided by the sum of the total number of square feet of Preferential South Terminal Space leased to all Signatory Airlines and the total number of square feet of Shared Use South Terminal Space; and

(B) The County's projection at the beginning of Fiscal Year 2009 of the Cost of the North Terminal Airline Premises for that Fiscal Year calculated pursuant to subparagraph (v) below, divided by the sum of the total number of square feet of Preferential North Terminal Space leased to all Signatory Airlines and the total number of square feet of Shared Use North Terminal Space.

(ii) For Fiscal Year 2010, the Terminal Rental Rate shall be the greater of (A) and (B) below, rounded up to the nearest \$5:

(A) The Cost of the South Terminal Airline Premises for Fiscal Year 2009 calculated pursuant to subparagraph (iv) below, divided by the sum of the total number of square feet of Preferential South Terminal Space leased to all Signatory Airlines and the total number of square feet of Shared Use South Terminal Space; and

(B) The Cost of the North Terminal Airline Premises for Fiscal Year 2009 calculated pursuant to subparagraph (v) below, divided by the sum of the total number of square feet of Preferential North Terminal Space leased to all Signatory Airlines and the total number of square feet of Shared Use North Terminal Space;

(iii) For each Fiscal Year following Fiscal Year 2010, the Terminal Rental Rate shall be the Terminal Rental Rate established for Fiscal Year 2010 pursuant to subparagraph (ii) above, provided that such Terminal Rental Rate shall increase by 10% every third Fiscal Year commencing with Fiscal Year 2012 (e.g., Fiscal Years 2015, 2018, 2021, etc.). The foregoing notwithstanding, if the County issues Bonds to finance any improvements, additions or other modifications to the North Terminal or the South Terminal in addition to those described in the June 6, 2001 Weighted Majority Request, the County shall establish a new Terminal Rental Rate, which will be applicable for the first Fiscal Year in which Bond Debt Service is payable on such Bonds (other than Bond Debt Service paid

with capitalized interest) and each Fiscal Year thereafter, using the methodology set forth in Article III.A.2.(b)(i) above; provided that such Terminal Rental Rate shall increase by 10% every third Fiscal Year as described above.

(iv) The Cost of the South Terminal Airline Premises for each Fiscal Year will be an amount equal to the Cost of the South Terminal (as defined below) for that Fiscal Year multiplied by a fraction, the numerator of which is the sum of the total number of square feet of Preferential South Terminal Space leased to all Signatory Airlines and the total number of square feet of Shared Use South Terminal Space, and the denominator of which is the sum of the total number of square feet of Preferential South Terminal Space leased to all Signatory Airlines, the total number of square feet of Shared Use South Terminal Space and the total of square feet of South Terminal County-Controlled Airline Space. The Cost of the South Terminal for each Fiscal Year will be an amount, for that Fiscal Year, equal to:

(A) O&M Expenses allocated to the South Terminal Cost Center; plus

(B) Bond Debt Service allocated to the South Terminal Cost Center; minus

(C) Other Available Moneys allocated to the South Terminal Cost Center and used by Lessor in such Fiscal Year to pay Bond Debt Service allocated to the South Terminal Cost Center.

(v) The Cost of the North Terminal Airline Premises for any Fiscal Year will be an amount equal to the Cost of the North Terminal (as defined below) for that Fiscal Year multiplied by a fraction, the numerator of which is the sum of the total number of square feet of Preferential North Terminal Space leased to all Signatory Airlines and the total number of square feet of Shared Use North Terminal Space, and the denominator of which is the sum of the total number of square feet of Preferential North Terminal Space leased to all Signatory Airlines, the total number of square feet of Shared Use North Terminal Space and the total number of square feet of North Terminal County-Controlled Airline Space. The Cost of the North Terminal for each Fiscal Year will be an amount, for that Fiscal Year, equal to:

(A) O&M Expenses allocated to the North Terminal Cost Center; plus

(B) Bond Debt Service allocated to the North Terminal Cost Center; minus

(C) Other Available Moneys allocated to the North Terminal Cost Center and used by Lessor in such Fiscal Year to pay Bond Debt Service allocated to the North Terminal Cost Center.

(c) Lessor shall maintain accurate records identifying O&M Expenses for each Fiscal Year, and allocating O&M Expenses, Bond Debt Service and Other Available Moneys for each Fiscal Year between (i) the South Terminal Cost Center, (ii) the North Terminal Cost Center, and (iii) the rest of the Airport. The County will allocate O&M Expenses, Bond Debt Service and Other Available Moneys in accordance with **Exhibit E** attached hereto.

3. SHARED USE PREMISES:

(a) Lessee shall pay the following Terminal Use Charges for the use of the Shared Use South Terminal Space:

(i) commencing on the date of beneficial occupancy by Lessee of the South Terminal, as evidenced by written notice thereof from Lessor to Lessee, for each Fiscal Year (or portion thereof on a pro rated basis), through Fiscal Year 2008, Lessee shall pay an amount equal to the sum of (A) (I) the product of the total number of square feet of

Shared Use Domestic South Terminal Space multiplied by the following Terminal Rental Rates per square foot for the following Fiscal Years:

2002	\$	17.92	2006	\$	19.71
2003		18.22	2007		19.71
2004		19.71	2008		20.04
2005		19.71			

times (II) a fraction the numerator of which is the number of Lessee's domestic deplaned passengers that used the Shared Use Domestic South Terminal Space during such Fiscal Year, and the denominator of which is the total number of all Signatory Airlines' domestic deplaned passengers that used the Shared Use Domestic South Terminal Space during such Fiscal Year, plus (B) (I) the product of the total number of square feet of Shared Use International South Terminal Space multiplied by the applicable Terminal Rental Rate per square foot set forth above in clause (A)(I) for such Fiscal Year, times (II) a fraction the numerator of which is the number of Lessee's international deplaned passengers that used the Shared Use International South Terminal Space during such Fiscal Year, and the denominator of which is the total number of all Signatory Airlines' international deplaned passengers that used the Shared Use International South Terminal Space during such Fiscal Year, plus (C) (I) the product of the total number of square feet of Shared Use Swing South Terminal Space multiplied by the applicable Terminal Rental Rate per square foot set forth in clause (A)(I) above for such Fiscal Year, times (II) a fraction the numerator of which is the number of Lessee's deplaned passengers that used the Shared Use Swing South Terminal Space during such Fiscal Year, and the denominator of which is the total number of all Signatory Airlines' deplaned passengers that used the Shared Use Swing South Terminal Space during such Fiscal Year;

(ii) commencing with Fiscal Year 2009, for each Fiscal Year (or portion thereof on a pro rated basis), Lessee shall pay an amount equal to the sum of (A) (I) the product of the total number of square feet of Shared Use Domestic South Terminal Space multiplied by the Terminal Rental Rate for such Fiscal Year (established pursuant to Article III.A.2.(b) above), times (II) a fraction the numerator of which is the number of Lessee's domestic deplaned passengers that used the Shared Use Domestic South Terminal Space during such Fiscal Year, and the denominator of which is the total number of all Signatory Airlines' domestic deplaned passengers that used the Shared Use Domestic South Terminal Space during such Fiscal Year, plus (B) (I) the product of the total number of square feet of Shared Use International South Terminal Space multiplied by the Terminal Rental Rate for such Fiscal Year (established pursuant to Article III.A.2.(b) above), times (II) a fraction the numerator of which is the number of Lessee's international deplaned passengers that used the Shared Use International South Terminal Space during such Fiscal Year, and the denominator of which is the total number of all Signatory Airlines' international deplaned passengers that used the Shared Use International South Terminal Space during such Fiscal Year, plus (C) (I) the product of the total number of square feet of Shared Use Swing South Terminal Space multiplied by the Terminal Rental Rate for such Fiscal Year (established pursuant to Article III.A.2.(b) above), times (II) a fraction the numerator of which is the number of Lessee's deplaned passengers that used the Shared Use Swing South Terminal Space during such Fiscal Year, and the denominator of which is the total number of all Signatory Airlines' deplaned passengers that used the Shared Use Swing South Terminal Space during such Fiscal Year.

B. ACTIVITY FEES AND CAPITAL EXPENDITURES:

1. **ACTIVITY FEES:** All rentals, fees and charges for the use of the premises, facilities, rights, licenses, services and privileges granted hereunder, except those for which rentals, fees or charges are otherwise specifically provided herein, shall be combined in and represented by an "Activity Fee" calculated and paid to Lessor by Lessee for each Fiscal Year, and which shall be an amount equal to the product of the number of thousand pounds of Approved Maximum Landing Weight of aircraft landed by

Lessee at the Airport in such Fiscal Year, multiplied by the Activity Fee rate for such Fiscal Year. The Activity Fee rate for each Fiscal Year shall be the quotient arrived at by dividing:

(a) the Revenue Requirement, as below defined, for such Fiscal Year, by

(b) the aggregate amount of Approved Maximum Landing Weight of aircraft, in units of one thousand pounds, of all Signatory Airlines, for such Fiscal Year;

provided that the Activity Fee rate for any Fiscal Year shall not be less than \$0.35 per thousand pound units of Approved Maximum Landing Weight of aircraft.

The "Revenue Requirement" for any Fiscal Year as used herein shall mean that amount of revenue required to produce total net Airport revenue equal to the following amount:

(1) O&M Expenses for such Fiscal Year; plus

(2) (a) one hundred twenty-five percent (125%) of the amount of principal and interest due (net of any capitalized interest) for such Fiscal Year on all then outstanding Bonds, less (b) any unencumbered amounts on deposit in the Revenue Fund on the last day of the Fiscal Year preceding such Fiscal Year that are useable to satisfy the rate covenant requirements of any Bond Ordinance under which Bonds were issued, less (c) Other Available Moneys used in such Fiscal Year to pay Bond Debt Service; plus

(3) deposits into the Bond Reserve Account, the Operation and Maintenance Reserve Fund and the Renewal and Replacement Fund required for such Fiscal Year pursuant to the provisions of the Bond Ordinance; plus

(4) an amount equal to \$5 million (which amount shall be escalated each Fiscal Year beginning in Fiscal Year 2002 to reflect percentage increases in the Producer Price Index during the most recently ended 12-month period for which such index is available); plus

(5) \$350,000; minus

(6) an amount equal to (A) the sum of all rental charges for Existing Terminal Facilities, all Terminal Charges, all Facilities Use Fees, all Year-End Adjustment payments by all Signatory Airlines, all County-Controlled Airline Space Revenues derived from County-Controlled Airline Space in the South Terminal up to but not exceeding an amount equal to the Cost of the South Terminal County-Controlled Airline Space, all County-Controlled Airline Space Revenues derived from County-Controlled Airline Space in the North Terminal up to but not exceeding an amount equal to the Cost of the North Terminal County-Controlled Airline Space, all concession and parking revenue and all other Airport revenue received (or receivable if Lessor is on an accrual accounting basis) during such Fiscal Year (excepting (I) Special Facility Revenues, (II) up to but not exceeding \$2.5 million of revenue attributable to an automated vehicle identification program for the entire Airport, and (III) all proceeds received by the Lessor from the sale of certain parcels of Airport property located on the West side of the airfield and shown on **Exhibit F**), minus (B) the amount of the total Passenger Credit for such Fiscal Year, minus (C) all Year-End Adjustment credits to all Signatory Airlines for such Fiscal Year under the Airport Agreements.

The unit thus arrived at shall be the Activity Fee rate per thousand pounds of Approved Maximum Landing Weight payable by Lessee to Lessor for such of Lessee's aircraft, or aircraft of its subsidiary, as have landed at the Airport during the Fiscal Year for which such calculation is made.

The Activity Fee as herein established shall not be subject to further adjustment except by agreement of the parties hereto, or as provided in Article III G.

2. LESSOR COVENANTS; CAPITAL EXPENDITURES:

(a) Lessor covenants:

(i) That it will provide efficient management and operation of the Airport on the basis of sound business principles and that it will not incur expense for Airport operation, maintenance and administration in excess of the amounts reasonably and necessarily required therefor.

(ii) That it shall operate the Airport in a manner so as to produce revenues from concessionaires, tenants, and users of a nature and amount which would be produced by a reasonably prudent operator of an airport.

(iii) That it will comply in all respects with the revenue retention requirement in § 511(a)(12) of the Airport and Airway Improvement Act of 1982, as amended, now codified at 49 U.S.C. § 47107(b). Commencing in Fiscal Year 1997, Lessor may include in O&M Expenses for each Fiscal Year administrative charges not in excess of \$5 million, provided that the foregoing cap amount shall be escalated each Fiscal Year, commencing in Fiscal Year 1998, by multiplying the prior year's cap amount by a factor of one (1) plus the percentage increase, if any, in the index of average hourly earnings for production workers for manufacturing industries in the United States, as published by the United States Department of Labor, Bureau of Labor Statistics (or if this index is discontinued or otherwise becomes unavailable to the public, the most nearly comparable index of such average hourly earnings published by a recognized financial institution, financial publication or university) during the most recently ended 12-month period for which such index is available. Except as set forth in the next sentence, the annual administrative charges shall pay for all services provided directly or indirectly by any department, division or agency of Lessor other than the Airport, or Central Communications to the extent operated by the Airport, in the nature of administration and legislative oversight, finance, budget, accounting, legal, payroll, purchasing, personnel, information processing, imaging, planning and development. Administrative charges subject to the foregoing cap amount shall not include (A) the cost of optional contracted services by the Airport, such as landscaping, mowing, engineering (design, construction, inspection and project management) and mechanical, electrical and plumbing trade services to be performed on Airport property, or (B) payroll and fringe benefit costs for the employee positions described in **Exhibit G**, provided that any increase in such costs or the number of such positions above those shown on **Exhibit G** must be approved by a majority in number of the Signatory Airlines.

(iv) That it will utilize competitive bidding procedures for the award of all maintenance and operation contracts and construction contracts for the Airport.

(v) That all senior appointed Airport officials shall have professional qualifications commensurate with the responsibilities of the jobs to be performed by such officials.

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(vi) That it will take all necessary actions to assure that the personnel of Lessor, whose wages and benefits are included in O&M Expenses, are actually performing work for the Airport as represented by such inclusion.

(vii) That it will operate Willow Run Airport only as a reliever airport for the Airport with no scheduled air carrier or public charter passenger service.

(viii) That in each Fiscal Year it will use PFCs to pay PFC-eligible Bond Debt Service due during such Fiscal Year in accordance with the provisions of **Exhibit H**.

(ix) That in each Fiscal Year it will make the following deposits into the following funds and accounts in addition to or in furtherance of those fund deposits required by any Bond Ordinance:

(A) Three Hundred Fifty Thousand Dollars (\$350,000) shall be deposited annually into the County Discretionary Fund;

(B) Deposits shall be made into the Bond Reserve Account, the Operation and Maintenance Reserve Fund and the Renewal and Replacement Fund pursuant to the provisions of Ordinance 319, and into any other funds for similar purposes established pursuant to other ordinances under which Bonds are issued; and

(C) (I) Amounts includible each Fiscal Year in the Revenue Requirement pursuant to item (4) of the definition thereof in Article IIIB.1., (II) up to \$2.5 million of revenue received by Lessor each Fiscal Year that is attributable to an automated vehicle identification program for the entire Airport, and (III) any proceeds received by Lessor during such Fiscal Year from the sale of the Airport property shown on **Exhibit F**, shall be deposited into the Airport Development Fund, to be established and held by Lessor for the purposes described in Article IIIB.2.(c)(ii) below.

(x) That it will subject all sales by it of the Airport property shown on **Exhibit F** to noise easements in the form customarily used by Lessor as part of its noise mitigation program.

(b) Lessor may issue Bonds to finance the costs (including all reasonable costs incidental to the issuance and sale of such bonds) of capital projects and may include the Bond Debt Service (including, among other things, coverage requirements) on such Bonds in Lessee's fees hereunder only after first receiving approval of a Weighted Majority for such capital projects.

Lessor may assign, in accordance with any Bond Ordinance and the terms of this Agreement, certain of its interests in and pledge certain revenues and receipts of the Airport as security for payment of the principal of, premium, if any, and interest on Bonds. Except as set forth in the preceding sentence and except for residential property acquired by the Airport pursuant to the Airport's noise mitigation program, Lessor shall not pledge, sell, convey, mortgage, encumber, assign or otherwise transfer the Airport or any portion thereof during the term of this Agreement.

(c) The following limitations shall apply to expenditures from the below-described funds and accounts:

(i) *Expenditures to be made from the County Discretionary Fund.* Lessor may make expenditures from the County Discretionary Fund without approval by the air carriers for any lawful Airport-system purpose, except that expenditures for Willow Run Airport shall only be made if Lessor is in compliance with its covenant in Article III B.2.(a)(vii).

(ii) *Expenditures to be made from Airport Development Fund.* Lessor may make capital expenditures from the Airport Development Fund without approval by the air carriers for any lawful Airport-system related purpose, provided that Lessor shall not pledge the Airport Development Fund as security for any Bond or other debt of Lessor without approval of a Majority-in-Interest of the air carriers, and provided, further, that capital expenditures for Willow Run Airport shall only be made if Lessor is in compliance with its covenant in Article III B.2.(a)(vii).

(d) In order to permit Lessor to issue Bonds in compliance with applicable securities laws, Lessee agrees that, upon the request of Lessor, Lessee shall provide to Lessor such information with respect to Lessee as Lessor deems reasonably necessary in order for Lessor to issue Bonds in compliance with the requirements of Rule 15c-2(12) of the Securities and Exchange Commission.

C. FACILITIES USE FEES–FIS FACILITIES: Lessor will charge each air carrier operating at the Airport a facilities use fee per deplaned international passenger of such air carrier for the use of the FIS Facilities at the Airport. The Facilities Use Fees will be charged in accordance with the schedule attached as **Exhibit I**.

D. CONTINUING RENTAL OBLIGATION:

1. Should any scheduled air carrier, including Lessee, having an agreement with Lessor substantially similar to the First Amended and Restated Airport Agreement or to this Agreement, terminate its operations at the Airport by reason of the loss of its operating authority to serve the Detroit Metropolitan Area and exercise the right of cancellation provided for in such case in Article XV of such agreement, its continued obligation to pay to Lessor charges thereafter due under such agreement, including space rentals and Activity Fees, shall, subject to the provisions of the paragraph next following, thereupon terminate. Payment of rentals and Activity Fees thereafter required shall be the responsibility of such of the other aforesaid scheduled air carriers which continue to provide air transportation service to the Detroit Metropolitan Area.

Should (a) all such aforesaid air carriers lose their operating authority to serve the Detroit Metropolitan Area, or (b) should Lessor fail to maintain the necessary certifications required to permit scheduled air carrier operations at the Airport, and all of such air carriers exercise the right of cancellation provided for in either event in said Article XV, the obligation to pay such aforesaid charges shall terminate subject, however, to the following condition. Until Fiscal Year 2009, upon such termination all such aforesaid carriers then operating at the Airport (including Lessee if such be the case) shall be obligated, to the extent hereinafter required, to pay annually, or in such installments as Lessor may require, an amount not in excess of three hundred percent (300%) of their respective annual rentals (calculated in the manner set forth in paragraph 2 immediately below) payable at that time for terminal building space at the Airport (whether leased under an Airport Agreement, or otherwise) for the purpose of providing funds to be applied to Bond Debt Service (exclusive of any additional coverage) on the then outstanding issues of Bonds. Payments required of such carriers shall be assessed against each of them in a uniform manner per square foot leased and shall be diminished pro rata to the extent that Airport revenues or capital funds are realized from other sources and are available for application to the debt service on the said Bonds as provided for in Subparagraph 3 below.

2. For the purpose of calculating payments which such carriers may be obligated to make, Lessor shall first determine the average annual rental rate per square foot paid for such terminal building space by all such carriers by dividing their total annual rentals for such space by the total square footage of the space. The square footage leased by each carrier shall then be multiplied by such average rate in order to obtain an annual rental of each such carrier for the purpose of establishing the three hundred percent (300%) maximum annual limitation.

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3. In the event Lessor fails to maintain the necessary certifications required to permit scheduled air carrier operations at the Airport and thereafter operates at the Airport for other purposes, any revenues earned as a result shall, after providing for necessary operating and maintenance expenses, be first applied each year to such debt service requirements before requiring payments by the carriers pursuant to paragraph 1 above. In the foregoing circumstances and as long as any of the aforesaid Bonds are outstanding, Lessor shall use its best efforts to operate or lease the Airport properties so as to produce sufficient revenues to satisfy the requirements of the aforesaid Bonds. If under such circumstances the Airport properties or portion thereof are sold by Lessor, the proceeds of such sale(s) shall first be used (or set aside) and be applied to current and future debt service requirements or to retire the aforesaid Bonds before requiring payments by the carriers pursuant to subparagraph 1 above.

E. YEAR-END ADJUSTMENT PAYMENTS AND CREDITS: Commencing with Fiscal Year 2009, as part of the preliminary annual settlement and Final Audit for each Fiscal Year pursuant to Article III G.5 below, the County will calculate for such Fiscal Year the Cost of the South Terminal, the Cost of the North Terminal, the Cost of the South Terminal Airline Premises, the Cost of the South Terminal County-Controlled Airline Space, the Cost of the North Terminal Airline Premises and the Cost of the North Terminal County-Controlled Airline Space. The Cost of the South Terminal County-Controlled Airline Space for any Fiscal Year shall be an amount equal to the Cost of the South Terminal for such Fiscal Year minus the Cost of the South Terminal Airline Premises for such Fiscal Year, as such amounts are calculated pursuant to Article III A.2.(b)(iv) above. The Cost of the North Terminal County-Controlled Airline Space for any Fiscal Year shall be an amount equal to the Cost of the North Terminal for such Fiscal Year minus the Cost of the North Terminal Airline Premises for such Fiscal Year, as such amounts are calculated pursuant to Article III A.2.(b)(v) above. The Signatory Airlines shall make Year-End Adjustment payments, and shall receive Year-End Adjustment credits as follows:

1. If (a) for any Fiscal Year the total Terminal Charges paid by Signatory Airlines for the South Terminal Airline Premises are greater than or equal to the Cost of the South Terminal Airline Premises for such Fiscal Year, and (b) for such Fiscal Year the South Terminal County-Controlled Airline Space Revenues are greater than the Cost of the South Terminal County-Controlled Airline Space ("Surplus South Terminal County-Controlled Airline Space Revenues"), then as part of the preliminary annual settlement and the Final Audit for such Fiscal Year, each Signatory Airline leasing Preferential South Terminal Space or using Shared Use South Terminal Space will receive a credit equal to its pro rata share (which for each Signatory Airline shall be a fraction, the numerator of which is the total number of square feet of its Preferential South Terminal Space and the denominator of which is the total number of square feet of Preferential South Terminal Space of all Signatory Airlines) of the Surplus South Terminal County-Controlled Airline Space Revenues.

2. If (a) for any Fiscal Year the Cost of the South Terminal Airline Premises is greater than the total Terminal Charges paid by Signatory Airlines for the South Terminal Airline Premises ("Excess Costs of the South Terminal Airline Premises"), and (b) there are Surplus South Terminal County-Controlled Airline Space Revenues for such Fiscal Year, then as part of the preliminary annual settlement and the Final Audit for such Fiscal Year, each Signatory Airline leasing Preferential South Terminal Space or using Shared Used South Terminal Space will (i) receive a credit equal to its prorata share of the Surplus South Terminal County-Controlled Airline Space Revenues, and (ii) be required to pay its prorata share of the Excess Costs of the South Terminal Airline Premises.

3. If (a) for any Fiscal Year there are Excess Costs of the South Terminal Airline Premises, and (b) for such Fiscal Year the South Terminal County-Controlled Airline Space Revenues are less than or equal to the Cost of the South Terminal County-Controlled Airline Space, then as part

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of the preliminary annual settlement and the Final Audit for such Fiscal Year, each Signatory Airline leasing Preferential South Terminal Space or using Shared Use South Terminal Space will be required to pay its prorata share of the difference between (i) the Cost of the South Terminal for such Fiscal Year minus (ii) the sum of (A) the total Terminal Charges paid during such Fiscal Year by Signatory Airlines for the South Terminal Airline Premises and (B) the South Terminal County-Controlled Airline Space Revenues for such Fiscal Year (such difference is hereinafter referred to as "Excess South Terminal Costs").

4. If (a) for any Fiscal Year the total Terminal Charges paid by Signatory Airlines for the South Terminal Airline Premises are greater than or equal to the Cost of the South Terminal Airline Premises for such Fiscal Year, and (b) for such Fiscal Year the South Terminal County-Controlled Airline Space Revenues are less than the Cost of the South Terminal County-Controlled Airline Space, then as part of the preliminary annual settlement and the Final Audit for such Fiscal Year, each Signatory Airline leasing Preferential South Terminal Space or using Shared Use South Terminal Space will be required to pay its prorata share of the Excess South Terminal Costs, if any, for such Fiscal Year.

5. If (a) for any Fiscal Year the total Terminal Charges paid by Signatory Airlines for the North Terminal Airline Premises are greater than or equal to the Cost of the North Terminal Airline Premises for such Fiscal Year, and (b) for such Fiscal Year the North Terminal County-Controlled Airline Space Revenues are greater than the Cost of the North Terminal County-Controlled Airline Space ("Surplus North Terminal County-Controlled Airline Space Revenues"), then as part of the preliminary annual settlement and the Final Audit for such Fiscal Year, each Signatory Airline leasing Preferential North Terminal Space or using Shared Used North Terminal Space will receive a credit equal to its prorata share (which for each Signatory Airline shall be a fraction, the numerator of which is the total number of square feet of its Preferential North Terminal Space and the denominator of which is the total number of square feet of Preferential North Terminal Space of all Signatory Airlines) of the Surplus North County-Controlled Airline Space Revenues.

6. If (a) for any Fiscal Year the Cost of the North Terminal Airline Premises is greater than the total Terminal Charges paid by Signatory Airlines for the North Terminal Airline Premises ("Excess Costs of the North Terminal Airline Premises"), and (b) there are Surplus North Terminal County-Controlled Airline Space Revenues for such Fiscal Year, then as part of the preliminary annual settlement and the Final Audit for such Fiscal Year, each Signatory Airline leasing Preferential North Terminal Space or using Shared Use North Terminal Space will (i) receive a credit equal to its prorata share of the Surplus North Terminal County-Controlled Airline Space Revenues, and (ii) be required to pay its prorata share of the Excess Costs of the North Terminal Airline Premises.

7. If (a) for any Fiscal Year there are Excess Costs of the North Terminal Airline Premises, and (b) for such Fiscal Year the North Terminal County-Controlled Airline Space Revenues are less than or equal to the Cost of the North Terminal County-Controlled Airline Space, then as part of the preliminary annual settlement and the Final Audit for such Fiscal Year, each Signatory Airline leasing Preferential North Terminal Space or using Shared Use North Terminal Space will be required to pay its prorata share of the difference between (i) the Cost of the North Terminal for such Fiscal Year minus (ii) the sum of (A) the total Terminal Charges paid during such Fiscal Year by Signatory Airlines for the North Terminal Airline Premises and (B) the North Terminal County-Controlled Airline Space Revenues for such Fiscal Year (such difference is hereinafter referred to as "Excess North Terminal Costs").

8. If (a) for any Fiscal Year the total Terminal Charges paid by Signatory Airlines for the North Terminal Airline Premises are greater than or equal to the Cost of the North Terminal

Airline Premises for such Fiscal Year, and (b) for such Fiscal Year the North Terminal County-Controlled Airline Space Revenues are less than the Cost of the North Terminal County-Controlled Airline Space, then as part of the preliminary annual settlement and the Final Audit for such Fiscal Year, each Signatory Airline leasing Preferential North Terminal Space or using Shared Use North Terminal Space will be required to pay its prorata share of the Excess North Terminal Costs, if any, for such Fiscal Year.

F. PASSENGER CREDIT: Commencing with Fiscal Year 2009, for each Fiscal Year each Signatory Airline will receive a credit (a "Passenger Credit") against the total amount of its Terminal Charges and Activity Fees otherwise payable under its Airport Agreement calculated by multiplying the Passenger Credit Revenue Amount by a fraction, the numerator of which is such Signatory Airline's total enplaned passengers at the Airport for such Fiscal Year and the denominator of which is the total enplaned passengers at the Airport for such Fiscal Year of all Signatory Airlines.

G. PAYMENT OF RENTALS AND ACTIVITY FEES:

1. INFORMATION ON LESSEE OPERATIONS.

(a) Not earlier than 120 days nor later than 90 days prior to the last day of each Fiscal Year, Lessee shall furnish Lessor with an estimate for the next ensuing Fiscal Year of (i) the total Approved Maximum Landing Weight of all aircraft to be landed at the Airport by Lessee, (ii) the total number of Lessee's domestic and international enplaned

passengers, (iii) the number of domestic and the number of international deplaned passengers of Lessee that are estimated to use each of the Shared Use Domestic South Terminal Space, the Shared Use International South Terminal Space, the Shared Use Swing South Terminal Space, the Shared Use Domestic North Terminal Space, the Shared Use International North Terminal Space and the Shared Use Swing North Terminal Space, as the case may be, (iii) the total number of arriving and departing domestic and international flights of Lessee, and (iv) the South Terminal O&M Expenses to be reimbursed to Lessee pursuant to Article VII.B.

(b) Lessee shall, no later than the 20th day of each calendar month, transmit to Lessor a report, certified by Lessee, setting forth (i) the actual number of Lessee's enplaned passengers and the actual number of Lessee's deplaned passengers for the preceding calendar month that used each of the Shared Use Domestic South Terminal Space, the Shared Use International South Terminal Space, the Shared Use Swing South Terminal Space, the Shared Use Domestic North Terminal Space, the Shared Use International North Terminal Space and the Shared Use Swing North Terminal Space, as the case may be, (ii) the actual aggregate Approved Maximum Landing Weight for all aircraft operated by Lessee and landed at the Airport during the preceding calendar month, (iii) the actual number of Lessee's arriving and departing domestic and international flights for the preceding month, and (iv) the South O&M Expenses actually paid by Lessee pursuant to Article VII.B. for the preceding calendar month.

2. **PROJECTION OF RENTALS AND ACTIVITY FEES.** Not later than 60 days prior to the end of each Fiscal Year, Lessor shall furnish Lessee with a projection and estimated calculation for the next ensuing Fiscal Year (the "Projection") of the Terminal Rental Rate, Lessee's Terminal Charges, the Activity Fee rate per thousand pounds of Approved Maximum Landing Weight, Lessee's Activity Fees and the total Passenger Credit to be received by Lessee. Such Projection will include Lessor's proposed Airport budget (including all sources of revenue and all expenses) for the next ensuing Fiscal Year, together with other information relevant thereto reasonably requested by Lessee. Lessor shall give due consideration to any suggestions and comments made by Lessee with respect to the Projection. The Projection, as revised by Lessor after considering Lessee's suggestions and comments, shall be the basis for computing Lessee's Terminal Charges, Activity Fees and Passenger Credit for the next ensuing Fiscal Year unless and until otherwise revised pursuant to paragraph 4 below.

3. **PAYMENT OF RENTALS AND ACTIVITY FEES.**

(a) Not later than the 20th day of each calendar month of each Fiscal Year, Lessee shall pay Lessor, without demand or invoice, an amount equal to (i) $\frac{1}{12}$ of Lessee's aggregate Terminal Charges for such Fiscal Year, computed in accordance with Article IIIA, and based on the Projection, as such projection may have been revised pursuant to paragraph 4 below, plus (ii) Lessee's aggregate Activity Fees for the preceding calendar month, calculated by multiplying the total Approved Maximum Landing Weight for aircraft landed by Lessee at the Airport during the preceding calendar month by the Activity Fee rate for such Fiscal Year, computed in accordance with Article IIIB.1., and based on the Projection, as such projection may have been revised pursuant to paragraph 4 below, minus (iii) $\frac{1}{12}$ of Lessee's Passenger Credit for such Fiscal Year, computed in accordance with Article IIIF., and based on the Projection, as such projection may have been revised pursuant to paragraph 4 below.

(b) Lessee may net from the payments to be made to Lessor pursuant to paragraph (a) above the amount of South Terminal O&M Expenses actually paid by Lessee pursuant to Article VII.B. for the preceding calendar month.

4. **ADJUSTMENT OF TERMINAL CHARGES AND ACTIVITY FEES.** Not later than the 150th day of each Fiscal Year, Lessor shall furnish Lessee with a revised Projection (the "Mid-Year Projection"), which shall reflect the most recently available information with regard to the amounts actually incurred or realized during such Fiscal Year for Bond Debt Service, O&M Expenses, and the Revenue Requirement, together with the most recently available information with regard to Terminal Charges and Activity Fees actually received by Lessor. Lessor shall give due consideration to any suggestions and comments made by Lessee with respect to the Mid-Year Projection. If the Mid-Year Projection, as revised by Lessor after considering Lessor's suggestions and

comments, indicates that aggregate payments of Terminal Charges and Activity Fees (taking into account the Passenger Credit), at the then-existing rates would result in an overpayment or underpayment of the aggregate amount required to be generated by Lessor through Activity Fees, Lessor shall revise the Projection and adjust the rates set forth therein for such Fiscal Year to conform to the Mid-Year Projection.

5. PRELIMINARY ANNUAL SETTLEMENT AND FINAL AUDIT.

(a) Within 60 days after the end of each Fiscal Year, Lessor will furnish Lessee with a preliminary report, containing a preliminary calculation, based on actual data, in accordance with this Agreement, of Terminal Charges, Activity Fees and Year-End Adjustment payments estimated to be chargeable to Lessee for the preceding Fiscal Year and the Passenger Credit and Year-End Adjustment credits estimated to be credited to Lessee for the preceding Fiscal Year, and setting forth the amounts actually paid by Lessee for such period. If such report indicates that the aggregate of such fees and charges actually paid by Lessee were greater than the aggregate amounts chargeable to Lessee, then within 90 days after the end of such Fiscal Year Lessor shall refund 80% of any such estimated excess to Lessee. If such report indicates that the aggregate of such fees and charges paid by Lessee was less than the amounts chargeable to Lessee, then within 90 days after the end of such Fiscal Year Lessee shall pay to Lessor 80% of the amount of any such estimated deficiency. Interest shall accrue at a rate of 7% per annum, and be payable by Lessee in cash, on any portion of any deficiency not paid by Lessee when due. Interest shall accrue at a rate of 7% per annum, and be payable by Lessor, through a reduction in the amount of Lessor's administrative costs includible in O&M Expenses for the then Fiscal Year pursuant to Article IIIB.2.(a)(iii), on any portion of any excess not refunded to Lessee when due.

(b) By the 180th day of each Fiscal Year, Lessor shall furnish to Lessee a copy of an annual audit report prepared by a nationally recognized accounting firm, covering the

operation of the Airport for the preceding Fiscal Year (the "Final Audit"). Lessor shall prepare a calculation, based on the Final Audit, in accordance with this Agreement, of all Terminal Charges, Activity Fees and Year-End Adjustment payments chargeable, and the Passenger Credit and Year-End Adjustment credits to be credited, to Lessee for the preceding Fiscal Year, and setting forth the amounts actually paid by Lessee for such period, taking into account all payments and refunds pursuant to paragraph 5.(a) above. If aggregate fees and charges actually paid by Lessee were greater than the aggregate amount chargeable, then within 30 days after delivery of the Final Audit Lessor shall refund the amount of such overpayment to Lessee. If aggregate fees or charges actually paid by Lessee were less than the aggregate amount chargeable to Lessee, then within 30 days after receipt of the Final Audit Lessee shall pay to Lessor the amount of any such deficiency. The amount of Lessor's administrative costs includible in O&M Expenses for the then Fiscal Year shall be reduced by \$50,000 for each month that delivery of the Final Audit to Lessee is delayed beyond the 180th day of such Fiscal Year.

(c) The payment by Lessee of any fees and charges hereunder and the acceptance by Lessor thereof for any Fiscal Year, shall not preclude either Lessee or Lessor from questioning, within a period of one (1) year from the date of receipt by Lessee of the Final Audit for such Fiscal Year, the accuracy of any report or statement on the basis of which such payment was made, or preclude Lessor from making any claim against Lessee for any additional amount payable by Lessee, or preclude Lessee from making any claim against Lessor for the return of any excess amount paid by Lessee.

H. SUPPLEMENTAL CAPITAL COST PAYMENTS: In addition to all other rentals and charges payable hereunder by Lessee, Lessee shall pay the following annual Bond Debt Service charges, which shall be billed on a monthly basis in advance each month, in respect of certain projects that were constructed for the benefit of Lessee in the Existing Terminal Facilities pursuant to that certain Airport Agreement dated February 26, 1959, as amended, to which Lessor and Lessee were at one time parties:

1. \$463,984.20 for the United Airlines relocation project;
2. \$12,015.00 for the Concourse G elevator project;
3. \$254,158.68 for the extension to Concourse C; and
4. \$1,206,095.64 for the new Concourse G and related projects.

Lessee will pay the above annual Bond Debt Service on that portion of the Bonds issued by Lessor in 1993 and 1996 even though the term of such debt service obligation extends beyond the term of the lease of such temporary facilities. The foregoing notwithstanding, the parties acknowledge that the aforesaid amounts will be adjusted if and when coverage requirements change and/or the Bonds to which such debt service charges relate are refinanced or refunded.

ARTICLE IV

[Intentionally Omitted]

ARTICLE V

CONSTRUCTION, MAINTENANCE, REPAIR AND OPERATION BY LESSEE

Lessee may construct or install at its own expense any equipment, improvements and facilities, and any additions thereto, upon all or any part of the premises hereunder leased to Lessee for its preferential use and may construct or install at its own expense, any equipment, improvements and

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facilities authorized under Article I hereof upon any Airport property not leased to Lessee for its preferential use at such locations as may be approved by Lessor. Plans and specifications of any proposed construction or installation of improvements and facilities (including any substantial alteration or addition thereto) shall be submitted to and receive the prior approval of Lessor. Lessor shall have the right to refuse approval of such plans and specifications if the external appearance of such improvements and facilities does not meet Lessor's reasonable requirements for substantial uniformity of appearance of improvements and facilities on the Airport, or, if the type or time of construction or installation, or the location thereof does not meet Lessor's reasonable requirements for safe use of the Airport and appurtenances by other authorized persons. Lessor may, at its own cost, inspect any such construction or installation.

Lessee shall keep and maintain all premises hereunder leased to Lessee for its preferential use and all such improvements and facilities and additions thereto, whether constructed or installed by it upon premises hereunder leased to it for its preferential use or upon Airport property not leased to it for its preferential use, in good condition and repair, reasonable wear and tear excepted, and damage by fire or other casualty excepted. Lessee shall not be liable for the repair or restoration of damage to premises hereunder leased where such damage results from fire, structural defect, or other casualty for which Lessor has obtained and there is in effect adequate insurance protection covering such fire or other casualty. No restriction shall be placed upon Lessee as to the architects, builders or contractors who may be employed by it in connection with any construction, installation, alteration, repair or maintenance of any such equipment, improvements, facilities and additions.

Lessee shall keep such premises leased to Lessee for its preferential use in a sanitary and slightly condition, and shall provide all necessary janitor services with respect thereto.

In the event that Lessee fails to perform for a period of thirty days after written notice from Lessor so to do, any obligation required by this Article V to be performed by Lessee at Lessee's cost, or fails to correct any construction or installation by it of any equipment, improvements or facilities not completed in accordance with the plans and specifications approved by Lessor within thirty days of Lessor's

notice to Lessee of a deviation from such plans and specifications and request for appropriate changes in such construction and installation, Lessor, upon the expiration of such thirty day period, may, but shall not be obligated to, enter upon the premises involved and perform such obligation of Lessee, charging Lessee the reasonable cost and expense thereof, and Lessee agrees to pay Lessor such charge in addition to any other amounts payable by Lessee hereunder; provided, however, that if Lessee's failure to perform any such obligation adversely affects or endangers the health or safety of the public or of employees of Lessor, and if Lessor so states in its aforesaid notice to Lessee, Lessor may but shall not be obligated to perform such obligation of Lessee at any time after the giving of such notice and without awaiting the expiration of said thirty day period, and charge to Lessee, and Lessee shall pay, as aforesaid, the reasonable cost and expense of such performance. If Lessor shall perform any of Lessee's obligations in accordance with the provisions of this section, Lessor shall not be liable to Lessee for any loss of revenues to Lessee resulting from such performance.

ARTICLE VI

RIGHT OF ENTRY BY LESSOR

Lessor may enter upon the premises now or hereafter leased exclusively or preferentially to Lessee hereunder at any reasonable time for any purpose necessary, incidental to, or connected with the performance of its obligations hereunder, in the exercise of its governmental functions, or in the event of any emergency.

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ARTICLE VII

MAINTENANCE, OPERATION AND REPAIR BY LESSOR

A. Lessor shall operate, maintain and keep in good repair the areas and facilities described in Article I hereof. Lessor shall keep the Airport free from obstruction, including, without limitation, the clearing and removal of snow, vegetation, stones and other foreign matter from the runways, taxiways, and loading areas and areas immediately adjacent to such runways, taxiways and loading areas, as may be reasonably necessary for the safe, convenient and proper use of the Airport by Lessee, and shall maintain and operate the Airport in all respects in a manner at least equal to the highest standards or ratings issued by the FAA for airports of similar size and character and in accordance with all rules and regulations of the FAA.

Lessor, at its cost, shall provide and supply adequate heat to and air conditioning for the premises hereunder leased to Lessee for its preferential or shared use, and shall provide reasonable illumination and drinking water in the public and passenger space in the South Terminal, the North Terminal and the Existing Terminal Facilities and, except as otherwise provided herein, for the areas and facilities adjacent thereto. Lessor, at its cost, shall also provide adequate lighting for the vehicular parking spaces and adequate field lighting on and for the Airport, including, without limiting the generality hereof, boundary lights, landing lights, flood lights and beacons. Lessor, at its cost, shall also provide all janitor services and other cleaners necessary to keep the vehicular parking spaces and the landing field of the Airport at all times clean, neat, orderly, sanitary and presentable.

Lessor shall provide adequate guards, at such times as may be required by the circumstances, at all parts of the Airport which Lessee is entitled to use jointly and in common with others.

In the event that Lessor fails to perform for a period of thirty days after written notice from Lessee so to do, any obligation required by this Article VII to be performed by Lessor at Lessor's cost, Lessee, upon the expiration of such thirty day period, may but shall not be obligated to perform such obligation of Lessor and deduct the reasonable cost to Lessee of performing such obligation from any rentals, fees or charges subsequently becoming due from Lessee to Lessor under this Agreement; provided, however, that if Lessor's failure to perform any such obligation adversely affects or endangers the health or safety of Lessee or of any of any of its employees, agents, passengers, guests, patrons, invitees, or its or their suppliers of materials or furnishers of service or any of its or their property, and if Lessee so states in its aforesaid notice to Lessor, Lessee may but shall not be obligated to perform such obligation of Lessor at any time after the giving of said

notice and without awaiting the expiration of said thirty day period, and Lessee may deduct its reasonable costs of performance thereof from any rentals, fees or charges as aforesaid.

Lessor shall have the right to relocate at its own cost any equipment, improvements and facilities constructed or installed by Lessee upon the Airport property not leased hereunder to Lessee for its exclusive use or preferential use pursuant to authorization therefor under Article I hereof; provided, however, that such relocation shall be performed in such a manner and at such times as are calculated to reduce to the minimum possible under the circumstances any interference with Lessee's operations at the Airport, and that the relocated equipment, improvements and facilities shall, when completed, be commensurate with the equipment, improvements and facilities existing prior to such relocation.

B. Notwithstanding the foregoing, Lessor hereby appoints Lessee as its agent for the performance of, and Lessee agrees to and undertakes to perform, the Assigned Operations and Maintenance Functions to be performed by Lessor pursuant to this Article VII with respect to the South Terminal, pursuant to the following agreements:

1. Lessee agrees to perform the Assigned Operations and Maintenance Functions in a manner and to standards as are established for Lessor in this Article VII.

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2. In the event that Lessee fails to perform, for a period of 30 days after written notice from Lessor so to do, any obligation required by this Article VII to be performed by Lessee at Lessee's cost, Lessor, upon the expiration of such 30 day period, may, but shall not be obligated to, enter upon the premises involved and perform such obligation of Lessee, provided, however, that if Lessee's failure to perform any such obligation adversely affects, or endangers the health or safety of the public or of employees of Lessor, and if Lessor so states in its aforesaid notice to Lessee, Lessor may, but shall not be obligated to, perform such obligation of Lessee, at any time after the giving of such notice and without awaiting the expiration of said 30 day period.

3. As required by Article III.G.1.(b)(iv) above, Lessee shall render a detailed statement for reimbursement of the costs incurred by Lessee in connection with the Assigned Operations and Maintenance Functions undertaken by Lessee under this Article VII within 20 days after the end of each month. Lessee also shall be entitled to reimbursement from Lessor for any costs incurred by Lessee for salaries and benefits of Lessee's employees exclusively assigned to the Assigned Operations and Maintenance Functions and who are based at, and spend substantially all of their work time at, the Airport. Lessor shall be entitled to audit all monthly statements of costs rendered by Lessee, and Lessee will make available to Lessor all of the records supporting such statements. In lieu of reimbursement payments by Lessor to Lessee of Lessee's aforesaid costs, Lessee shall be entitled to net the reimbursement amounts against payments due Lessor pursuant to Article III.G.3 above. All such costs shall be deemed to be South Terminal O&M Expenses, and includible as such for all purposes under this Agreement.

4. In the performance of the functions undertaken pursuant to this Article VII by contractor or third party forces engaged by Lessee, Lessee shall require payment of wage rates and provision of benefits comparable to the wage rates and benefits paid and provided to workers engaged in similar skilled trades work for building maintenance projects in the Detroit Metropolitan Area.

5. Lessor shall obtain the concurrence of Lessee for all modifications to the South Terminal that will adversely affect South Terminal building-wide systems or interior building signage.

ARTICLE VIII

UTILITY SERVICES

Lessor shall, directly or by arrangement with appropriate utility companies or suppliers, supply Lessee with electrical current, gas, water, telephone and sewerage facilities. Lessor shall also supply electrical current to the ramp areas to be used by Lessee in common with others.

ARTICLE IX

**SPACE FOR UNITED STATES WEATHER BUREAU, POSTAL SERVICE,
FEDERAL AVIATION ADMINISTRATION, AND EXPRESS AGENCIES**

Lessor shall, upon request of such persons or governmental or express agencies make available reasonable and convenient space and facilities at the Airport for the use of the United States Postal Service, or any person required to use such space by regulations thereof, and for the use of an express agency or agencies at a reasonable rental charge to such persons, governmental agency and express agencies; and Lessor shall in like manner make available reasonable and convenient space and facilities at the Airport for the use of the United States Weather Bureau and FAA.

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ARTICLE X

AIRLINE CLUBS

Any other provision of this Agreement to the contrary notwithstanding, Lessee shall have the right to operate directly or through a designee, assignee or sub-lessee, member-only club facilities within such appropriate space leased to it in the South Terminal for such purposes, which club facilities shall be authorized to serve food and beverages; provided, however, food and beverages served in such member-only club facilities will be obtained by Lessee from an Airport food concessionaire to the extent that same are available for purchase from an Airport food concessionaire.

ARTICLE XI

RULES AND REGULATIONS

Lessor shall adopt and enforce reasonable rules and regulations and any reasonable amendments thereto, with respect to the use of the Airport, which shall provide for the safety of those using the Airport, and Lessee agrees to observe and obey the same; provided, that such rules and regulations shall be consistent with safety and with rules, regulations and orders of the FAA with respect to aircraft operations at the Airport; and provided further, that such rules and regulations shall not be inconsistent with the procedures prescribed or approved from time to time by the FAA with respect to the operation of Lessee's aircraft at the Airport. Lessee shall be given notice of all amendments to rules and regulations as are from time to time adopted by Lessor and no such amendment shall be effective as to Lessee until thirty (30) days after the date of such notice unless Lessor states in said notice that the amendment is of an emergency nature, in which case the amendment shall be immediately effective.

ARTICLE XII

CONTROL OF RATES, FARES OR CHARGES

Lessor shall have no control whatsoever over the rates or charges that Lessee may prescribe for any of its services to, from, through or at the Airport, or between the Airport and Lessee's ticket offices or other stopping places in the City of Detroit or the County of Wayne, or elsewhere, nor shall Lessor, except to the extent reasonably necessary to prevent physical damage or injuries to persons or property at the Airport, in any manner whatsoever, control the type, design, style, figuration, weight, allowable loads, specifications or means of propulsion of, or use of space on, the aircraft Lessee may operate to and from said Airport, or the point of origin or destination of flights operated by Lessee to or from the Airport.

ARTICLE XIII

DAMAGE OR DESTRUCTION OF PREMISES

Notwithstanding the provisions of Article V as to maintenance and repair of premises by Lessee, if any terminal at the Airport shall be partially damaged by fire, the elements, the public enemy or other casualty but not rendered untenable, the same shall be repaired with due diligence by Lessor at its own cost and expense. In case any such terminal is so damaged or destroyed by fire, the elements, the public enemy or other casualty, that it will or does become untenable, the said building shall be repaired, reconstructed or restored as the case may be, with due diligence by Lessor at its own cost and expense, and the rent payable hereunder with respect to said building shall be paid up to the time of such damage or destruction and shall thenceforth abate until such time as the said building shall be made tenantable. Lessor shall maintain insurance sufficient to enable it to fulfill its obligations under this Article.

In the event that the Airport or any other premises herein leased are rendered untenable or unusable because of the condition thereof, there shall be a reasonable and proportionate abatement of the rentals, fees and charges provided for herein during the period that the same are so untenable or unusable.

ARTICLE XIV

CANCELLATION BY LESSOR

Lessor may cancel this Agreement by giving Lessee sixty (60) days advance written notice to be served as hereinafter provided, upon or after the happening of any one of the following events:

(a) The filing by Lessee of a voluntary petition in bankruptcy;

(b) The institution of proceedings in bankruptcy against Lessee and the adjudication of Lessee as a bankrupt pursuant to such proceedings if such adjudication shall remain unvacated or unstayed for a period of at least sixty (60) days;

(c) The taking by a court of competent jurisdiction of Lessee and its assets pursuant to proceedings brought under the provisions of any Federal reorganization act if the judgment of such court shall remain unvacated or unstayed for a period of at least sixty (60) days;

(d) The appointment of a receiver of Lessee's assets if such appointment by a court of competent jurisdiction shall remain unvacated or unstayed for a period of at least sixty (60) days;

(e) The divestiture of Lessee's estate herein by other operation of law;

(f) The abandonment by Lessee of its conduct of Air Transportation at the Airport;

(g) If the Lessee shall be prevented for a period of sixty (60) days (after exhausting or abandoning all appeals) by any action of any governmental authority, board, agency or officer having jurisdiction thereof from conducting Air Transportation at the Airport unless it is so prevented from conducting Air Transportation, either (1) by reason of the United States or any agency thereof acting directly or indirectly, taking possession of and operating, in whole or in substantial part, the premises and space leased or operated by the Lessee, or premises required for the actual operation of Lessee's aircraft to and from the Airport, or (2) if all or a substantial part of the premises and space leased by the Lessee shall be acquired in the manner described in Article XXIV hereof;

(y) The default by Lessee in the performance of any covenant or agreement herein required to be performed by Lessee and the failure of Lessee to remedy such default for a period of sixty (60) days after receipt from Lessor of written notice to remedy the same; provided, however, that no notice of cancellation, as above provided, shall be of any force or effect if Lessee shall have remedied the default prior to receipt of Lessor's notice of cancellation;

Notwithstanding anything to the contrary herein contained, Lessor shall not have the right to cancel, or give notice of cancellation of, this Agreement solely by reason of Lessee's failure or refusal to pay any part of the rentals, fees or charges provided for in this Agreement if,

within sixty (60) days after such failure or refusal, Lessee shall have given to Lessor a written notice stating that Lessee in good faith predicates such failure or refusal upon either or both of the following: (1) any provision of this Agreement granting to Lessee in specified events a reduction in or abatement of any rentals, fees or charges payable by Lessee to Lessor hereunder, or (2) any provision of this Agreement authorizing Lessee in specified events to deduct from any such rentals, fees or charges, the reasonable cost to Lessee of performing any obligation or obligations required by this Agreement to be performed by Lessor.

No waiver or default by Lessor of any of the terms, covenants or conditions hereof to be performed, kept and observed by Lessee shall be construed to be or act as a waiver of any subsequent default of any of the terms, covenants and conditions herein contained to be performed, kept and observed by Lessee. The acceptance of rental by Lessor for any period or periods after a default of any of the terms, covenants and conditions herein contained to be performed, kept and observed by Lessee,

shall not be deemed a waiver of any right on the part of Lessor to cancel this Agreement for failure by Lessee to so perform, keep or observe any of the terms, covenants or conditions of this Agreement.

ARTICLE XV

CANCELLATION BY LESSEE

Lessee, in addition to any other right of cancellation herein given to Lessee or any other rights to which Lessee may be entitled by law or otherwise, may, so long as Lessee is not in default in any payments to Lessor hereunder, cancel this Agreement by giving Lessor sixty (60) days advance written notice to be served as hereinafter provided, upon or after the happening of any one of the following events:

(a) The failure or refusal, for reasons beyond the control of Lessee, of the FAA, at any time during the term of this Agreement or any renewal thereof, to permit Lessee to operate into or from the Airport with any type of aircraft which Lessee may be licensed to operate into or from other airports of like size and character and which Lessee may reasonably desire to operate into or from the Airport;

(b) Issuance by any court of competent jurisdiction of an injunction in any way substantially preventing or restraining the use of the Airport or any part thereof necessary for Lessee's operations, and the remaining in force of such injunction for a period of at least sixty (60) days at least after Lessor has exhausted or abandoned all appeals;

(c) The inability of Lessee due to circumstances beyond its control to use, for a period in excess of ninety (90) days, the Airport or to exercise any rights and privileges granted to Lessee hereunder and necessary to its operations because of any law or ordinance, or because of any order, rule, regulation or other action or any non-action of the FAA or any other governmental authority, or, because of earthquake, other casualty (excepting fire) or because of Acts of God or the public enemy;

(d) The default by Lessor in the performance of any covenant or agreement herein required to be performed by Lessor and the failure of Lessor to remedy such default for a period of ninety (90) days after receipt from Lessee of written notice to remedy the same; provided, however, that no notice of cancellation, as above provided, shall be of any force or effect if Lessor shall have remedied the default prior to receipt of Lessee's notice of cancellation.

Lessee's performance of all or any part of this Agreement for or during any period or periods after a default of any of the terms, covenants and conditions herein contained to be performed, kept and observed by Lessor, shall not be deemed a waiver of any right on the part of Lessee to cancel this Agreement for failure by Lessor so to perform, keep or otherwise observe any of the terms, covenants, or conditions hereof to be performed, kept and observed by Lessor, or be construed to be or act as a waiver by Lessee of any subsequent default of any of the terms, covenants and conditions herein contained to be performed, kept and observed by Lessor.

ARTICLE XVI

SUSPENSION AND ABATEMENT

In the event that Lessor's operation of the Airport or Lessee's operation at the Airport should be restricted substantially by action of any court of competent jurisdiction or by action of the federal government or any agency thereof, or by action of the State of Michigan or any agency thereof, then either party hereto shall have the right, upon written notice to the other, to a suspension of this Agreement and an abatement of a just proportion of the services and facilities to be afforded hereunder, or a just proportion of the payments to become due hereunder, from the time of such

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notice until such restriction shall have been remedied and normal operations restored. Ascertainment of all matters under this Article shall be determined by agreement or by arbitration as provided in Article XVII hereof.

ARTICLE XVII

ARBITRATION

If any controversy or claim should arise out of, under, or relating to, the provisions of Articles III or XVI of this Agreement, then either party may by notice in writing to the other, submit the controversy or claim to arbitration. The party desiring such arbitration shall give written notice to that effect to the other party, specifying in said notice the name and address of the person designated to act as arbitrator on its behalf. Within fifteen (15) days after the service of such notice, the other party shall give written notice to the first party specifying the name and address of the person designated to act as arbitrator on its behalf. The arbitrators thus appointed shall appoint a third disinterested person of recognized competence in such field, and such three arbitrators shall as promptly as possible determine the controversy or claim.

If the two arbitrators appointed by the parties shall be unable to agree upon the appointment of a third arbitrator within fifteen (15) days after the appointment of the second arbitrator, then within fifteen (15) days thereafter either of the parties upon written notice to the other party, on behalf of both, may request the appointment of a disinterested person of recognized competence in the field involved as the third arbitrator by the then chief judge of the United States District Court for the Eastern District of Michigan, Southern Division, or upon his failure, refusal or inability to act, may request such appointment by the then miscellaneous presiding judge of the Circuit Court (Third Judicial Circuit) of the State of Michigan, County of Wayne, or, upon his failure, refusal or inability to act, may apply to the Circuit Court (Third Judicial Circuit) of the State of Michigan, County of Wayne for the appointment of such third arbitrator, and the other party shall not raise any question as to the court's full power and jurisdiction to entertain the application and make the appointment. If none of the parties shall so request such appointment of a third arbitrator within fifteen (15) days after the expiration of the period within which the two arbitrators are to appoint a third arbitrator as hereinabove provided, the rights of each party to arbitrate the matter shall be deemed to have been waived and either of the parties may proceed to enforce whatever remedies, legal or otherwise, it may otherwise have.

The decision in which any two of the three arbitrators so appointed and acting hereunder concur shall in all cases be binding and conclusive upon the parties. Each party shall pay the fees and expense of the arbitrator appointed by such party and one-half of the other expense of the arbitration properly incurred hereunder.

Each of the parties hereto agree that if, in the opinion of the other party, any separate agreement is required by law in order to effectuate or enforce the arbitration provisions hereinabove contained, it will execute such separate agreement provided that the same is not inconsistent with the terms and provisions of this Agreement.

ARTICLE XVIII

INDEMNITY

Lessee agrees to indemnify and hold Lessor harmless from and against all liability for injuries to persons or damage to property caused by Lessee's use and occupancy of or operations at the Airport; provided, however, that Lessee shall not be liable for any injury, damage or loss

caused by Lessor's sole negligence or by the joint negligence of Lessor and any person other than Lessee; and provided further that Lessor shall give to the Lessee prompt and timely notice of any claim made or suit instituted

which in any way, directly or indirectly, contingently or otherwise, affects or might affect Lessee, and Lessee shall have the right to compromise and defend the same to the extent of its own interest.

ARTICLE XIX

INSURANCE

Lessee shall, at all times during the term of this Agreement maintain in effect policies of insurance issued by a company or companies of sound and adequate financial responsibility, insuring Lessee against all liabilities to the public for loss resulting from injury to persons or damage to property arising out of or caused by Lessee's operations, acts or omissions or those of Lessee's employees, agents or contractors. Such policies shall name the Lessor as additional assured thereunder, subject to the limitations set forth in Article XVIII hereof in respect of Lessor's negligence, and shall be in at least the following amounts:

Aircraft Public Liability Insurance	–	\$5,000,000 per person 50,000,000 per accident
Aircraft Property Damage Insurance	–	\$10,000,000 per accident
Comprehensive Public Liability Ins.	–	\$5,000,000 per person 10,000,000 per accident
Comprehensive Property Damage Ins.	–	\$5,000,000 per accident

Lessee shall furnish to Lessor certificates evidencing such insurance.

ARTICLE XX

QUIET ENJOYMENT

Lessor agrees that on payment of the rentals, fees and charges as herein provided and performance of the covenants and agreements on the part of Lessee to be performed hereunder, Lessee shall peaceably have and enjoy the leased premises and all the rights and privileges of the Airport, its appurtenances and facilities granted herein.

ARTICLE XXI

TITLE TO EQUIPMENT, IMPROVEMENTS AND FACILITIES ERECTED BY LESSEE

It is agreed that title to any equipment, improvements, and facilities, and any additions thereto, irrespective of whether the same would otherwise become a fixture under Michigan law (including without limitation all buildings, hangars, structures, storage tanks, pipes, pumps, wires, poles, machinery and air-conditioning equipment), constructed or installed by Lessee upon the premises leased hereunder to Lessee for its exclusive or preferential use or upon other Airport property (other than equipment, improvements and facilities financed by Lessor, whether with the proceeds of Bonds, PFCs, Federal funds or otherwise), shall remain the property of Lessee, unless it has at any time during the term of this Agreement by written notice and election, vested title to all or any part thereof in Lessor. Lessee shall have the right at any time during the term of this agreement, or any renewal or extension hereof, to remove any or all of such equipment, improvements and facilities, provided Lessee is not at any such time in default in its payments to Lessor hereunder and subject further to Lessee's obligation to repair all damage, if any, reasonable wear and tear excepted, resulting from such removal. If at any time during this Agreement, Lessee has exercised its right to vest title to such equipment, improvements and facilities in Lessor, it shall no longer have the right to remove such

property. Lessee agrees to remove said equipment, improvements and facilities at the expiration or other termination of this Agreement irrespective of whether it has exercised its right of election to vest title to the same in

Lessor, if so requested by Lessor, and, upon failure so to do, Lessor shall have the right to remove the same and charge to Lessee the actual cost of such removal and restoration of the site to its original condition, ordinary wear and tear excepted. Any such equipment, improvements or facilities not removed by Lessee prior to the expiration or other termination of this Agreement shall thereupon become the property of Lessor.

ARTICLE XXII

SURRENDER OF POSSESSION

Upon the expiration or earlier termination of this Agreement or any renewal hereof, Lessee shall forthwith surrender possession of the premises in as good condition as when received, reasonable wear and tear, damage by flood, fire, earthquake, other casualty, Acts of God or the public enemy, excepted.

ARTICLE XXIII

MINERAL RIGHTS

It is agreed and understood that all water, gas, oil and mineral rights in and under the soil are expressly reserved to Lessor.

ARTICLE XXIV

CONDEMNATION

Upon the acquisition by condemnation or the exercise of the power of eminent domain under any Federal or state statute by the Federal Government, the State of Michigan, or any Federal or state agency or any other person vested with such power, of a temporary or permanent interest in all or any part of the Airport, the Lessor and the Lessee each shall have the right to appear and file claims for damages, to the extent of their respective interests, in the condemnation or eminent domain proceedings, to participate in any and all hearings, trials and appeals therein, and to receive and retain such amount as they may lawfully be entitled to receive as damages or payment as a result of such acquisition.

ARTICLE XXV

ASSIGNMENT AND SUBLETTING

A. Lessee shall not at any time assign this Agreement or any part hereof, or sublet any premises now or hereafter leased to Lessee, without the consent in writing of Lessor, which consent will not be unreasonably withheld; provided, that the foregoing shall not prevent the assignment of this Agreement to any corporation with which Lessee may merge or consolidate, or which may succeed to the business of Lessee. No such subletting, however, shall release Lessee from its obligations to pay any and all of the rentals, charges, and fees provided or from any other obligation under this Agreement.

B. Except as provided in Article IIIB.2.(b), Lessor shall not at any time assign this Agreement or any part hereof, or pledge, sell, convey, mortgage, encumber, assign or otherwise transfer the Airport or any portion thereof during the term of this Agreement.

ARTICLE XXVI

SUBSIDIARY COMPANIES

The right to use the premises and facilities leased to Lessee under Article I hereof, or which it may subsequently be entitled to use in accordance with the exercise of options pursuant to this Agreement, in the manner specified in such Article and any other Articles of this Agreement, shall be extended to all of Lessee's subsidiary companies at no additional cost.

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ARTICLE XXVII

NOTICES

Notices to Lessor provided for herein shall be sufficient if sent by registered mail, postage prepaid, addressed to Director of Airports, Detroit Metropolitan Wayne County Airport, Detroit, Michigan 48242; and notices to Lessee, if sent by registered mail, postage prepaid, addressed to Northwest Airlines, Inc., 5101 Northwest Drive, St. Paul, Minnesota 55111, Attention: Vice President-Facilities and Airport Affairs, or to such other respective addresses as the parties may designate to each other in writing from time to time.

ARTICLE XXVIII

DEFINITIONS

1. "**Activity Fee**" shall have the meaning set forth in Article IIIB.1.
2. "**Agreement**" shall mean this Airport Use and Lease Agreement.
3. "**Airport**" shall have the meaning set forth in the first "Whereas" clause of this Agreement.
4. "**Airport Agreement**" shall mean this Agreement, and each other airport use and lease agreement with respect to the Airport that is substantially the same as this Agreement, except with respect to specific leased premises thereunder.
5. "**Airport Development Fund**" shall mean the fund of such name created under Ordinance 319.
6. "**Airport-system**" shall mean the Airport and Willow Run Airport.
7. "**Air Transportation**" shall mean the business of transporting natural persons, property, cargo and mail by aircraft.
8. "**Approved Maximum Landing Weight**" for any aircraft shall mean the maximum landing weight approved by the FAA for landing such aircraft at the Airport.
9. "**Assigned Operations and Maintenance Functions**" shall mean: (a) operations and maintenance for all of Lessee's Preferential South Terminal Space, (b) operation and maintenance (including janitorial services, cleaning and minor repairs) of all of the Shared Use South Terminal Space and public space in the South Terminal and the mechanical equipment therein, (c) the operation and maintenance of all building-wide services, such as heating, cooling, lighting, and electrical services and (d) the maintenance and repairs of the interior and exterior floors, walls, ceilings and roof of the South Terminal. The foregoing notwithstanding, Assigned Operations and Maintenance Functions shall not include: (i) operation of the Shared Use South Terminal Space (including gate allocation and utilization), and FIS Facilities in the South Terminal, (ii) the selection of concessionaires in the South Terminal and operations and maintenance functions to be performed by such concessionaires in the South Terminal, and (iii) police and building security functions in the South Terminal.
10. "**Bonds**" shall mean bonds issued by Lessor pursuant to the Bond Ordinance or any other ordinance of Lessor pursuant to which airport revenue bonds secured by a pledge of Airport revenue, on a senior or subordinate lien basis, are issued.

11. "**Bond Debt Service**" shall mean, for any Fiscal Year, all amounts of any nature whatsoever payable during such Fiscal Year under Ordinance 319 into the Bond Fund (including, but not limited to, the Bond Reserve Account), the Junior Lien Bond Fund, the Operation and Maintenance Reserve Fund and the Renewal and Replacement Fund, any other payment required by Section 604 of Ordinance 319 (including, but not limited to, amounts required to satisfy Lessor's rate covenant) and all amounts of any nature whatsoever payable during such Fiscal Year under any other ordinance of Lessor pursuant to which Bonds are issued into funds with purposes similar to the aforementioned

Ordinance 319 funds, including coverage payments, reduced in all cases by an amount equal to any interest payable on Bonds during such Fiscal Year from Bond proceeds.

12. "**Bond Fund**" shall mean the fund of such name as established pursuant to Ordinance 319.

13. "**Bond Ordinance**" shall mean Ordinance 319 and such other ordinances enacted and amended from time to time under which Lessor is authorized to issue Bonds.

14. "**Bond Reserve Account**" shall mean the fund of such name as established pursuant to Ordinance 319.

15. "**Cost Centers**" shall mean the South Terminal Cost Center and the North Terminal Cost Center, which shall be certain areas of the Airport grouped together for the purpose of accounting for revenues, O&M Expenses and Bond Debt Service. Each such area is a Cost Center.

16. "**Cost of the North Terminal**" shall mean, for any Fiscal Year, the Cost of the North Terminal calculated for that Fiscal Year pursuant to Article IIIA.2(b)(v).

17. "**Cost of the North Terminal County-Controlled Airline Space**" shall mean, for any Fiscal Year, the Cost of the North Terminal County-Controlled Airline Space calculated for that Fiscal Year pursuant to Article IIIF.

18. "**Cost of the North Terminal Airline Premises**" shall mean, for any Fiscal Year, the Cost of the North Terminal Airline Premises Area calculated for that Fiscal Year pursuant to Article IIIA.2.(b)(v).

19. "**Cost of the South Terminal**" shall mean, for any Fiscal Year, the Cost of the South Terminal calculated for that Fiscal Year pursuant to Article IIIA.2.(b)(iv).

20. "**Cost of the South Terminal County-Controlled Airline Space**" shall mean, for any Fiscal Year, the Cost of the South Terminal County-Controlled Airline Space calculated for that Fiscal Year pursuant to Article IIIF.

21. "**Cost of the South Terminal Airline Premises**" shall mean, for any Fiscal Year, the Cost of the South Terminal Airline Premises Area calculated for that Fiscal Year pursuant to Article IIIA.2.(b)(iv).

22. "**County-Controlled Airline Space**" shall mean South Terminal County-Controlled Airline Space and North Terminal County-Controlled Airline Space.

23. "**County-Controlled Airline Space Revenues**" shall mean revenue received by Lessor for the use of County-Controlled Airline Space.

24. "**County Discretionary Fund**" shall mean the fund of such name as established pursuant to Ordinance 319.

25. "**Date of Beneficial Occupancy**" shall mean, with regard to any terminal facility, the date on which an air transportation company occupies such facility for the operation of its Air Transportation business.

26. "**Excess Costs of the North Terminal Airline Premises**" shall have the meaning set forth in Article III E.5.
27. "**Excess Costs of the South Terminal Airline Premises**" shall have the meaning set forth in Article III E.2.
28. "**Excess South Terminal Costs**" shall have the meaning set forth in Article III E.3.
29. "**Excess North Terminal Costs**" shall have the meaning set forth in Article III E.7.

30. "**Exclusive Existing Terminal Space**" shall mean Exclusive Use Premises in the Existing Terminal Facilities.
31. "**Exclusive Use Premises**" shall mean space, improvements and facilities at the Airport leased for the exclusive use of an air carrier.
32. "**Existing Terminal Facilities**" shall mean space, improvements and facilities in the terminals in operation at the Airport immediately prior to the Date of Beneficial Occupancy of any space in the South Terminal.
33. "**Existing Terminal Space To Be Demolished**" shall have the meaning set forth in Article IB.1.
34. "**FAA**" shall mean the Federal Aviation Administration, or any successor agency.
35. "**Facilities Use Fees**" shall mean the fees for use of FIS Facilities charged pursuant to Article III C.
36. "**Final Audit**" shall have the meaning set forth in Article III G.5.(b).
37. "**FIS Facilities**" shall mean that portion of the terminals at the Airport consisting of facilities for the United States Custom Service, the United States Immigration and Naturalization Service, the United States Department of Health and Human Services and the United States Department of Agriculture, and any successor departments or services thereto, for the processing of arriving international passengers.
38. "**Fiscal Year**" shall mean October 1 of any year through September 30 of the following year, or such other fiscal year as Lessor may adopt for the Airport.
39. "**June 6, 2001 Weighted Majority Request**" shall have the meaning set forth in **Exhibit H**.
40. "**Junior Lien Bond Fund**" shall mean the fund of such name as established pursuant to Ordinance 319.
41. "**Lessee's Existing Terminal Space**" shall have the meaning set forth in Article IB.1.
42. "**Lessee's Preferential South Terminal Space**" shall have the meaning set forth in Article IB.2.(a).
43. "**Majority-in-Interest of the air carriers**" shall mean either (i) seventy-five percent (75%) of the Signatory Airlines who together have landed fifty-one percent (51%) of the total landed weight of all such Signatory Airlines during the immediately preceding calendar year (as such weight is reflected by official Airport records), or (ii) fifty-one percent (51%) of the Signatory Airlines who have together landed seventy-five percent (75%) of the total landed weight of all such Signatory Airlines during the immediately preceding calendar year (as such weight is reflected by official Airport records).
44. "**Mid-Year Projection**" shall have the meaning set forth in Article III G.4.
45. "**New Bonds**" shall have the meaning set forth in **Exhibit H**.

46. "**North Terminal**" shall mean the new north terminal facilities at the Airport to be constructed by the County to replace the Existing Terminal Facilities, provided that prior to the Date of Beneficial Occupancy of the North Terminal, references herein to the North Terminal shall mean the Existing Terminal Facilities, as such facilities are modified by the Northwest Demolition Project.

47. "**North Terminal Cost Center**" shall mean the Cost Center of the same name described in **Exhibit J**, which includes the land identified as the North Terminal on **Exhibit J**, and all facilities, equipment and improvements now or hereafter located thereon, including all passenger terminal buildings, connecting structures, passenger walkways and tunnels, concourses, hold areas and federal

inspection service facilities, and any additions and improvements thereto, as that land, facilities, equipment and improvements may change from time to time.

48. "**North Terminal County-Controlled Airline Space**" means certain airline areas in the North Terminal, including but not limited to, holdrooms, ticket counters, baggage claim areas, outbound baggage rooms, international baggage pick-up, and recheck lobbies, which the County may from time to time retain under its exclusive control and possession and are not leased to an airline pursuant to an Airport Agreement.

49. "**North Terminal County-Controlled Airline Space Revenues**" shall mean, for any Fiscal Year, revenues received or receivable by the County for that Fiscal Year for the use of North Terminal County-Controlled Airline Space.

50. "**North Terminal Airline Premises**" shall mean collectively, the Preferential North Terminal Space and the Shared Use North Terminal Space.

51. "**O&M Expenses**" shall mean, for any Fiscal Year, direct and indirect expenses of maintenance, operation and administration of the Airport (including, but not limited to, the South Terminal and the North Terminal) for such Fiscal Year.

52. "**Operation and Maintenance Reserve Fund**" shall mean the fund of such name as established pursuant to Ordinance 319.

53. "**Ordinance 319**" shall mean that Amended and Restated Master Airport Revenue Bond Ordinance No. 319 adopted by the County Commission of Lessor on April 14, 1998, as such ordinance has been amended or supplemented from time to time.

54. "**Other Available Moneys**" shall mean, for any Fiscal Year, the amount of money determined by Lessor's Director of Airports in concurrence with the Chief Financial Officer of Lessor to be transferred by Lessor for such Fiscal Year from PFCs or other sources other than Revenues (as defined in Ordinance 319) to any fund created under any Bond Ordinance and used to pay principal and interest on Bonds.

55. "**Passenger Credit**" shall mean, for any Fiscal Year, the credits the Signatory Airlines are entitled to receive for that Fiscal Year pursuant to Article IIIH.

56. "**Passenger Credit Revenue Amount**" shall mean, for any Fiscal Year, the sum of (1) the amount of the four non-airline revenue line items on the County's audited financial statements for the Airport for such Fiscal Year currently entitled "Food and Beverage," "News/Gifts," "Other Concessions/Duty-free" and "Pay Phone/Telecommunications", or if such titles change, the line items that include the same type of revenue, and (2) the amount, if any, required to be added to the amount in (i) in order for the Activity Fee rate for such Fiscal Year to not be less than \$.35 per thousand pound unit of Approved Maximum Landing Weight.

57. "**Persons**" shall mean natural persons, firms, corporations, partnerships, limited liability companies and other legal entities.

58. "**PFCs**" shall mean passenger facility charges imposed by Lessor pursuant to the Aviation and Safety Capacity Expansion Act of 1990, Pub. L. 101-508, Title IX, Subtitle B, §§ 9110 and 911, recodified as 49 U.S.C. 40117, as amended from time to time, and Part 158 of the Federal Aviation Regulations (14 CFR Part 158), as amended from time to time.

"Preferential South Terminal Space" shall mean Preferential Use Premises in the South Terminal.

59. "**Preferential North Terminal Space**" shall mean Preferential Use Premises in the North Terminal.

60. "**Preferential South Terminal Space**" shall mean Preferential Use Premises in the South Terminal.

61. "**Preferential Use Premises**" shall mean space, improvements and facilities at the Airport provided to an air carrier on a preferential, non-exclusive manner, e.g., in the manner provided in Article IB.2.(b).

62. "**Producer Price Index**" shall mean the Producer Price Index/All Commodities published by the United States Department of Labor, Bureau of Labor Statistics (January, 1996 = 100), or if such index is discontinued or otherwise becomes unavailable to the public, the most nearly comparable index published by a recognized financial institution, financial publication or university.

63. "**Project Development Agreement**" shall mean the Amended and Restated Project Development Agreement dated as of the same date as this Agreement, between Lessor and Lessee.

64. "**Projection**" shall have the meaning set forth in Article IIIG.2.

65. "**Renewal and Replacement Fund**" shall mean the fund of such name as established pursuant to Ordinance 319.

66. "**Revenue Fund**" shall mean the fund of such name as established pursuant to Ordinance 319.

67. "**Revenue Requirement**" shall have the meaning set forth in Article IIIB.1.

68. "**Series 1998A Bonds**" shall have the meaning set forth in **Exhibit H**.

69. "**Shared Use Domestic North Terminal Space**" shall mean Shared Use North Terminal Space that is used exclusively for domestic operations.

70. "**Shared Use International North Terminal Space**" shall mean Shared Use North Terminal Space that is used exclusively for international operations.

71. "**Shared Use Swing North Terminal Space**" shall mean Shared Use North Terminal Space that is used for both domestic and international operations.

72. "**Shared Use North Terminal Space**" shall mean Shared Use Premises in the North Terminal.

73. "**Shared Use Premises**" shall mean space, improvements and facilities at the Airport to be used jointly or in common by air carriers, excluding County-Controlled Airline Space and FIS Facilities.

74. "**Shared Use Domestic South Terminal Space**" shall mean Shared Use South Terminal Space that is used exclusively for domestic operations.

75. "**Shared Use International South Terminal Space**" shall mean Shared Use South Terminal Space that is used exclusively for international operations.

76. "**Shared Use Swing South Terminal Space**" shall mean Shared Use South Terminal Space that is used for both domestic and international operations.

77. **"Shared Use South Terminal Space"** shall mean Shared Use Premises in the South Terminal.

78. **"Signatory Airlines"** shall mean Lessee and those air carriers who have executed an agreement substantially similar to the First Amended and Restated Airport Agreement. After October 1, 2008, in order to be a Signatory Airline, an air carrier shall also have executed an agreement substantially similar to this Agreement (except for the premises leased thereunder).

79. **"South Terminal"** shall mean the south terminal facilities at the Airport constructed pursuant to the Project Development Agreement, as such facilities are modified from time to time.

80. **"South Terminal Airline Premises"** shall mean collectively, the Preferential South Terminal Space and the Shared Use South Terminal Space.

81. **"South Terminal Cost Center"** shall mean the Cost Center of the same name described in **Exhibit J**, which includes the land identified as the South Terminal on **Exhibit J**, and all facilities, equipment and improvements now or hereafter located thereon, including all passenger terminal buildings, connecting structures, passenger walkways and tunnels, concourses, hold areas and federal inspection service facilities, and any additions and improvements thereto, as that land, facilities, equipment and improvements may change from time to time.

82. **"South Terminal County-Controlled Airline Space"** shall mean certain airline areas in the South Terminal, including, but not limited to, holdrooms, ticket counters, baggage claim areas, outbound baggage rooms, international baggage pick-up, and recheck lobbies, which the County may from time to time retain under its exclusive control and possession and are not leased to an airline pursuant to an Airport Agreement.

83. **"South Terminal County-Controlled Airline Space Revenues"** shall mean, for any Fiscal Year, revenues received or receivable by the County for that Fiscal Year for the use of South Terminal County-Controlled Airline Space.

84. **"Special Facility Revenues"** shall have the meaning for such term set forth in Ordinance 319.

85. **"Special Facility Revenue Bond"** shall mean a bond of Lessor secured solely by Special Facility Revenues.

86. **"Surplus North Terminal County-Controlled Airline Space Revenues"** shall have the meaning set forth in Article III.E.5.

87. **"Surplus South Terminal County-Controlled Airline Space Revenues"** shall have the meaning set forth in Article III.E.1.

88. **"Terminal Charges"** shall mean the rentals, use charges and facilities use fees established pursuant to Article III.A and III.C.

89. **"Terminal Rentals"** shall mean the rentals established pursuant to Article III.A.2.

90. **"Terminal Rental Rate"** shall mean, for any Fiscal Year, the rate established as such pursuant to Article III.A.2(b).

91. **"Terminal Use Charges"** shall mean the use charges established pursuant to Article III.A.3.

92. **"Weighted Majority"** shall mean either (a) Signatory Airlines which, in the aggregate, landed eighty-five percent (85%) or more of the landed weight of all Signatory Airlines for the preceding twelve-month period for which records are available, or (b) all but one of the Signatory Airlines regardless of landed weight.

93. **"Year-End Adjustment"** shall mean, for any Fiscal Year, the payments required to be made by the Signatory Airlines, and/or the credits the Signatory Airlines are entitled to receive, for that Fiscal Year pursuant to Article III.E.

ARTICLE XXIX

PARAGRAPH HEADINGS

The paragraph headings contained herein are for convenience in reference and are not intended to define or limit the scope of any provision of this Agreement.

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ARTICLE XXX

INVALID PROVISION

In the event any covenant, condition or provision herein contained is held to be invalid by any court of competent jurisdiction, the invalidity of any such covenant, condition or provision shall in no way affect any other covenant, condition or provision herein contained; provided that the invalidity of any such covenant, condition or provision does not materially prejudice either Lessor or Lessee in its respective rights and obligations contained in the valid covenants, conditions or provisions of this Agreement.

ARTICLE XXXI

SUCCESSORS AND ASSIGNS BOUND BY COVENANTS

All the covenants, stipulations and agreements in this Agreement shall extend to and bind the legal representatives, successors and assigns of the respective parties hereto.

ARTICLE XXXII

RIGHT TO LEASE TO UNITED STATES GOVERNMENT

It is agreed that during time of war or national emergency the Lessor shall have the right to lease the landing area or any part thereof to the United States Government for military or naval use, and, if any such lease is executed, the provisions of this instrument insofar as they are inconsistent with the provisions of the lease to the Government shall be suspended.

It is agreed that this lease shall be subordinate to the provisions of any existing or future agreement between the Lessor and the United States, relative to the operation or maintenance of the Airport, the execution of which has been or may be required as a condition precedent to the expenditure of Federal funds for the development of the Airport.

ARTICLE XXXIII

COVENANTS AGAINST DISCRIMINATION

A. COVENANT PURSUANT TO REQUIREMENTS OF THE DEPARTMENT OF TRANSPORTATION: Lessee, for itself, its personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree as a covenant running with the land, that (1) no person on the grounds of race, color, national origin or gender shall be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of facilities at the Airport, (2) that in the construction of any improvements on, over, or under land at the Airport and the furnishing of services thereon, no person on the grounds of race, color, national origin or gender shall be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination, (3) that Lessee shall use the premises in compliance with all other requirements imposed by or pursuant to Title 49, Code of Federal Regulations, Department of Transportation, Subtitle A, Office of the Secretary, Part 21, Nondiscrimination in Federally-assisted Programs of the Department of Transportation—Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended. In the event of a breach of any of the above non-discrimination covenants, Lessor shall have the right to terminate this agreement and to reenter and repossess said land and the facilities thereon, and hold the same as if said agreement had never been made or issued.

B. EMPLOYMENT: The parties hereto hereby covenant not to discriminate against an employee or applicant for employment with respect to his or her hire, tenure, terms, conditions or privileges of employment, or any matter directly or indirectly related to employment because of his or her age or sex, except where based on a bona fide occupational qualification, or because of his or her race, color, religion, national origin or ancestry, and to require a similar covenant on the part of any sublessee hereunder and any subcontractor employed as a result, or in connection with the exercise of rights granted and/or the performance of obligations assumed under this Agreement.

C. AFFIRMATIVE ACTION PROGRAM: In addition to the foregoing, the parties hereto agree to carry out and be subject to the provisions of Addendum 1, entitled "NON-DISCRIMINATION AFFIRMATIVE ACTION AND SET ASIDE PROGRAMS FOR WAYNE COUNTY" attached hereto and made a part hereof.

D. DISADVANTAGED BUSINESS ENTERPRISE: Lessee agrees to comply with the following policy and requirements of the Department of Transportation:

1. **POLICY.** It is the policy of the Department of Transportation that disadvantaged business enterprises as defined in 49 CFR Part 23 shall have the maximum opportunity to participate in the performance of contracts financed in whole or in part with Federal funds under this Agreement. Consequently the disadvantaged business enterprise requirements of 49 CFR Part 23 apply to this Agreement.

2. **DBE OBLIGATION.** (i) The recipient or its contractor agrees to ensure that disadvantaged business enterprises as defined in 49 CFR Part 23 have the maximum opportunity to participate in the performance of contracts and subcontracts financed in whole or in part with Federal funds provided under this Agreement. In this regard all recipients or contractors shall take all necessary and reasonable steps in accordance with 49 CFR Part 23 to ensure that disadvantaged business enterprises have the maximum opportunity to compete for and perform contracts. Recipients and their contractors shall not discriminate on the basis of race, color, national origin, or sex in the award and performance of Department of Transportation-assisted contracts.

Failure of a contractor or subcontractor to carry out the requirements set forth in paragraph 23.43(a) of 49 CFR Part 23 shall constitute a breach of contract and, after notification of the Department of Transportation, may result in termination of the Agreement or contract by the recipient or such remedy as the recipient deems appropriate.

The definitions set forth in paragraph 23.5 of 49 CFR Part 23 shall apply to the foregoing statements concerning disadvantaged business enterprises.

ARTICLE XXXIV

CONFORMITY OF AGREEMENT

In the event that Lessor shall hereafter enter into any lease, contract or agreement with any other scheduled air transport operator, with respect to the use of the Airport or terminal facilities, containing more favorable terms than this Agreement, or shall hereafter grant to any other scheduled air transport operator, rights or privileges with respect thereto which are not accorded to Lessee hereunder, then the same rights, privileges and more favorable terms shall be concurrently and automatically made available to Lessee.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first above written.

COUNTY OF WAYNE
CHIEF EXECUTIVE OFFICER

/s/ EDWARD H. MCNAMARA

Edward H. McNamara

NORTHWEST AIRLINES, INC.

By /s/ JAMES M. GREENWALD, VP

Its Facilities and Airport Affairs

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EXHIBIT A
[Map of Airport]

EXHIBIT B
[Map of Lessee's Existing Terminal Space]

EXHIBIT C
[Maps of Lessee's Preferential South Terminal Space and Shared Use South Terminal Space]

EXHIBIT D

Protocol for Use of International Gates Midfield Terminal

This Exhibit sets forth utilization procedures for the twelve-(12) international gates at the McNamara Terminal and shall take effect upon commencement of operations at such gates. These procedures will apply to any future international gates at the McNamara Terminal.

The International gates, together with related hold rooms, passenger loading bridges, ramp access and baggage facilities shall be made available for arrivals or departures based on the following priorities:

1. Regularly scheduled international airline service, with existing service having precedence over new service;
2. Regularly scheduled Northwest domestic service;
3. International charter arrivals, if and for so long as the Federal government prohibits FIS operations at the Berry International Terminal;
4. Irregular or Diversion international arrivals of scheduled airline;

5. Delayed international charter arrivals when the expected delay for the flight to use the Berry International Terminal will exceed 90 minutes and use of the McNamara Terminal FIS gate will not interfere with the scheduled international or domestic use of that gate.

6. Northwest Airlines domestic irregular and diversion aircraft.

In the event the FAA makes a determination in writing that the foregoing priority of regularly scheduled Northwest domestic service over international charter arrivals if and for so long as the Federal government prohibits FIS operations at the Berry International Terminal would cause the international gates at the Midfield Terminal to cease to be PFC-eligible or would be a non-competitive procedure, Lessor and Lessee shall negotiate in good faith a resolution permitting international charter arrivals to have access to FIS operations on a basis sufficient to satisfy all applicable governmental requirements, charter arrivals at the Midfield Terminal international gates on a reasonable basis considering the scheduled operations of Lessee.

The following criteria will be used to make the determination that an airline is offering scheduled service:

The International operation of the airline generally has passengers connecting at the Airport on-line, inter-line, or via code share, and the operational need for connecting facilities.

The Airline operating the flight is a signatory under the use and lease agreement of the Airport.

The Airline holds all necessary government approvals to operate international regularly scheduled service.

The Airlines international service is scheduled on a year-round basis or is offered seasonally on an annual basis.

The Airline's schedules are published in the Official Airline Guide and displayed in computer reservation systems, and the fares regularly published by the Airline Tariff Publishing Company.

The Airlines provide reservation services and create PNRs (passenger name records) for the flights with its own employees.

International operations that meet these criteria overall shall be considered international regularly scheduled flights for purposes of this protocol. However, the failure to meet any one or more criteria shall not necessarily preclude the operation from being considered an international regularly scheduled flight. The Airport's goal of optimizing overall airport operating efficiency shall be an important consideration.

The County will review with Northwest Airlines and other scheduled international carriers, on an annual (or more frequent) basis, the procedures for scheduling, gate occupancy times, ramp storage locations and penalties for non-compliance.

EXHIBIT E:
Allocation of O&M Expenses, Bond Debt Service and Other Available Moneys

Cost Center

North Terminal

O&M Expenses attributable to the operation and maintenance of the North Terminal, including any passenger bridges and connectors to parking garages as well as immediate curbside. These expenses include, but are not limited to, the following:

Payroll and fringe benefit cost of County employees directly allocable to North Terminal operation & maintenance

Security expenses

Janitorial expenses

Repairs and maintenance

Supplies

Utilities (includes HVAC, water sewage, electric, etc.)

Capital items procured from O&M budget

South Terminal

O&M Expenses attributable to the operation and maintenance of the South Terminal, including any passenger bridges and connectors to parking garages as well as immediate curbside. These expenses include, but are not limited to, the following:

Costs associated with the Assigned Operations and Maintenance Functions

Payroll and fringe benefit costs of County employees directly allocable to South Terminal operation & maintenance

Security Expenses

Supplies

Utilities (includes HVAC, water, sewage, electric, etc.)

Capital items procured from O&M budget

Rest of Airport

All other O&M Expenses not allocable to either the North or South Terminal Cost Center. These include, but are not limited to, the following:

Payroll and fringe benefit costs of County employees not allocable to North and South Terminal Cost Centers

Costs associated with all parking garages, lots and facilities

All costs associated with Airport access roadways, including Airport signage

Shuttle bus costs

General Airport Costs (i.e. landscaping, insurance, fire & rescue, etc.)

Utilities (includes HVAC, water, sewage, electric, etc.)

County administrative costs and chargebacks

Capital items procured from O&M budget

All airfield costs including expenses attributable to the North Terminal and South terminal apron and taxiways

Professional services contracts and costs not directly allocable to terminal cost centers

Bond Debt Service

Cost Center

North Terminal

- 1) Bond Debt Service attributable to Series 1998A Bonds issued for:

Existing Terminal Projects

- 2) Bond Debt Service attributable to New Bonds issued to fund:

North Terminal Redevelopment Project (excluding Bond Debt Service attributable to the North Terminal apron and taxiways)

- 3) Bond Debt Service attributable to any Bonds issued in the future (other than New Bonds) to finance North Terminal improvements, additions or other modifications

South Terminal

- 1) Bond Debt Service attributable to New Bonds and Series 1998A Bonds issued to fund

Midfield Terminal Project Phase I and II (excluding Bond Debt Service attributable to the Midfield Terminal Phase II apron and taxiways, the south employee parking lot and Taxiway Q)

- 2) Bond Debt Service attributable to any Bonds issued in the future (other than New Bonds) to finance South Terminal improvements, additions or other modifications

Rest of Airport

- 1) All outstanding Bond Debt Service attributable to Bonds issued prior to 1998

- 2) All Bond Debt Service attributable to Series 1998A Bonds issued to fund projects other than the Existing Terminal Projects and the Midfield Terminal Project Phase I

- 3) All Bond Debt Service attributable to Series 1998B Bonds

- 4) Bond Debt Service attributable to New Bonds issued to fund:

North Terminal Redevelopment Project apron and taxiways

Midfield Terminal Phase II Project apron and taxiways

Taxiway Q Project

South Employee Parking Lot Project

Noise Mitigation Project

Vehicles and Equipment Project

Central Admin Building and Training Complex Project

West Airfield Improvements Project

Runway 3L-21R Shoulders Overburden Project

- 5) Bond Debt Service attributable to any Bonds issued in the future (other than New Bonds) to finance improvements, additions or other modifications other than North or South Terminal

Other Available Moneys

1. Each Fiscal Year, PFCs that are required to be used during such Fiscal Year as set forth in Exhibit H shall be allocated to the North Terminal Cost Center, the South Terminal Cost Center and the rest of the Airport as follows:

Cost Center

North Terminal

1. Existing Terminal Projects (100% of Series 1998A Bonds PFC eligible Bond Debt Service)
2. North Terminal Redevelopment Project (excluding apron and taxiways) (100% of New Bond PFC eligible Bond Debt Service)

South Terminal

1. Midfield Terminal Phase I Project (100% of Series 1998A Bonds PFC eligible Bond Debt Service)
2. Midfield Terminal Phase II Project (excluding apron and taxiways, south employee parking lot and Taxiway Q) (100% of New Bond PFC eligible Bond Debt Service)

Rest of Airport

1. Services 1998A Bonds issued to fund Other CIP Projects (77% of Bond Debt Service)
2. North Terminal Redevelopment Project apron and taxiways (100% of New Bond PFC eligible Bond Debt Service)
3. Midfield Terminal Phase II Project apron and taxiways, and Taxiway Q) (100% of New Bond PFC eligible Bond Debt Service)
4. Noise Mitigation Project (100% of New Bond PFC eligible Bond Debt Service)
5. Vehicle and Equipment Project (100% of New Bond PFC eligible Bond Debt Service)
6. West Airfield Improvements Project (100% of New Bond PFC eligible Bond Debt Service except with respect to Runway 4/22 elements as set forth in Exhibit H)
7. Runway 3L-21R Shoulders Overburden Project (100% of New Bond PFC eligible Bond Debt Service)
8. Center Runway Rehabilitation Project (100% of New Bond PFC eligible Bond Debt Service)

9. Runway Surface Monitor System Project (100% of New Bond PFC eligible Bond Debt Service)
10. Surface Movement Guidance System Lighting Project (100% of New Bond PFC eligible Bond Debt Service)
11. Hold Pad East of 4L Project (100% of New Bond PFC eligible Bond Debt Service)
12. Third Fire Station ARFF Project (100% of New Bond PFC eligible Bond Debt Service)

2. Federal grant proceeds received from the FAA for 2002 through 2008 pursuant to Lessor's FAA Letter of Intent as reimbursement for the Runway 4L/22R and related projects and the South Terminal apron and related projects shall be allocated to the rest of the Airport.

EXHIBIT F
[Map of Airport Parcels to be Sold]

EXHIBIT G
Corporation Counsel Staff Assigned To
Detroit Metropolitan Airport

Position	Description	Salary
9979	Principal Attorney	\$ 89,355
9976	Asst. Corp. Counsel Attorney IV	\$ 70,836
9913	Asst. Corp. Counsel Attorney III	\$ 58,909
Total Salaries		\$ 219,100
Fringe Benefits @ 59.47%		\$ 130,299
Total Salaries & Fringe Benefits		\$ 349,399

The above positions are assigned to the Airport on a full-time basis.

Airport Finance Office
996 Salaries and Fringe Information

Position	Classification	Salary
66900	Dept Mgr 7	\$ 57,967

66901	Dept Exec 6	67,244
66903	Buyer 2	32,249
66904	Dept Mgr 1	35,967
66905	Account Clerk 2	29,308
66907	Dept Mgr 3	39,555
66908	Clerical Leader	25,736
66909	Accountant 3	34,304
66910	Typist 3	20,303
66912	Clerical Leader	28,716
		\$ 371,349
Fringes		\$ 220,841

The above positions are assigned to the Airport on a full-time basis.

EXHIBIT H
REQUIRED USE OF PFCs

Capital Projects

Lessor must use PFCs to pay the maximum amount (except as set forth below) of PFC-eligible Bond Debt Service on (i) the Bonds designated as Series 1998A (the "Series 1998A Bonds") and issued to pay the costs of the capital projects listed below under the heading "Series 1998A Bonds", and (ii) Bonds to be issued to pay the costs of the capital projects listed below under the heading "New Bonds" (the "New Bonds"), in each case as described in the Weighted Majority approvals of each of the below listed capital projects as such Weighted Majority approvals are in effect on the date of this Agreement; provided that the requirement to use PFCs to pay the maximum amount of PFC-eligible Bond Debt Service on the New Bonds shall only apply to those New Bonds issued to pay the costs for such capital projects set forth in Lessor's June 6, 2001 request for Weighted Majority approval of such projects (the "June 6, 2001 Weighted Majority Request"):

A. *Series 1998A Bonds*

1. Midfield Terminal Project-Phase I
2. Existing Terminal Projects
3. Other CIP Projects (but not more than 77% of total Bond Debt Service attributable to these projects)

B. *New Bonds(1)*

(1) The County will use PFCs on a pay-as-you go basis to pay the PFC-eligible coverage requirements on the New Bonds to be issued to pay the costs of projects B.1, B.2, B.3, B.4, B.5, B.6 and B.11.

1. Midfield Terminal Project-Phase II (excluding the South Employee Parking Lot)
2. North Terminal Redevelopment Project

3. Noise Mitigation Program
4. Vehicles/Equipment
5. West Airfield Improvements (provided that PFCs shall be used to pay PFC-eligible Bond Debt Service on New Bonds issued to pay the costs of the Runway 4/22 Construction project element of the West Airfield improvements only to the extent that the amount of PFCs used for such purpose in any Fiscal Year, when added to the amount of PFCs used in such Fiscal Year to pay PFC-eligible Bond Debt Service on Series 1998A Bonds issued to pay the costs of projects A.1 and A.2 above, does not exceed \$40 million)
6. Runway 3L-21R Shoulders/Overburden Project
7. Center Runway Rehabilitation Project
8. Runway Surface Monitor System Project
9. Surface Movement Guidance System Lighting Project
10. Hold Pad East of 4L
11. Third Fire Station (ARFF)

Priority Use of Available PFCs

If in any Fiscal Year available PFCs are insufficient to pay as set forth above PFC-eligible Bond Debt Service for such Fiscal Year on the Series 1998A Bonds and the New Bonds issued to pay the

costs of the projects listed above, such available PFCs will be used to pay PFC-eligible Bond Debt Service in the following order of priority:

1. First, to pay PFC-eligible Bond Debt Service on the Series 1998A Bonds issued to pay the costs of projects A.1 and A.2 above, allocated between such projects on a pro rata basis in accordance with the amount of total Bond Debt Service attributable to such projects; provided that the amount of available PFCs used for this purpose in any Fiscal Year shall not exceed the lesser of (a) the PFC revenues received by Lessor in such Fiscal Year that are attributable to a PFC of \$3, and (b) \$45,996,580;
2. Second, to pay a maximum of 77% of total Bond Debt Service on the Series 1998A Bonds issued to pay the costs of the projects in A.3 above;
3. Third, to pay PFC-eligible Bond Debt Service on New Bonds issued to pay the costs of the terminal portions of projects B.1 and B.2 above (i.e., excluding the Taxiway Q and apron and other taxiway portions of such projects), allocated between such projects on a pro rata basis in accordance with the amount of PFC-eligible Bond Debt Service attributable to such terminal portions of such projects; and

4. Fourth, to pay PFC-eligible Bond Debt Service on New Bonds issued to pay the costs of the airfield related portions of projects B.1 through B.6 above (i.e., projects B.3 through B.6, and the Taxiway Q and apron and other taxiway portions of projects B.1 and B.2), and New Bonds issued to pay the costs of projects B.7 through B.11 above, allocated between (a) such airfield related portions of projects B.1 through B.6 above on the one hand and (b) projects B.7 through B.11 on the other hand on a pro rata basis in accordance with the amount of total Bond Debt Service attributable to (i) the airfield related portions of projects B.1 through B.6 above on the one hand and (ii) projects B.7 through B.11 above on the other hand.

PFC-eligible Bond Debt Service in any Fiscal Year on any Bonds issued after January 18, 2001 to pay the cost of additional capital projects not identified above may not be paid with PFCs unless (and solely to the extent that) there are remaining available PFCs in such Fiscal Year after available PFCs have been applied in such Fiscal Year to pay all PFC-eligible Bond Debt Service on the Series 1998A Bonds (except for the Series 1998A Bonds issued to pay for the projects in A.3 above, in which case the percentage of PFC-eligible Debt Service to be paid with PFCs is 77%) and on New Bonds issued to pay the capital project costs set forth in the June 6, 2001 Weighted Majority Request (including New Bonds issued to pay the costs of the Runway 4/22 Construction project portion of project B.5 above to the extent set forth in B.5 above).

Subject to the priority use of available PFCs as set forth above, Lessor shall use legally available PFCs to pay all interest due prior to October 1, 2008, on New Bonds issued to pay the costs of projects B.1 through B.2 above (including interest on New Bonds issued to pay both PFC-eligible and ineligible portions of such projects).

EXHIBIT I

FACILITY USE FEE SCHEDULE
 Detroit Metropolitan Wayne County Airport
 For Operating Years ended September 30

	Till DBO	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Berry Terminal	\$ 4.50	\$ 3.50	\$ 3.50	\$ 3.50	\$ 3.50	\$ 3.50	\$ 3.50	\$ 3.50	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00
Midfield Terminal	N/A	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Berry Terminal	\$ 4.00	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.50
Midfield Terminal	\$ 5.00	\$ 5.50	\$ 5.50	\$ 5.50	\$ 5.50	\$ 5.50	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00
	2025	2026	2027	2028								
Berry Terminal	\$ 5.50	\$ 5.50	\$ 5.50	\$ 5.50								
Midfield Terminal	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00								

Note: Facility Use Fee represents charge per international deplanement.

EXHIBIT J

[Maps of Terminal cost Centers]

AIRPORT USE AND LEASE AGREEMENT BETWEEN THE CHARTER COUNTY OF WAYNE, MICHIGAN AND NORTHWEST AIRLINES, INC. DATED AS OF JUNE 21, 2002

EXHIBIT A [Map of Airport]

EXHIBIT B [Map of Lessee's Existing Terminal Space]

EXHIBIT C [Maps of Lessee's Preferential South Terminal Space and Shared Use South Terminal Space]

EXHIBIT D Protocol for Use of International Gates Midfield Terminal

EXHIBIT E: Allocation of O&M Expenses, Bond Debt Service and Other Available Moneys

EXHIBIT F [Map of Airport Parcels to be Sold]

EXHIBIT G

EXHIBIT I

EXHIBIT J [Maps of Terminal cost Centers]

[Confidential Information Omitted]

**Amendment No. 1
To the A330 Purchase Agreement
Dated as of December 21, 2000**

Between

AVSA, S.A.R.L.

And

NORTHWEST AIRLINES, INC.

This Amendment No. 1 (hereinafter referred to as the "Amendment") is entered into as of November 26, 2001, between AVSA, S.A.R.L., a société à responsabilité limitée organized and existing under the laws of the Republic of France, having its registered office located at 2, Rond-Point Maurice Bellonte, 31700 Blagnac, France (hereinafter referred to as the "Seller"), and NORTHWEST AIRLINES, INC., a corporation organized and existing under the laws of the State of Minnesota, United States of America, having its principal corporate offices located at 2700 Lone Oak Parkway, Eagan, Minnesota 55121, USA (hereinafter referred to as the "Buyer").

WITNESSETH

WHEREAS, the Buyer and the Seller entered into an A330 Purchase Agreement, dated as of December 21, 2000, relating to the sale by the Seller and the purchase by the Buyer of certain Airbus Industrie A330-300 aircraft (the "Aircraft") which, together with all Exhibits, Appendices and Letter Agreements attached thereto is hereinafter called the "Agreement."

WHEREAS, pursuant to the terms of Letter Agreement No. 8 to the Agreement, the Seller and the Buyer have agreed to set out certain provisions relating to Predelivery Payments which the parties now wish to amend by this Amendment No.1.

WHEREAS, capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to them in the Agreement. The terms "herein," "hereof" and "hereunder" and words of similar import refer to this Amendment. Both parties agree that this Amendment shall constitute an integral, nonseverable part of the Agreement and be governed by its provisions, except that if the Agreement and this Amendment have specific provisions that are inconsistent, the specific provisions contained in this Amendment shall govern.

NOW, THEREFORE, IT IS AGREED AS FOLLOWS:

1. AMENDMENT TO LETTER AGREEMENT NO. 8

Sub-paragraph 2.1.3 of Letter Agreement No. 8 is hereby deleted in its entirety and replaced by the following quoted provisions:

QUOTE

CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

UNQUOTE

2. CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

3. EFFECT OF THE AMENDMENT

The Agreement will be deemed amended to the extent herein provided, and, except as specifically amended hereby, will continue in full force and effect in accordance with its original terms.

4. CONFIDENTIALITY

This Amendment is subject to the confidentiality provisions set forth in Subclause 22.4 of the Agreement.

If the foregoing correctly sets forth our understanding, please indicate your acceptance by signing in the space provide below.

Very truly yours,
AVSA, S.A.R.L.

By: /s/ Francois Besnier

Its: AVSA Chief Executive Officer

Accepted and Agreed,
NORTHWEST AIRLINES, INC.

By: /s/ Greg May

Its: Vice President Purchasing & Aircraft
Acquisitions

QuickLinks

[Amendment No. 1 To the A330 Purchase Agreement Dated as of December 21, 2000 Between AVSA, S.A.R.L. And NORTHWEST AIRLINES, INC.](#)

[Confidential Information Omitted]

**Amendment No. 2
To the A330 Purchase Agreement
Dated as of December 21, 2000**

Between

AVSA, S.A.R.L.

And

NORTHWEST AIRLINES, INC.

This Amendment No. 2 (hereinafter referred to as this "Amendment") is entered into as of December 20, 2002, between AVSA, S.A.R.L., a société à responsabilité limitée organized and existing under the laws of the Republic of France, having its registered office located at 2, Rond-Point Maurice Bellonte, 31700 Blagnac, France (hereinafter referred to as "AVSA"), and NORTHWEST AIRLINES, INC., a corporation organized and existing under the laws of the State of Minnesota, United States of America, having its principal corporate offices located at 2700 Lone Oak Parkway, Eagan, Minnesota 55121, USA (hereinafter referred to as "Northwest").

WITNESSETH

WHEREAS, Northwest and AVSA entered into an A330 Purchase Agreement, dated as of December 21, 2000, relating to the sale by AVSA and the purchase by Northwest of certain Airbus Industrie A330-300 aircraft (the "Aircraft") which, together with all Exhibits, Appendices and Letter Agreements attached thereto and as amended by Amendment No. 1 thereto dated as of November 26, 2001, is hereinafter called the "Agreement."

WHEREAS, AVSA and Northwest have agreed to certain changes in the Aircraft delivery schedule and in other terms of the Agreement.

WHEREAS, capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to them in the Agreement. The terms "herein," "hereof" and "hereunder" and words of similar import refer to this Amendment. Both parties agree that this Amendment shall constitute an integral, nonseverable part of the Agreement and be governed by its provisions, except that if the Agreement and this Amendment have specific provisions that are inconsistent, the specific provisions contained in this Amendment shall govern.

NOW, THEREFORE, IT IS AGREED AS FOLLOWS:

1. *RESCHEDULING*

1.1 Northwest and AVSA have agreed to reschedule one Firm Aircraft as follows:

Firm Aircraft in the Agreement

2005CONFIDENTIAL MATERIAL
OMITTED AND FILED SEPARATELY
WITH THE SECURITIES AND
EXCHANGE COMMISSION

Firm Aircraft in this Amendment

CONFIDENTIAL MATERIAL
OMITTED AND FILED SEPARATELY
WITH THE SECURITIES AND
EXCHANGE COMMISSION

1.2 Subparagraph 2.1 of Letter Agreement No. 2 of the Agreement is canceled and replaced with the following quoted text:

QUOTE

The Option Aircraft will be scheduled for delivery at the rate of one (1) per quarter starting in the third calendar quarter of CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT. and ending in the second calendar quarter of CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT..

UNQUOTE

2. *RESCHEDULING AND AIRCRAFT TYPE CONVERSIONS*

Northwest and AVSA have agreed to reschedule and convert Firm Aircraft into Converted Firm A330-200 Aircraft as follows:

<u>Firm Aircraft in the Agreement</u>	<u>Converted Firm A330-200 Aircraft in this Amendment</u>
CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT. 2003 (No. 6)	CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.
CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT. 2004 (No. 8)	CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.
CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT. 2005 (No. 20)	CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

3. AIRCRAFT TYPE CONVERSIONS WITH NO RESCHEDULING

Northwest and AVSA have agreed to convert Firm Aircraft into Converted Firm A330-200 Aircraft as follows:

<u>Firm Aircraft in the Agreement</u>	<u>Converted Firm A330-200 Aircraft in this Amendment</u>
CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT. 2004 (No. 11)	CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.
CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT. 2004 (No. 12)	CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.
CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT. 2004 (No. 13)	CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.
CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT. 2004 (No. 14)	CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.
CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT. 2005 (No. 15)	CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.
CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR	CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION

CONFIDENTIAL MATERIAL
OMITTED AND FILED SEPARATELY
WITH THE SECURITIES AND
EXCHANGE COMMISSION
PURSUANT TO A REQUEST FOR
CONFIDENTIAL TREATMENT. 2005
(No. 17)

CONFIDENTIAL MATERIAL
OMITTED AND FILED SEPARATELY
WITH THE SECURITIES AND
EXCHANGE COMMISSION
PURSUANT TO A REQUEST FOR
CONFIDENTIAL TREATMENT.

4. *DELIVERY*

As a consequence of Subparagraph 1.1 and Paragraphs 2 and 3 above, the delivery schedule in Subclause 9.1 of the Agreement is hereby canceled and replaced by the following quoted delivery schedule for Firm Aircraft and Converted Firm A330-200 Aircraft:

QUOTE

<u>Aircraft No.</u>	<u>Aircraft Type</u>	<u>Month/Year of Delivery</u>	<u>Aircraft No.</u>	<u>Aircraft Type</u>	<u>Month/Year of Delivery</u>
1	CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.	CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.2003	13	CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.	CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.2005
2	CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.	CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.2003	14	CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.	CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.2005

3	CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.	CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.2003	15	CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.	CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.2005
4	CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.	CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.2003	16	CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.	CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.2005
5	CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.	CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.2003	17	CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.	CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.2005
6	CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES	CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE	18	CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES	CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE

AND EXCHANGE
COMMISSION
PURSUANT TO A
REQUEST FOR
CONFIDENTIAL
TREATMENT.

COMMISSION
PURSUANT TO A
REQUEST FOR
CONFIDENTIAL
TREATMENT.2004

AND EXCHANGE
COMMISSION
PURSUANT TO A
REQUEST FOR
CONFIDENTIAL
TREATMENT.

COMMISSION
PURSUANT TO A
REQUEST FOR
CONFIDENTIAL
TREATMENT.2005

7

CONFIDENTIAL
MATERIAL
OMITTED AND
FILED
SEPARATELY WITH
THE SECURITIES
AND EXCHANGE
COMMISSION
PURSUANT TO A
REQUEST FOR
CONFIDENTIAL
TREATMENT.

CONFIDENTIAL
MATERIAL OMITTED
AND FILED
SEPARATELY WITH
THE SECURITIES AND
EXCHANGE
COMMISSION
PURSUANT TO A
REQUEST FOR
CONFIDENTIAL
TREATMENT.2004

19

CONFIDENTIAL
MATERIAL
OMITTED AND
FILED
SEPARATELY WITH
THE SECURITIES
AND EXCHANGE
COMMISSION
PURSUANT TO A
REQUEST FOR
CONFIDENTIAL
TREATMENT.

CONFIDENTIAL
MATERIAL OMITTED
AND FILED
SEPARATELY WITH
THE SECURITIES AND
EXCHANGE
COMMISSION
PURSUANT TO A
REQUEST FOR
CONFIDENTIAL
TREATMENT.2006

8

CONFIDENTIAL
MATERIAL
OMITTED AND
FILED
SEPARATELY WITH
THE SECURITIES
AND EXCHANGE
COMMISSION
PURSUANT TO A
REQUEST FOR
CONFIDENTIAL
TREATMENT.

CONFIDENTIAL
MATERIAL OMITTED
AND FILED
SEPARATELY WITH
THE SECURITIES AND
EXCHANGE
COMMISSION
PURSUANT TO A
REQUEST FOR
CONFIDENTIAL
TREATMENT.2004

20

CONFIDENTIAL
MATERIAL
OMITTED AND
FILED
SEPARATELY WITH
THE SECURITIES
AND EXCHANGE
COMMISSION
PURSUANT TO A
REQUEST FOR
CONFIDENTIAL
TREATMENT.

CONFIDENTIAL
MATERIAL OMITTED
AND FILED
SEPARATELY WITH
THE SECURITIES AND
EXCHANGE
COMMISSION
PURSUANT TO A
REQUEST FOR
CONFIDENTIAL
TREATMENT.2006

9

CONFIDENTIAL
MATERIAL
OMITTED AND
FILED
SEPARATELY WITH
THE SECURITIES
AND EXCHANGE
COMMISSION
PURSUANT TO A
REQUEST FOR
CONFIDENTIAL
TREATMENT.

CONFIDENTIAL
MATERIAL OMITTED
AND FILED
SEPARATELY WITH
THE SECURITIES AND
EXCHANGE
COMMISSION
PURSUANT TO A
REQUEST FOR
CONFIDENTIAL
TREATMENT.2004

21

CONFIDENTIAL
MATERIAL
OMITTED AND
FILED
SEPARATELY WITH
THE SECURITIES
AND EXCHANGE
COMMISSION
PURSUANT TO A
REQUEST FOR
CONFIDENTIAL
TREATMENT.

CONFIDENTIAL
MATERIAL OMITTED
AND FILED
SEPARATELY WITH
THE SECURITIES AND
EXCHANGE
COMMISSION
PURSUANT TO A
REQUEST FOR
CONFIDENTIAL
TREATMENT.2007

10	CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.	CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.2004	22	CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.	CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.2007
11	CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.	CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT. 2004	23	CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.	CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.2008
12	CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.	CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.2004	24	CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.	CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.2008

UNQUOTE

5. *PURCHASE RIGHT AIRCRAFT*

Subparagraph 3.2 of Letter Agreement No. 2 of the Agreement is canceled and replaced with the following quoted text:

QUOTE

3.2 *Applicable Terms*

On Purchase Right Aircraft Exercise, (i) the price terms that apply to Option Aircraft will be extended to the applicable Purchase Right Aircraft, so long as such Purchase Right Aircraft is scheduled for delivery to Northwest before the end of CONFIDENTIAL MATERIAL OMITTED AND

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FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT., (ii) all other terms and conditions in the Agreement that apply to Aircraft will apply to such Purchase Right Aircraft, and (iii) such Purchase Right Aircraft will be deemed to be an Aircraft.

UNQUOTE

6. *FLEXIBILITY*

6.1 *Conversion Rights*

6.1.1 *Conversion Rights to A330-300*

AVSA grants Northwest the right to convert into a firmly ordered A330-300 model Aircraft each Converted Firm A330-200 Aircraft, Option Aircraft and Purchase Right Aircraft identified below (a "Converted Firm A330-300 Aircraft"):

- (i) each Converted Firm A330-200 Aircraft,
- (ii) each Option Aircraft that has been converted to a Converted Firm A330-200 Aircraft pursuant to Paragraph 4.1 of Letter Agreement No. 2 of the Agreement (as amended below in this Amendment), and
- (iii) each Purchase Right Aircraft that has been converted into a Converted Firm A330-200 Aircraft pursuant to Paragraph 4.1 of Letter Agreement No. 2 of the Agreement (as amended below in this Amendment).

Northwest may exercise this right by giving written notice to AVSA no later than CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT. months prior to the first day of the month in which the Aircraft to be converted is scheduled for delivery (the "A330-300 Conversion Right"). The delivery position for a Converted Firm A330-300 Aircraft will be CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

6.1.2 *Conversion Rights to A330-200*

The first sentence of Paragraph 4.1 of Letter Agreement No. 2 of the Agreement is canceled and replaced with the following quoted text:

QUOTE

AVSA grants Northwest the right to convert Firm Aircraft into firmly ordered A330-200 aircraft (the "Converted Firm A330-200 Aircraft") as follows:

- (i) the Firm Aircraft scheduled for delivery in CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.
- (ii) each Firm Aircraft scheduled for delivery in CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.;
- (iii) the A330-300 model Firm Aircraft scheduled for delivery in CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

-
- (iv) each Option Aircraft that has become an A330-300 model Aircraft as the result of an option exercise; and
 - (v) each Purchase Right Aircraft that has been converted to an Aircraft in accordance with Paragraph 3 above.

UNQUOTE

6.1.3 Paragraph 4.2 of Letter Agreement No. 2 of the Agreement, regarding the A330-500 Conversion Right, is hereby canceled. As a consequence of this cancellation, all references in the Agreement to Converted Firm A330-500 Aircraft are hereby deemed without effect.

6.1.4 *Terms and Conditions of A330 Conversion Rights*

The first sentence of Paragraph 4.4 of Letter Agreement No. 2 of the Agreement is canceled and replaced with the following quoted text:

QUOTE

The A330-300 Conversion Right and the A330-200 Conversion Right will be referred to individually and collectively as an "A330 Conversion Right."

UNQUOTE

Paragraph 4.4.4 of Letter Agreement No. 2 of the Agreement is canceled and replaced with the following quoted text:

QUOTE

In respect only of Converted Firm A330-300 Aircraft that were previously converted into Converted Firm A330-200 Aircraft from Firm Aircraft, Option Aircraft or Purchase Right Aircraft in accordance with Subparagraph 4.1 of this Letter Agreement, Paragraph 1 of Letter Agreement No. 1 to the Agreement will apply.

In respect only of Converted Firm A330-300 Aircraft that were previously converted into Converted Firm A330-200 Aircraft from Firm Aircraft, Paragraph 2 of Letter Agreement No. 1 to the Agreement will apply.

In respect of Converted Firm A330-200 Aircraft, the pricing in Appendix A to this Letter Agreement No. 2 will apply.

UNQUOTE

6.2 *CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.*

Paragraph 6.1 of Letter Agreement No. 2 of the Agreement is canceled and replaced with the following quoted text:

QUOTE

6.1 AVSA grants Northwest the right to CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

- (i) CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.
- (a) CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

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- (b) CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.
 - (c) CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.
 - (d) CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

- (ii) CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.
- (iii) CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.
- (iv) CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

UNQUOTE

6.3 *CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.*

Paragraph 7 of Letter Agreement No. 2 of the Agreement, CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT, is hereby canceled. As a consequence of this cancellation, all references in the Agreement to CONFIDENTIAL MATERIAL OMITTED AND

6.4 *CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.*

Paragraph 8 of Letter Agreement No. 2 of the Agreement, CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.is hereby canceled. As a consequence of this cancellation, all references in the Agreement to CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

6.5 *Irrevocable Exercise of Flexibility Rights*

Paragraph 9 of Letter Agreement No. 2 of the Agreement is canceled and replaced with the following quoted text:

QUOTE

9. *IRREVOCABLE EXERCISE OF FLEXIBILITY RIGHTS*

The A330 Conversion Right, A340 Conversion Right, CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.be referred to individually and collectively as a "Flexibility Right." No Aircraft or Converted Firm A330-200 Aircraft may be the object of more than one Flexibility Right, CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.except that an Aircraft or Converted Firm A330-200 Aircraft which has benefited from the exercise of a CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.may also be the object of a subsequent A330 Conversion Right or A340 Conversion Right, and an Aircraft or Converted Firm A330-200 Aircraft that has benefited from the exercise of an A330 Conversion Right or A340 Conversion Right may also be the subject of a CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.subject to the terms of the A330 Conversion Right, or A340 Conversion Right, unless agreed otherwise between Northwest and AVSA.

UNQUOTE

7. *PRICING*

7.1 Upon delivery to Northwest of each of

- (i) the initial CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.Converted Firm A330-200 Aircraft (the "Initial Converted Firm A330-200 Aircraft") and
- (ii) the first CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.Option Aircraft that are converted into a Converted Firm A330-200 Aircraft and delivered after delivery of the CONFIDENTIAL MATERIAL

AVSA will provide to Northwest a special airframe credit memorandum in the amount of US \$CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT. (US dollars-CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.) (the "Special Credit Memorandum").

7.2 As a consequence of Paragraph 7.1 above, the definition of Converted Firm A330-200 Aircraft Credit Memoranda in the final sentence of Paragraph 2.1 of Appendix A to Letter Agreement No. 2 of the Agreement is hereby amended to include the Special Credit Memorandum. Therefore, Paragraphs

2.2 and 2.3 of Appendix A to Letter Agreement No. 2 of the Agreement apply to the Special Credit Memorandum.

7.3 Should Northwest CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.any of the Initial Converted Firm A330-200 Aircraft, the Special Credit Memorandum will be CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

7.4 Northwest and AVSA acknowledge that in July 2001 the U.S. Bureau of Labor Statistics announced a change in the methodology of calculation of HE SIC 3724. Therefore, in accordance with Paragraph 5.4 of Exhibit E (PW) to the Agreement, (i) the Reference Price of the Pratt & Whitney PW 4168A Propulsion Systems set forth in Clause 4.1.2.1 of the Agreement will now reflect February 2001 economic conditions, instead of December 1998 economic conditions and (ii) Exhibit E (PW) will now also reflect February 2001 economic conditions.

The clauses numbered 4.1.2.1 in the Agreement that set forth pricing for the General Electric CF6-80-E1A3 and Rolls Royce Trent 772B Propulsion Systems are deleted, and the second sentence of the remaining Clause 4.1.2.1 is canceled and replaced with the following quoted text:

QUOTE

Said Base Price has been calculated with reference to the Reference Price indicated by Pratt & Whitney of US\$ CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.(US dollars-CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.) in accordance with economic conditions prevailing in February 2001.

UNQUOTE

Exhibit E (PW) to the Agreement is canceled and replaced with Exhibit A to this Amendment, which reflects changes in Paragraphs 1, 2 and 4 of Exhibit E (PW).

8. *PREDELIVERY PAYMENTS*

In order to reflect the new Firm Aircraft and Converted Firm A330-200 Aircraft delivery schedule and fleet mix, CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

Subparagraph 2.2 of Letter Agreement No. 8 of the Agreement is canceled and replaced with the following quoted text:

QUOTE

2.1 *Option Aircraft and Purchase Right Aircraft*

2.1.1 CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

2.1.2 CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

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2.1.3 CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

UNQUOTE

Subparagraph 2.3 of Letter Agreement No. 8 of the Agreement is hereby modified to include the new following text:

QUOTE

2.3 CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

UNQUOTE

Subparagraph 2.4.2 of Letter Agreement No. 8 of the Agreement is canceled and replaced with the following quoted text:

QUOTE

2.4.2 CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

2.4.2.1 CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

- (i) CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.
- (ii) CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

(1) CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

(2) CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

(3) CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

(iii) CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

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(iv) CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

2.4.2.2 CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

UNQUOTE

9. CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

9.1 Paragraphs 3 and 4 of Letter Agreement No. 11 of the Agreement will apply to Firm Aircraft and Converted Firm A330-200 Aircraft in this Amendment No. 2 (including Converted Firm A330-200 Aircraft converted from Firm Aircraft in accordance with this Amendment) CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

9.2 In addition, Paragraph 3 of Letter Agreement No. 11 of the Agreement will be amended to include the following quoted text:

QUOTE

3.3 CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

(i) CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

(ii) CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

3.4 CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

(i) CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

(ii) CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

UNQUOTE

10. *CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.*

The first paragraph of Paragraph 1.1 of Letter Agreement No. 10 of the Agreement is canceled and replaced with the following quoted text:

QUOTE

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1.1 *CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.*

UNQUOTE

11. *CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.*

CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

12. *CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.*

CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

13. *EFFECT OF THE AMENDMENT*

The provisions of this Amendment are binding on both parties upon execution hereof. The Agreement will be deemed amended to the extent herein provided, and, except as specifically amended hereby, will continue in full force and effect in accordance with its original terms. This Amendment supersedes any previous understandings, commitments, or representations whatsoever, whether oral or written, related to the subject matter of this Amendment.

Both parties agree that this Amendment will constitute an integral, nonseverable part of said Agreement, that the provisions of said Agreement are hereby incorporated herein by reference, and that this Amendment will be governed by the provisions of said Agreement,

except that if the Agreement and this Amendment have specific provisions that are inconsistent, the specific provisions contained in this Amendment will govern.

14. *CONFIDENTIALITY*

This Amendment is subject to the confidentiality provisions set forth in Subclause 22.4 of the Agreement.

If the foregoing correctly sets forth our understanding, please indicate your acceptance by signing in the space provide below.

Very truly yours,
AVSA, S.A.R.L.

By: /s/ MARIE-PIERRE MERLE-BERAL

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Its: AVSA Chief Executive Office

Accepted and Agreed,
NORTHWEST AIRLINES, INC.

By: /s/ GREG MAY

Its: Vice President Purchasing & Aircraft
Acquisitions

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**EXHIBIT A to Amendment No. 2 to the Agreement
EXHIBIT E (PW)**

PRATT & WHITNEY PRICE REVISION FORMULA

1. *REFERENCE PRICE*

The Reference Price of the Pratt & Whitney PW 4168A Propulsion Systems is as quoted in Subclause 4.1.2.1 of the Agreement.

This Reference Price is subject to adjustment for changes in economic conditions as measured by data obtained from the US Department of Labor, Bureau of Labor Statistics, and in accordance with the provisions of Paragraphs 4 and 5 of this Exhibit E.

2. *REFERENCE PERIOD*

The above Reference Price has been established in accordance with the economic conditions prevailing in February 2001, as defined, according to Pratt & Whitney, by the HEb and ICb index values indicated in Paragraph 4 of this Exhibit E.

3. *REFERENCE INDEXES*

Labor Index: "Aircraft Engines and Engine Parts," Standard Industrial Classification 3724–Average hourly earnings (hereinafter referred to as "HE SIC 3724"), published by the US Department of Labor, Bureau of Labor Statistics, in "Employment and Earnings," (Table

B-15: Average hours and earnings of production or nonsupervisory workers on private nonfarm payrolls by detailed industry) or such other names that may be from time to time used for the publication title and/or table.

Material Index: "Industrial Commodities" (hereinafter referred to as "IC-Index"), published monthly by the US Department of Labor, Bureau of Labor Statistics, in "PPI Detailed Report" (Table 6: Producer prices indexes and percent changes for commodity groupings and individual items, not seasonally adjusted) or such other names that may be from time to time used for the publication title and/or table. (Base year 1982 = 100).

4. REVISION FORMULA

$$P_n = P_b \times [0.65(H_{En}/H_{Eb}) + 0.35(IC_n/IC_b)]$$

Where

P_n = Revised Reference Price of the Propulsion Systems at delivery of the Aircraft

P_b = Reference Price at economic conditions February 2001

H_{En} = HE SIC 3724 for the sixth month prior to the month of delivery of the Aircraft

H_{Eb} = HE SIC 3724 for February 2001 (= 20.30)

IC_n = IC-Index for the sixth month prior to the month of delivery of the Aircraft

IC_b = IC-Index for February 2001 (= 139.7)

In each computation, if the next succeeding place is five (5) or more the preceding decimal place will be raised to the next higher figure. In determining the Revised Reference Price, each quotient will be calculated to the nearest ten thousandth (4 decimals). The final factor will be rounded to the nearest ten-thousandth (4 decimals).

After final computation, P_n will be rounded to the next whole number.

5. GENERAL PROVISIONS

5.1 The Revised Reference Price at delivery of the Aircraft will be the final price and will not be subject to further adjustments in the indexes.

5.2 The Revised Reference Price at delivery of the Aircraft will in no event be less than the Reference Price defined in Paragraph 1 of this Exhibit E.

5.3 If no final index value is available for any of the applicable months, the published preliminary figures will be the basis on which the Revised Reference Price will be computed.

5.4 If the US Department of Labor substantially revises the methodology of calculation of the indexes referred to in this Exhibit E or discontinues any of these indexes, AVSA will, reflect the substitute for the revised or discontinued index selected by Pratt & Whitney, such

substitute index to lead in application to the same adjustment result, insofar as possible, as would have been achieved by continuing the use of the original index as it may have fluctuated had it not been revised or discontinued.

Appropriate revision of the formula will be made to accomplish this result.

5.5 Should the above escalation provisions become null and void by action of the US Government, the Reference Price will be adjusted to reflect increases in the cost of labor and material, which have occurred from the period represented by the applicable Reference Price Indexes to the sixth month prior to the scheduled delivery of the Aircraft.

QuickLinks

[Amendment No. 2 To the A330 Purchase Agreement Dated as of December 21, 2000 Between AVSA, S.A.R.L. And NORTHWEST AIRLINES, INC.](#)

CONSULTING AGREEMENT

This CONSULTING AGREEMENT ("Agreement") is made as of December 20, 2002 (the "Effective Date"), by and between NORTHWEST AIRLINES, INC., a Minnesota corporation (the "Company"), and AVIATION CONSULTANTS LLC, a Minnesota limited liability company ("Consultant").

WHEREAS, the Company desires to retain Consultant as a consultant of the Company, and Consultant desires to be so retained by the Company, on the terms and subject to the conditions more fully set forth in this Agreement;

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth in this Agreement, the Company and Consultant agree as follows:

1. *Consulting Arrangement.*

(a) *Services.* The Company hereby retains Consultant and Consultant hereby agrees to serve as a management consultant to the Company, on the terms and subject to the conditions of this Agreement. During the Term, Consultant shall from time to time provide consulting services to the Company on various matters of a nature that might be typically assigned to a chief financial officer, as requested by the Chief Executive Officer of the Company (the "CEO"). Consultant shall render such services to the Company when and as requested by the Company and at such time or times and at such location or locations (which may include off-site locations) as may be mutually convenient to the Company and Consultant, provided that Consultant shall be available to provide such services only during regular business hours and subject to normal periods of vacation, sick leave or other occasional personal time off for Consultant's employees who are assigned to perform services hereunder. The Company will provide reasonable advance notice of the need for consulting services. Consultant and Consultant's employees shall devote their best efforts to the performance of services to the Company hereunder.

(b) *Commitment of Mickey P. Foret.* Consultant acknowledges and agrees that Company has entered into this Agreement with Consultant to gain the unique skills and experience of Mickey P. Foret, President of Consultant. Consultant shall assign Mr. Foret to personally perform all of the services to be provided by Consultant hereunder and no other employees or agents of Consultant may be assigned to perform services hereunder except with the prior written consent of the Company. All references to Consultant's "employees" herein shall include Mr. Foret. The Company consents to the use by Consultant of other employees of Consultant to provide administrative, clerical and office support to Mr. Foret in connection with Consultant's work hereunder. As a condition to the Company's entering into this Agreement, Mr. Foret shall execute and deliver to the Company an Adoption Agreement in the form attached hereto as *Exhibit A* (the "Adoption Agreement").

(c) *No Responsibility for Financial Reporting.* The parties acknowledge and agree that neither Consultant nor Mr. Foret shall have any responsibility for the preparation, review or accuracy of any financial statements of the Company or for the Company's compliance with its obligations under the Securities and Exchange Act of 1934 or other applicable securities laws.

2. *Term.* The term of Consultant's consultancy under this Agreement (the "Term") shall commence on the Effective Date and shall continue until September 30, 2004, unless earlier terminated in accordance with this Section 2. This Agreement and Consultant's retention hereunder may be terminated as follows: (i) by the Company without notice to Consultant immediately upon a breach of Section 5(a) hereof by Consultant or Mr. Foret, or in the event Mr. Foret is no longer an employee of

Consultant or is no longer assigned to perform services on behalf of Consultant hereunder (in either case other than as a result of Mr. Foret's death or disability); (ii) by Consultant upon notice to the Company if Richard H. Anderson is no longer the CEO of the Company; (iii) by either party pursuant to Section 8 hereof in the event of a default by the other party; and (iv) upon the death or disability of Mr. Foret, in which event this Agreement shall terminate automatically. In the event this Agreement is terminated prior to expiration of the Term pursuant to this Section 2, the Company shall be obligated to pay Consultant only for services rendered by Consultant prior to such termination at the rate set forth in Section 3 hereof.

3. *Compensation.* Upon the execution of this Agreement and the Adoption Agreement by all parties to each such agreement, the Company shall pay Consultant the sum of Two Hundred Forty Thousand Dollars (\$240,000.00). As further consideration for services rendered hereunder, the Company shall pay Consultant during the Term a retainer (the "Retainer") consisting of (i) \$80,000 per month payable on the first day of each calendar month during the Term; and (ii) \$15,000 per year payable not in cash but in complimentary travel privileges on the Company's scheduled passenger flights which Consultant may extend to its officers, directors, employees, representatives, contractors or subcontractors (collectively, the "Consultant Representatives") and to other individuals in accordance with the Company's barter travel program provided to its senior executives. Any such barter travel may be used by Consultant during the Term hereof or at anytime thereafter. Consultant shall be responsible for any personal income tax liability arising from such barter travel privileges. The Retainer shall be prorated for any partial month during the Term. In addition, the Company shall reimburse Consultant for all reasonable out-of-pocket expenses incurred by Consultant in connection with services rendered hereunder, provided that any expenses in excess of \$5,000 shall be subject to pre-approval by the CEO. Consultant shall submit to the Company on a monthly basis a detailed invoice setting forth an itemization of any expenses reimbursable by the Company hereunder together with supporting receipts therefor. The Company shall make available to Consultant and its employees performing services hereunder one office and appropriate secretarial support. In addition, the Company shall make available to Consultant one in-door parking space at the Company's offices and at the Minneapolis-St. Paul International Airport, as required in connection with the performance of services hereunder.

4. *Independent Contractor.* The Company and Consultant acknowledge and agree that Consultant is an independent contractor, and not an agent of the Company, and neither Consultant nor any employee of Consultant will have any authority to act hereunder as an agent of the Company except on authority specifically so delegated, and neither Consultant nor any employee of Consultant shall represent to the contrary to any person. Consultant shall not direct the work of any employee of the Company, or make any management decisions, or undertake to commit the Company to any course of action in relation to third persons. Although the Company may specify the results to be achieved by Consultant and may control and direct Consultant in that regard, the Company shall not control or direct Consultant as to the details or means by which such results are accomplished. The Company will have no obligation whatsoever to provide any employee benefits or privileges of any kind or nature to any person performing services hereunder, including Mr. Foret, other than those benefits or privileges to which Mr. Foret is entitled by virtue of his prior employment with the Company. Consultant will pay its own employees and shall pay any and all legally required withholding taxes, social security, unemployment, and workers' compensation insurance and similar items in connection with compensation paid to its employees. Consultant will ensure that its employees are aware of their status as employees of Consultant and not the Company. Consultant will be responsible for compliance with all applicable federal, state and local laws related to the employer/employee relationship with respect to Consultant's employees. Further, Consultant agrees that the Company is not responsible to collect or withhold federal, state or local taxes with respect to services provided by Consultant's employees, including income tax and social security, and that any and all taxes imposed, assessed or levied as a result of this Agreement or the amounts payable to Consultant hereunder shall be paid by Consultant, or if paid by the Company, Consultant shall reimburse the Company upon demand.

5. *Non-Compete; Non-Solicitation.*

(a) *Non-Competition.* During the Term hereof, the parties agree that, without the Company's prior written consent, neither Consultant nor any employee of Consultant will provide any personal services to, nor accept any appointment to the Board of Directors or any advisory committee of, any airline (or any affiliate thereof) that (x) competes with the Company, (y) provides regional airline services to the Company or (z) provides charter lift to MLT Inc. For the avoidance of doubt, a regional air carrier that operates flights under the designator code of an airline that competes with the Company shall be deemed to compete with the

Company. The parties hereby acknowledge that Mr. Foret is currently serving on the boards of directors of Grand Holdings, Inc. (d/b/a Champion Air) and GHI-CA Corporation as the Company's designated director and agree that such service shall be permitted pursuant to this Section 5(a) only for so long as he continues to serve as the Company's designated director at the Company's request. Mr. Foret may resign from such boards in his sole discretion, and agrees to resign from such boards immediately upon the request of the Company, and no resignation by Mr. Foret from such boards shall constitute a breach of this Agreement. The Company acknowledges that, with respect to his service as a director of such companies, Mr. Foret is subject to certain fiduciary duties under applicable law and nothing herein shall be deemed to require Mr. Foret to act in a manner that violates his fiduciary obligations to such companies.

(b) *Non-Solicitation.* In addition, during the Term hereof, Consultant agrees that, without the Company's prior written consent, neither Consultant nor any of Consultant's employees will solicit or encourage any employee of the Company or its affiliates to leave the employment of the Company or its affiliates.

(c) *Injunctive Relief.* Consultant agrees that any breach of the terms of this Section 5 would result in irreparable injury and damage for which there would be no adequate remedy at law, and that, in the event of said breach or any threat of breach, the Company shall be entitled to an immediate injunction and restraining order to prevent such breach or threatened breach, without having to prove damages, in addition to any other remedies to which the Company may be entitled at law or in equity. Consultant further agrees that the provisions of the covenant not to compete are reasonable. Should a court determine, however, that any provision of the covenant not to compete is unreasonable, either in period of time, geographical area, or otherwise, the parties hereto agree that the covenant should be interpreted and enforced to the maximum extent which such court deems reasonable. The existence of any claim or cause of action or otherwise (other than the failure to pay amounts owed under Section 3, the failure to provide indemnification and insurance in accordance with Section 10, or an assignment by Northwest in breach of Section 11), shall not constitute a defense to the enforcement of the covenants and agreements of this Section 5.

6. *Confidentiality.* Consultant agrees that any information Consultant or its employees receive or review concerning the Company, including, but not limited to, any information concerning the Company's operations and business activities, and any other information or material proprietary to the Company of which the Consultant may obtain knowledge or access from the Company during Consultant's consultancy hereunder (whether received before or after the Effective Date) (hereinafter "Confidential Information") is proprietary and confidential to the Company. The Consultant agrees to hold in confidence and not to directly or indirectly reveal, report, publish, disclose or transfer any of the Confidential Information to any person or entity, or utilize any of the Confidential Information for any purpose, except as may be agreed in writing in advance between the Company and the Consultant. Consultant further agrees to indemnify the Company against any loss or liability resulting from, or arising in connection with, unauthorized and willful use or disclosure of Confidential Information by Consultant or by any employee of Consultant.

7. *Work Made for Hire.* Title and full ownership of any invention developed by Consultant or any employee of Consultant while performing services hereunder, whether patentable or otherwise, shall vest in the Company. Any development, modification or translation by Consultant or any employee of Consultant of copyrightable material in connection with services rendered hereunder shall be considered a "work made for hire" under the United States copyright laws, and the copyright in and to such material shall belong to the Company. To the extent the development, modification or translation may not be deemed a "work made for hire," Consultant and any employee of Consultant shall be deemed to have assigned all copyright rights therein to the Company, and Consultant shall execute or cause its employees to execute all documents required by the Company to effect such assignment. Consultant shall promptly provide the Company with copies of all developments, modifications or translations made by, for or on behalf of Consultant. Neither Consultant nor any employee of Consultant shall assert or establish a claim for any statutory or common law patent or copyright or any other possessory or proprietary right on any of the above. Consultant shall fully cooperate with the Company in registering, creating or enforcing any patents, copyrights, or other possessory or proprietary rights arising hereunder, and cause its employees to so cooperate, provided that in the event any assistance by Consultant or any employee of Consultant is requested and rendered pursuant to this paragraph, the Company shall reimburse Consultant or Consultant's employees for all out-of-pocket expense incurred by Consultant or Consultant's employees in rendering such assistance, and shall, if such

assistance is rendered after the Term, pay Consultant at the rate per month set forth in Section 3 hereof for any time spent by Consultant's employees in rendering such assistance.

8. *Default and Termination.* If either party to this Agreement defaults in the performance of any term or condition hereof or does or permits anything to be done contrary to any term or condition hereof and such default continues for five (5) days after such party's receipt of written notice of such default specifying the nature of the default, then the non-defaulting party may terminate this Agreement and, consistent with the terms of Section 2 of this Agreement, pursue any other remedy available in law or in equity; provided, however, that pursuant to Section 2 hereof the Company shall be entitled to terminate this Agreement immediately without notice to Consultant in the event Consultant or any of Consultant's employees breach any obligations set forth in Section 5(a) hereof. The parties agree that the terms and conditions set forth in Sections 4, 6, 7, 8, 10, 12, 14 and 15 of this Agreement shall survive termination of this Agreement for any reason. In the event any suit or other action is commenced to construe or enforce any provisions of the Agreement, the prevailing party, in addition to all other amounts such party shall be entitled to receive from the other party, shall be paid by the other party a reasonable sum for attorney's fees and costs, which attorneys' fees and costs shall not exceed the amount of fees and costs incurred by the losing party for its own attorneys' fees and costs.

9. *Assumption of Risk.* Consultant assumes all risks incidental to the presence of any employee of Consultant on the Company's premises and the activities conducted there and Consultant agrees that the Company, its employees and agents shall not be liable for injuries, damages or losses resulting from such activities except to the extent arising from the gross negligence or willful misconduct of the Company; provided, however, that nothing in this Section 9 shall affect in any manner any claim of Consultant or Consultant's employees against the Company resulting from or arising out of any transportation services provided by the Company.

10. *Indemnification; Insurance.*

(a) *Indemnification.* The Company shall indemnify, defend and hold harmless Consultant and any Consultant Representative (individually, an "Indemnified Person" and collectively, "Indemnified Persons") from and against any claim, liability, loss or expense, including without limitation reasonable attorneys' fees and costs and expenses of litigation, arising out of or in connection with the engagement by the Company hereunder, except for any claim, liability, loss or

expense based on the willful misconduct of any Indemnified Person, willful breach of Consultant's or Mr. Foret's obligations set forth herein, or any willful act of Consultant or any Consultant Representative knowing such act to be outside the scope of the authority granted by the Company. Upon receipt by an Indemnified Person of notice of any action, claim, suit or proceeding (collectively, an "Action") against such Indemnified Person with respect to which indemnity may be sought under this Agreement, such Indemnified Person shall provide prompt written notice of such Action to the Company and shall permit the Company to assume the defense of any such Action. Any Indemnified Person against which such Action is brought may participate in such defense at its own expense; *provided, however*, that the Company shall bear the expense of such defense of such Indemnified Person if representation of both parties by the same counsel would be inappropriate due to an actual conflict of interest (as determined in good faith by the Company). In connection with the defense of any claim or litigation for which any Indemnified Person has sought indemnification hereunder, the Company will not, without the prior written consent of such Indemnified Person, consent to the entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the release of such Indemnified Person from any liabilities with respect to such claim or litigation.

(b) *Insurance.* The Company has named Mickey Foret in his capacity as President of Consultant as an additional insured on its general liability and director and officer liability insurance policies.

11. *Assignment.* Consultant may not assign this Agreement or delegate (except to Mr. Foret) any duties hereunder without the prior written consent of the Company. The Company may not assign this Agreement or delegate any duties hereunder without the prior written consent of Consultant.

12. *Entire Agreement.* This Agreement contains the entire agreement between Consultant and the Company with respect to the services to be rendered by Consultant hereunder. All prior agreements and understandings between the parties are superseded; provided, however, that any agreements between the Company and Mr. Foret pertaining to Mr. Foret's prior employment with the Company are outside the scope of this Agreement and shall remain unaffected hereby.

13. *Amendment; Waiver.* No provision of this Agreement may be modified, waived, terminated or amended except by a written instrument executed by the parties hereto. No waiver of a breach of any provision of this Agreement shall constitute a waiver of any subsequent breach of the same or other provisions hereof.

14. *Notices.* All notices and other communications required or permitted under this Agreement shall be made in writing and shall be deemed given if delivered as follows:

(a) If to the Company, to:

Northwest Airlines, Inc.
5101 Northwest Drive
St. Paul, MN 55111
Attention: Chief Financial Officer

(b) If to Consultant, to:

Aviation Consultants LLC
7001 Valley View Road
Edina, MN 55439
Attention: Mickey P. Foret, President

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with a copy to:

Mickey P. Foret, President
mpforet@aol.com

with a copy to:

Kathy Noecker, Esquire
Faegre & Benson LLP
2200 Wells Fargo Center
90 South Seventh Street
Minneapolis, MN 55402

or to such other address as any party shall have specified by notice in writing to the other party. All such notices, requests, demands and communications shall be deemed to have been received on (i) the date of delivery if sent by messenger or a recognized overnight courier service or (ii) on the date received, if sent by fax.

15. *Governing Law; Arbitration.* This Agreement shall be governed by and construed in accordance with the law of the State of Minnesota applicable to contracts made and to be performed entirely within such jurisdiction. Except as provided in Section 5 hereof, any and all claims or disputes relating to this Agreement and its enforcement, including but not limited to the issue of arbitrability are subject to mandatory arbitration between Consultant and the Company. The arbitration shall be conducted in Minneapolis, Minnesota in accordance with the Rules of the American Arbitration Association and shall be final and binding on both parties. The expenses of the neutral arbitrator and any court reporter shall be paid by the Company.

16. *Severability/Construction.* If any provision of this Agreement is prohibited by law or held to be invalid, illegal, or unenforceable, the remaining provisions hereof shall not be affected, and this Agreement shall continue in full force and effect as if such prohibited, illegal or invalid provision had never constituted a part hereof, with this Agreement being enforced to the fullest extent possible. This Agreement shall not be construed against the party preparing it, but shall be construed as if both parties jointly prepared it and any uncertainty or ambiguity shall not be interpreted against either party.

17. *Conflicts.* The parties hereto agree that this Agreement shall be non-exclusive in nature, and that neither the Company nor Consultant shall be prohibited from entering into similar arrangements during the term of this Agreement. However, Consultant agrees not to represent, advise, give advice to or otherwise consult during the term of this Agreement with any person, company, partnership or other entity with respect to any matters relating to the business of the Company when such matter may involve the Company or may otherwise be in conflict with the Company's business, and shall prevent any employee of Consultant from doing the same, unless an officer of the Company has consented in writing to waive such conflict.

18. *Headings.* The headings contained in this Agreement are inserted purely as a matter of convenience and neither form an operative part of it nor are to be used in interpreting its meaning.

19. *Counterparts.* This Agreement may be executed in one or more counterparts, which shall collectively and separately constitute one agreement.

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IN WITNESS WHEREOF, the Company and Consultant have executed this Agreement as of the date first above written.

NORTHWEST AIRLINES, INC.

AVIATION CONSULTANTS LLC

/s/ RICHARD H. ANDERSON

/s/ MICKEY P. FORET

By: Richard H. Anderson
Chief Executive Officer

By: Mickey P. Foret
President

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EXHIBIT A

ADOPTION AGREEMENT

This ADOPTION AGREEMENT ("Agreement") is entered into as of this 20th day of December, 2002, but is made effective as of October 1, 2002 (the "Effective Date"), by and between NORTHWEST AIRLINES, INC., a Minnesota corporation (the "Company"), and Mickey P. Foret ("Mr. Foret").

WHEREAS, Mr. Foret is the President and sole member of Aviation Consultants LLC ("Consultant");

WHEREAS, Consultant and the Company have entered into that certain Consulting Agreement of even date herewith (the "Consulting Agreement"), to which this Agreement is attached as Exhibit A, pursuant to which Consultant has agreed to make Mr. Foret available to perform certain services to the Company on the terms and conditions set forth therein;

WHEREAS, the Consulting Agreement contains certain obligations to be performed by both Consultant and Mr. Foret; and

WHEREAS, the Company and Mr. Foret desire to enter into this Agreement, pursuant to which Mr. Foret agrees to become a party to the Consulting Agreement solely with respect to certain specified obligations set forth therein;

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. *Adoption.* By execution of this Agreement, Mr. Foret hereby agrees to become a party to the foregoing Consulting Agreement solely with respect to the obligations set forth in Sections 5, 6, 7, 9, 10 and 15 thereof. Mr. Foret shall be obligated to the same extent as, and shall have any and all defenses of, Consultant under the Consulting Agreement. As such, Mr. Foret agrees that, in the event of a failure by Mr. Foret to perform any of his obligations set forth in such sections of the Consulting Agreement, the Company shall be entitled to pursue, in accordance with the provisions of the Consulting Agreement, all remedies available to it directly against Mr. Foret, as if Mr. Foret were a party to such agreement. In addition, Mr. Foret acknowledges and agrees that he is not an agent of the Company, he does not and will not have any authority to act as an agent of the Company except on authority specifically so delegated and he shall not represent to the contrary to any person.

2. *Miscellaneous.*

(a) This Agreement may be executed in one or more counterparts, which shall collectively and separately constitute one agreement.

(b) This Agreement shall be governed by the laws of the State of Minnesota applicable to contracts made and to be performed entirely within such jurisdiction.

IN WITNESS WHEREOF, the Company and Mr. Foret have executed this Agreement as of the date first above written.

NORTHWEST AIRLINES, INC.

MICKEY P. FORET

/s/ RICHARD H. ANDERSON

By: Richard H. Anderson
Chief Executive Officer

/s/ MICKEY P. FORET

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[CONSULTING AGREEMENT](#)
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MANAGEMENT COMPENSATION AGREEMENT

between

NORTHWEST AIRLINES, INC.

and

BERNARD L. HAN

dated as of

September 27, 2002

MANAGEMENT COMPENSATION AGREEMENT

MANAGEMENT COMPENSATION AGREEMENT made as of the 27th day of September, 2002 by and between Northwest Airlines, Inc., a Minnesota corporation (the "*Company*") and Bernard L. Han (the "*Executive*").

PREAMBLE

The Company and Executive hereby desire to enter into a Management Compensation Agreement dated as of September 27, 2002.

1. *Terms of Employment.*

1.1 *Employment.* The Company agrees to employ Executive, and Executive agrees to be employed by the Company, on the terms and conditions set forth herein.

1.2 *Position and Duties.* During the term of Executive's employment hereunder, Executive shall serve as Executive Vice President & Chief Financial Officer of the Company and shall have such powers and duties as may from time to time be prescribed by the Company. Executive shall devote substantially all his working time and effort to the business and affairs of the Company and its affiliates.

2. *Compensation.*

2.1 *Base Salary.* Executive's Base Salary as of the Effective Date shall be \$425,000. Executive's Base Salary in effect from time to time may only be reduced in connection with a base wage reduction for salaried employees of the Company, by an amount not to exceed 20% of Base Salary in effect on the date of such wage reduction. For purposes of calculating any other payments or benefits hereunder (except as specified in Section 2.6) any reductions in Base Salary shall be disregarded. Executive's Base Salary shall be payable in accordance with the Company's payroll policies.

2.2 *Bonus.* Executive shall be entitled to participate in the Company's Key Employee Annual Cash Incentive Plan (the "KEACIP") or any successor annual bonus plan, the terms and conditions of which shall be established by the Board from time to time. For the 2002 plan year, Executive's target incentive will be 60% of his Base Salary and will be pro-rated from the Effective

Date. In addition, within ten (10) days after the Effective Date Executive shall receive a sign-on bonus in an amount equal to \$300,000; *provided* that in the event Executive's employment is terminated by the Company for Cause or by Executive without Good Reason on or before the first anniversary of the Effective Date, Executive will repay to the Company the full amount of the signing bonus.

2.3 *Retention Payments.* As an inducement to Executive continuing his employment with the Company, the Company shall pay Executive five (5) payments in the amount of \$100,000 each (each, a "Retention Payment" and, collectively, the "Retention Payments") payable on December 31 of 2003, 2004, 2005, 2006 and 2007, subject to Executive remaining an active employee of the Company on the applicable payment dates. Each such retention payment shall be a current inducement to Executive to continue employment with the Company through the next retention payment date.

2.4 *Long-Term Incentive Compensation.* Subject to approval by the Compensation Committee, Executive shall receive:

(a) a non-qualified stock option to purchase 150,000 shares of common stock, par value \$.01 per share of the Company (the "Common Stock") pursuant to the Company's 2001 Stock Incentive Plan (the "2001 Plan") on the terms and conditions set forth in a Non-Qualified Stock Option Agreement which shall be provided to Executive by the Corporate Secretary;

(b) a deferred stock award for 10,000 shares of Common Stock pursuant to the Company's 1999 Stock Incentive Plan (the "1999 Plan") on the terms and conditions set forth

in a Deferred Stock Award Agreement which shall be provided to Executive by the Corporate Secretary;

(c) a phantom unit award for 39,600 units pursuant to the Company's 2001 Plan on the terms and conditions set forth in a Phantom Stock Unit Award Agreement which shall be provided to Executive by the Corporate Secretary; and

(d) an award of ten (10) points pursuant to the Company's E-Commerce Incentive Compensation Program on the terms and conditions set forth in an Award Notice which shall be provided to Executive by the Corporate Secretary.

In addition, in the event the Company adopts a new long-term cash incentive plan, Executive shall be eligible to participate in such plan on the same terms and conditions as are applicable to other senior executives of the Company.

2.5 *Expenses.* During the term of Executive's employment hereunder, Executive shall be entitled to receive prompt reimbursements for all reasonable expenses incurred in performing services hereunder, *provided* that Executive properly accounts therefor in accordance with Company policy.

2.6 *Compensation and Benefit Programs of the Company.* Except as set forth below, Executive shall, while employed hereunder, participate in the Company's employee compensation and benefit programs (or any successor programs). Exceptions to the preceding sentence are:

(a) Amounts payable to Executive under the Company's benefit programs may be reduced to reflect a benefit reduction for salaried employees of the Company in the same manner that salaried employees are generally affected by such reduction.

(b) Executive shall not participate in any severance pay plan or annual bonus plan maintained by the Company except to the extent necessary to receive any severance or bonus payments specifically provided for hereunder.

2.7 *MERP.* During the term of Executive's employment hereunder, Executive shall be reimbursed by the Company for all out of pocket medical and dental expenses incurred by Executive or his eligible dependents and not otherwise paid or provided for under any medical or dental plan maintained for the benefit of Executive.

2.8 *Retirement Plans.* During the term of Executive's employment hereunder, Executive shall be entitled to participate in the Company's retirement plans for management employees of the Company. Under the terms of the Northwest Airlines Excess Pension Plan for Salaried Employees (the "Excess Plan"), the Company shall establish an initial account balance for Executive and, for purposes of calculating Executive's initial account balance, the Company shall credit Executive with pay equal to \$2 million and pay credits equal to 10 percent (10%). In addition, subject to approval by the Compensation Committee, on or before eighteen (18) months following the Effective Date Executive shall become eligible to participate in the Northwest Airlines Supplemental Executive Retirement Plan (the "SERP") on terms and conditions to be determined by the Compensation Committee.

3. *Other Benefits.*

3.1 *Airline Pass.* In the event Executive remains an active employee of the Company from the Effective Date through the third anniversary thereof, Executive shall be entitled to receive, upon termination of employment, lifetime airline pass privileges for the personal use of Executive and his spouse or registered domestic partner and dependent children so long as spouses, registered domestic partners and dependent children of employees generally are eligible for nonrevenue travel pursuant to the Company's pass policies (hereinafter, "Eligible Individuals").

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Such airline pass privileges (the "Airline Pass") shall entitle Executive and Eligible Individuals to travel on regularly scheduled Northwest domestic and international flights, subject to all charges and fees then applicable to active management employees of the Company and their dependents and pursuant to the Company's pass policies in effect from time to time, with boarding priority of F-1 or the equivalent thereof for ten (10) years from and after the date such pass is issued and 1-R or the equivalent thereof after such ten year period. Executive shall be responsible for any personal income tax liability arising from such pass travel. Notwithstanding the foregoing, all benefits under this Section 3.1 shall immediately and permanently cease in the event Executive violates the Company's pass policies in connection with such travel and/or in the event that Executive is or becomes, at any time thereafter, an employee of any of the top five (5) airlines in the United States (other than the Company) ranked by revenue passenger miles.

3.2 *Medical and Dental Benefits.* In the event Executive remains an active employee of the Company from the Effective Date through the third anniversary thereof, Executive and his eligible dependents (only as long as they shall remain eligible dependents) shall be entitled to participate for the life of Executive in the Company's medical and dental plans generally applicable to all management employees of the Company under the same terms and conditions as shall apply to such management employees; *provided, however*, that if Executive becomes employed by another employer, such coverage shall become secondary to any coverage provided by such employer for the period in which Executive is entitled to such coverage.

4. *Termination of Employment.*

4.1 *Upon Death.* Executive's employment hereunder shall terminate upon his death.

4.2 *By the Company.* The Company may terminate Executive's employment hereunder at any time with or without Cause.

4.3 *By the Executive.* Executive may terminate his employment hereunder at any time for any reason.

4.4 *Notice of Termination, Payments.* Any termination of Executive's employment hereunder (other than by death) shall be communicated by thirty (30) days' advance written Notice of Termination by the terminating party to the other party to this Agreement; *provided* that no advance Notice of Termination of Executive for Cause by the Company is required.

5. *Payments in the Event of Termination of Employment.*

5.1 *Payments in the Event of Termination by the Company for Cause or Voluntary Termination by Executive.* If Executive's employment hereunder is terminated by the Company for Cause, as a result of death or Disability or by Executive other than for

Good Reason, the Company shall pay Executive (a) his accrued and unpaid Base Salary through the Date of Termination and (b) any vested or accrued and unpaid payments, rights or benefits Executive may be otherwise entitled to receive pursuant to the terms of any written retirement, pension or other employee benefit or compensation plan maintained by the Company at the time or times provided therein.

5.2 *Payments in the Event of Any Other Termination of Employment.* If Executive's employment hereunder is terminated by the Company other than for Cause, or by Executive for Good Reason:

(a) The Company shall pay Executive (i) his accrued and unpaid Base Salary through the Date of Termination, (ii) any bonus under the Key Employee Cash Incentive Bonus Program, or any successor annual bonus plan, (the "Incentive Bonus") for any calendar year ended before the Date of Termination, (iii) a pro rata share (based on days employed during the applicable year) of the Incentive Bonus Executive would otherwise have received with respect to the year in which the Date of Termination occurs, payable at the time the Incentive Bonus

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would otherwise be payable to Executive; *provided, however*, that 100% of the Incentive Bonus shall be determined solely with reference to the financial performance of the Company for the year (based on the goals previously established with respect thereto) (rather than a portion of the Incentive Bonus determined on the basis of individual performance); *provided, further*, in the event that Company's performance exceeds 100% of the financial performance target for the year, that portion of the Incentive Bonus that would have, but for this Section 5.2(a), related to the achievement of the individual performance target shall be 100% and (iv) any vested or accrued and unpaid payments, rights or benefits Executive may be otherwise entitled to receive pursuant to the terms of (x) any written retirement, pension or other employee benefit or compensation plan maintained by the Company at the time or times provided therein or (y) Section 3 hereof.

(b) In addition to the compensation and benefits described in Section 5.2(a):

(i) The Company shall pay Executive, no later than thirty (30) days following Executive's termination of employment, a lump sum amount equal to two (2) times the sum of (i) Executive's annual Base Salary and (ii) the target Incentive Bonus for Executive with respect to the year in which the Date of Termination occurs (or if no target has been set for that year, the target Incentive Bonus for the immediately preceding year).

(ii) Until the earlier of the fourth anniversary of Executive's Date of Termination or the date Executive is employed by a new employer, Executive, his dependents, beneficiaries and estate shall be entitled to all benefits under the Company's group life insurance as if Executive were still employed by the Company hereunder during such period.

(c) Executive shall not be required to mitigate the amount of any payment provided for in this Section 5.2 by seeking other employment or otherwise, and no such payment shall be offset or reduced as a result of Executive obtaining new employment.

(d) Notwithstanding anything else to the contrary in this Agreement, the Company's obligation regarding the payments and other benefits provided for in Sections 5.2(a)(iii) and (iv) and 5.2(b)(i) and (ii) is expressly conditioned upon the execution, delivery and non-revocation of a general release in the form attached hereto as Attachment A.

5.3 *Board/Committee Resignation.* Executive's termination of employment for any reason, shall constitute, as of the date of such termination and to the extent applicable, a resignation as an officer of the Company and a resignation from the Board (and any committees thereof) and the Board of Directors (and any committees thereof) of any of the Company's affiliates and from the board of directors or similar governing body of any corporation, limited liability company or other entity in which the Company or any

affiliate holds an equity interest and with respect to which board or similar governing body Executive serves as the Company's or such affiliate's designee or other representative.

6. *Confidentiality; Non-Compete; Non-Solicitation; Nondisparagement.*

While employed by the Company and thereafter, Executive shall not disclose any Confidential Information either directly or indirectly, to anyone (other than appropriate Company employees and advisors), or use such information for his own account, or for the account of any other person or entity, without the prior written consent of the Company or except as required by law. This confidentiality covenant has no temporal or geographical restriction. For purposes of this Agreement, "Confidential Information" shall mean all non-public information respecting the Company's business, including, but not limited to, its services, pricing, scheduling, products, research and development, processes, customer lists, marketing plans and strategies, financing plans and the terms and provisions

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of this Agreement, but excluding information that is, or becomes, available to the public (unless such availability occurs through an unauthorized act on the part of the Executive). Upon termination of this Agreement, Executive shall promptly supply to the Company all property and any other tangible product or document that has been produced by, received by or otherwise submitted to Executive during or prior to his term of employment, and shall not retain any copies thereof.

Executive acknowledges that his services are of special, unique and extraordinary value to the Company. Accordingly, Executive shall not at any time prior to the first anniversary of the Date of Termination, whether on Executive's own behalf or on behalf of or in conjunction with any person, company, business entity or other organization whatsoever, directly or indirectly solicit or encourage any employee of the Company or its affiliates to leave the employment of the Company or its affiliates.

While employed by the Company and thereafter, Executive agrees not to make any untruthful or disparaging statements, written or oral, about the Company, its affiliates, their predecessors or successors or any of their past and present officers, directors, stockholders, partners, members, agents and employees or the Company's business practices, operations or personnel policies and practices to any of the Company's customers, clients, competitors, suppliers, investors, directors, consultants, employees, former employees, or the press or other media in any country.

Executive agrees that any breach of the terms of this Section 6 would result in irreparable injury and damage for which there would be no adequate remedy at law, and that, in the event of said breach or any threat of breach, the Company shall be entitled to an immediate injunction and restraining order to prevent such breach or threatened breach, without having to prove damages, in addition to any other remedies to which the Company may be entitled at law or in equity. The provisions of this Section 6 shall survive any termination of this Agreement and Executive's term of employment. The existence of any claim or cause of action or otherwise, shall not constitute a defense to the enforcement of the covenants and agreements of this Section 6.

7. *Successors and Assigns.*

(a) This Agreement shall bind any successor to the Company, whether by purchase, merger, consolidation or otherwise, in the same manner and to the same extent that the Company would be obligated under this Agreement if no such succession had taken place.

(b) This Agreement shall not be assignable by Executive. This Agreement and all rights of Executive hereunder shall inure to the benefit of and be enforceable by, Executive's personal or legal representatives, executors, administrators, successors, heirs, distributes, devisees and legatees.

8. *Term.*

The term of this Agreement shall commence on the Effective Date and end upon the Executive's termination of employment. The rights and obligations of the Company and Executive shall survive the termination of this Agreement to the fullest extent necessary to give effect to the terms hereof.

9. *Notices.*

Notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered to and mailed by United States mail, addressed:

(a) if to Executive, to the address set forth on the signature page hereto, and

(b) if to the Company, c/o Northwest Airlines, Inc., 2700 Lone Oak Parkway, Eagan, Minnesota 55121, Attention: General Counsel,

or, in each case, to such other address as may have been furnished in writing.

10. *Withholding.*

All payments required to be made by the Company hereunder shall be subject to the withholding and/or deduction of such amounts as are required to be withheld or deducted pursuant to any applicable law or regulation. The Company shall have the right and is hereby authorized to withhold or deduct from any compensation or other amount owing to Executive, applicable withholding taxes and deductions and to take such action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes or deductions.

11. *Certain Defined Terms.*

As used herein, the following terms have the following meanings:

"*Agreement*" shall mean this Management Compensation Agreement, as the same may be amended, supplemented or otherwise modified from time to time in accordance herewith.

"*Base Salary*" shall mean the salary of the Executive in effect from time to time under Section 2.1.

"*Board*" shall mean the Board of Directors of the Company.

"*Cause*" shall mean with respect to termination by the Company of Executive's employment hereunder (i) an act or acts of dishonesty by Executive resulting in, or intended to result in, directly or indirectly, any personal enrichment of Executive, (ii) an act or acts of dishonesty by Executive intended to cause substantial injury to the Company, (iii) material breach (other than as a result of a Disability) by Executive of Executive's obligations under this Agreement which action was (a) undertaken without a reasonable belief that the action was in the best interests of the Company and (b) not remedied within a reasonable period of time after receipt of written notice from the Company specifying the alleged breach, (iv) Executive's conviction of, or plea of nolo contendere to, a crime constituting (a) a felony under the laws of any country, the United States or any state thereof or (b) a misdemeanor involving moral turpitude or (v) a material breach of (a) the Company's Code of Business Conduct or (b) the provisions of this Agreement.

"*Compensation Committee*" shall mean the Compensation Committee of the Board of Directors of the Company or any Subcommittee thereof.

"*Date of Termination*" shall mean, with respect to Executive, the date of termination of Executive's employment hereunder after the notice period provided by Section 4.4.

"Disability" shall mean Executive's physical or mental condition which prevents continued performance of his duties hereunder, if Executive establishes by medical evidence that such condition will be permanent and continuous during the remainder of Executive's life or is likely to be of at least three (3) years duration.

"Effective Date" shall mean October 14, 2002.

"Good Reason" shall mean with respect to an Executive, any one or more of the following:

- (a) a material reduction in Executive's Base Salary or level of target bonus under the KEACIP or any successor bonus plan (except as permitted hereunder);
- (b) except as otherwise provided in Section 1.2, any substantial and sustained diminution in Executive's authority or responsibilities hereunder;
- (c) the relocation of the Company's principal executive offices to a location outside the Minneapolis-St. Paul Metropolitan Area; or
- (d) a failure by the Company to comply with any provision of this Agreement;

provided, however, that the foregoing events shall constitute Good Reason only if the Company fails to cure such event within thirty (30) days after receipt from Executive of written notice of the event which constitutes Good Reason; *provided, further*, that "Good Reason" shall cease to exist for an event on the 60th day following the later of its occurrence or Executive's knowledge thereof, unless Executive has given the Company written notice thereof prior to such date.

In order for Executive's termination of his employment to be considered for Good Reason, such termination must occur within one (1) year after the event giving rise to such Good Reason. Executive's continued employment shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason hereunder.

"Notice of Termination" shall mean a notice specifying the Date of Termination.

12. *Executive Representation.*

Executive hereby represents to the Company that the execution and delivery of this Agreement by Executive and the Company and the performance by Executive of Executive's duties hereunder shall not constitute a breach of, or otherwise contravene, the terms of any employment agreement or other agreement or policy to which Executive is a party or otherwise bound.

13. *Amendment.*

No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by Executive and an authorized officer of the Company.

14. *Governing Law.*

The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Minnesota, without regard to principles of conflicts of laws.

15. *Validity.*

The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement which shall remain in full force and effect.

16. *Arbitration.*

Except as otherwise provided in Section 17 of this Agreement, all disputes and controversies arising from or in conjunction with Executive's employment with, or any termination from, the Company and all disputes and controversies arising under or in connection with this Agreement (except claims for vested benefits brought under ERISA) shall be settled by mandatory arbitration conducted before one arbitrator having knowledge of employment law in accordance with the rules for expedited resolution of employment disputes of the American Arbitration Association then in effect. The arbitration shall be held in the Minneapolis/St. Paul metropolitan area at a location selected by the Company. The determination of the arbitrator shall be made within thirty (30) days following the close of the hearing on any dispute or controversy and shall be final and binding on the parties. The parties hereby waive their right to a trial of any and all claims arising out of this Agreement or breach of this Agreement. All costs and expenses incurred in connection with any arbitration including, without limitation, arbitrator and attorney's fees, shall be paid by the nonprevailing party in the arbitration unless the arbitrator determines that such expenses must be otherwise allocated under applicable law to maintain the validity of this Section 16.

17. *Specific Performance.*

Notwithstanding Section 16 of this Agreement, if Executive breaches or threatens to commit a breach of Section 6 of this Agreement, the Company shall have the right to specific performance (i.e.,

the right and remedy to have the terms and conditions of Section 6 specifically enforced by any court of competent jurisdiction), it being agreed that any breach or threatened breach of Section 6 would cause irreparable injury and that money damages may not provide an adequate remedy.

18. *Cooperation.*

Executive shall provide his reasonable cooperation in connection with any investigation, action or proceeding (or any appeal from any action or proceeding) which relates to events occurring during Executive's employment hereunder. This provision shall survive any termination of this Agreement.

19. *Compensation Limitation.*

Notwithstanding the foregoing, Executive and the Company agree that (i) to the extent permitted by the Air Transportation Safety and System Stabilization Act (the "Act") any payments or benefits payable to Executive under this Agreement (including, without limitation, payments under Sections 2 and 5 hereof) or pursuant to any other compensation or benefit plan of the Company or other arrangement between the Company and Executive that do not comply with the Act shall be deferred until such payments or benefits may be paid under the Act, and (ii) to the extent the Act does not permit the deferral of any such payments or benefits, the maximum compensation and/or severance Executive may receive from the Company under this Agreement or any other compensation or benefit plan of the Company or other arrangement between the Company and Executive will not exceed the amount allowed under the Act.

20. *Entire Agreement.*

This Agreement, together with the Release, any award agreement between the Company and Executive entered into pursuant to the Company's stock incentive plans, the Company's employee benefit plans in which Executive will participate as provided in this Agreement contain the entire understanding between the Company and Executive with respect to Executive's employment with the Company and supersedes in all respects any prior or other agreement or understanding between the Company or any affiliate of the Company and Executive with respect to Executive's employment.

NORTHWEST AIRLINES, INC.

By: _____
Richard H. Anderson
Chief Executive Officer

EXECUTIVE:

Bernard L. Han

Executive's Address:
7649 E. Oberlin Way
Scottsdale, AZ 85255

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Attachment A

GENERAL RELEASE

WHEREAS, _____ (the "Executive") has been employed by Northwest Airlines, Inc. ("Northwest"); and

WHEREAS, Executive's employment with Northwest has terminated; and

WHEREAS, Executive and Northwest have reached a full and final compromise and settlement of all matters, disputes, causes of action, claims, contentions and differences between them and Northwest's divisions, merged entities and affiliates, subsidiaries, parents, branches, predecessors, successors, assigns, officers, directors, trustees, employees, agents, stockholders, administrators, representatives, attorneys, insurers or fiduciaries, past, present or future (the "Released Parties"), including but not limited to any and all claims arising from or derivative of Executive's employment with Northwest and his termination from employment with Northwest;

WHEREAS, in return for Northwest performing its obligations as provided for herein and as set forth in the Management Compensation Agreement dated as of _____, 2001, by and between Northwest and Executive (the "Agreement"), Executive will execute and comply fully with the terms of this General Release (the "Release");

WHEREAS, Executive (i) understands that in executing the Release he is, *inter alia*, giving up rights and claims under the Age Discrimination in Employment Act of 1967, as amended, 29 U.S.C. Section 621 *et seq.* ("ADEA"), and (ii) has been given a period of not less than twenty-one (21) days within which to consider this Release;

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, Executive and Northwest agree and covenant as follows:

1. By entering into this Release, the Released Parties do not admit, and each specifically denies any liability, wrongdoing or violation of any law, statute, regulations, agreement or policy.
2. Executive's employment with Northwest shall be terminated effective _____.
3. In consideration of the obligations of Executive as set forth in this Release and the Agreement, and in full settlement and final satisfaction of any and all claims, contractual or otherwise, which Executive had, has or may have against Northwest and/or the Released Parties with respect to his employment, termination from employment with Northwest, or otherwise arising on or prior to the date of execution

of this Release, Northwest shall pay to Executive the payments and benefits to which Executive is entitled under the Agreement. This Release shall not pertain to any claim alleging that Northwest has failed to comply with any obligations created by this Release or that Northwest has failed to pay to Executive the payments and benefits to which Executive is entitled under the Agreement upon termination of Executive's employment.

4. (a) Executive, for and in consideration of the payments as set forth in the Agreement and for other good and valuable consideration, hereby releases and forever discharges and covenants not to sue, and by this Release does release and forever discharge, the Released Parties of and from all debts, obligations, promises, covenants, collective bargaining obligations, agreements, contracts, endorsements, bonds, controversies, suits or causes of actions known or unknown, suspected or unsuspected, of every kind and nature whatsoever, which may heretofore have existed or which may now exist, including but not limited to those arising under the ADEA, Title VII of the Civil Rights Act of 1964, as amended, 42 U.S.C. Section 2000e, *et seq.*, Executive Order 11246, 30 Fed. Reg. 12319; the Employee Retirement Income Security Act of 1974, as amended, 29 U.S.C. Section 1001, *et seq.*, the Americans With Disabilities Act, as amended, 42 U.S.C. Section 12101, *et seq.*, the Federal Equal Pay Act, 29 U.S.C.

Section 2061, *et seq.*, the Reconstruction Era Civil Rights Act, as amended, 42 U.S.C. Section 1981, *et seq.*, the Rehabilitation Act of 1973, as amended, 29 U.S.C. Section 701, *et seq.*, the Family and Medical Leave Act of 1992, 29 U.S.C. Section 2601, *et seq.*, the Minnesota Human Rights Act, Minn. Stat. Section 363.01, *et seq.*, and any all state or local constitutions and/or laws regarding employment discrimination and/or federal, state or local constitutions and/or laws of any type or description regarding employment as well as any claim for breach of contract, wrongful discharge, breach of any express or implied promise, misrepresentation, fraud, whistleblowing, retaliation, violation of public policy, infliction of emotional distress, defamation, promissory estoppel, invasion of privacy or any other theory or claim, whether legal or equitable, including but not limited to any claims arising from or derivative of Executive's employment with Northwest and Executive's termination of employment with Northwest or otherwise. Executive acknowledges that he has not been discriminated against on the basis of age, sex, disability, race, ethnicity, religion or any other protected class status.

(b) Without in any way limiting the foregoing, this Release shall not affect any present or future indemnification obligations that Northwest and the Released Parties may have to Executive pursuant to any charter, by-law, agreement or policy of insurance.

(c) This Release shall not affect Executive's rights under one or more Non-Qualified Stock Option Agreements, Deferred Stock Award Agreement or Phantom Stock Unit Award Agreement between Northwest and the Executive governing the terms of any stock option grant or other stock award outstanding on the date hereof, which rights shall continue to be governed by the terms of the agreement applicable to such stock option or other stock award.

5. Executive covenants and agrees not to sue nor authorize any other party, either governmental or otherwise, to file any grievances, arbitration or commence any other proceeding, administrative or judicial, against the Released Parties in any court of law or equity, or before any administrative agency, with respect to any matter relating to this Agreement or to matters occurring during Executive's employment with Northwest.

6. The Released Parties and Executive understand and agree that the terms of this Release and the Agreement are confidential.

7. Executive agrees not to make any untruthful or disparaging statements, written or oral, about Northwest, the Released Parties or Northwest's personnel policies and practices to any of Northwest's customers, competitors, suppliers, employees, former employees, or the press or other media. Except as herein contemplated, Executive also agrees that he will not voluntarily participate in any proceeding of any kind brought against the Released Parties relating to this Agreement or to matters occurring during Executive's employment with Northwest.

8. (a) The parties agree that this Release should be construed in accordance with the laws of the State of Minnesota, exclusive of Minnesota choice of law provisions.

(b) The parties agree that any and all further legal proceedings between Executive and the Released Parties, whether arising under statute, constitutions, contract, common law or otherwise, including the issue of arbitrability, will be submitted for resolution exclusively pursuant to the arbitration provision contained in the Agreement. The parties hereby waive their right to a trial of any and all claims arising out of this Release or breach of this Release.

(c) Should any provision of this Release be found to be in violation of any law, or ineffective or barred for any reason whatsoever, the remainder of this Release shall be in full force and effect to the maximum extent permitted by law.

9. Northwest and Executive agree to execute such other documents to take such other actions as may be reasonably necessary to further the purposes of this Release.

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10. (a) Executive acknowledges and agrees that, in deciding to execute this Release, he has had the opportunity to consult with legal, financial and other personal advisors of his own choosing as he deems appropriate, in assessing whether to execute this Release. Executive represents and acknowledges that no representations, statement, promise, inducement, threat or suggestion has been made by Northwest or the Released Parties to influence Executive to sign this Release except such statements as are expressly set forth herein. Executive agrees that he has been given a minimum of twenty-one (21) days within which to consider the terms and effects of this Release insofar as it relates to settlement and release of potential claims under the ADEA, and to consult with, and to ask any questions that he may have of anyone, including legal counsel and other personal advisors of his own choosing, and that he has executed this Release voluntarily and with full understanding of its terms and effects.

(b) Executive has the right to rescind this Release as far as it extends to potential claims under Minn. Stat. Ch. 363 (prohibiting discrimination in employment) by written notice to the Company within 15 calendars days following the execution of this Release. Executive also has the right to revoke this Release as far as it extends to potential claims under the Age Discrimination in Employment Act, 29 U.S.C. Section 621 *et seq.*, by informing the Company of his intent to revoke this Release within seven calendar days following the execution of this Release. To be effective, notice, rescission or revocation must be in writing and must be delivered either by hand or by mail to Douglas M. Steenland, Executive Vice President & Chief Corporate Officer of Northwest Airlines, Inc., Department A1180, 5101 Northwest Drive, St. Paul, Minnesota, 55111-3034, within the specified period. If a notice of rescission or revocation is delivered by mail, it must be: (i) postmarked within the 15 or 7 day period, respectively, (ii) properly addressed to Mr. Steenland as set forth above, and (iii) sent by certified mail return receipt requested. This Release shall not become effective or enforceable until the 15 or 7 day periods described above have expired. No payments shall be due, owing or paid by Northwest unless and until this Release becomes effective.

This Release may not be changed or modified, except by a written instrument signed by Executive and Northwest.

NORTHWEST AIRLINES, INC.

EXECUTIVE:

/s/ Richard H. Anderson

Richard H. Anderson
Chief Executive Officer

/s/ Bernard L. Han

Bernard L. Han

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QuickLinks

[MANAGEMENT COMPENSATION AGREEMENT between NORTHWEST AIRLINES, INC. and BERNARD L. HAN dated as of September 27, 2002](#)

**NORTHWEST AIRLINES CORPORATION
E-COMMERCE INCENTIVE COMPENSATION PROGRAM**

I PURPOSE OF PROGRAM

This Northwest Airlines Corporation E-Commerce Incentive Compensation Program (the "Program") is intended to provide a method for attracting, motivating, and retaining key employees to assist in the development and growth of the Company and its Subsidiaries.

II DEFINITIONS AND CONSTRUCTION

2.1. *Definitions.* Where the following words and phrases are used in the Program, they shall have the respective meanings set forth below, unless the context clearly indicates to the contrary:

(a) "Act" means The Securities Exchange Act of 1934, as amended, or any successor thereto.

(b) "Award" means the award of one or more Points to a Participant in accordance with Article IV.

(c) "Award Notice" means a written notice issued by the Company to a Participant evidencing such Participant's receipt of an Award and setting forth certain terms and conditions with respect thereto in accordance with Section 4.2.

(d) "Base Value" means, with respect to each Phantom Unit subject to an Award, an amount equal to (i) the sum of (A) the sum of the Investment Cost of each Investment to which such Phantom Unit relates and (B) a fifteen percent compounded annual return on the Investment Cost of each such Investment, as determined in the sole discretion of the Committee, divided by (ii) the number of Phantom Units into which such Investment or group of Investments is divided (with the result rounded to the nearest cent). Notwithstanding the foregoing, at any time prior to a Change in Control the Committee may, in its sole discretion, determine at the time of the grant of any such Award that the Investment Cost component of the Base Value of such a Phantom Unit shall be greater than the amount set forth in the preceding sentence, and the Committee shall make each such determination based on such factors and information as it deems relevant.

(e) "Beneficial Owner" means a "beneficial owner", as such term is defined in Rule 13d-3 under the Act (or any successor rule thereto).

(f) "Board" means the Board of Directors of the Company.

(g) "Cause" means "Cause" as defined in an employment agreement between the Participant and the Company or a Subsidiary or if the Participant has not entered into an employment agreement with the Company or a Subsidiary, the involuntary termination of such Participant's employment by the Company (or, if applicable, a Subsidiary) based upon a determination by the Committee or an authorized officer of the Company (or such Subsidiary) that such Participant has engaged in gross negligence or willful misconduct in the performance of, or such Participant has abused alcohol or drugs rendering him or her unable to perform, the material duties and services required of him or her in his or her employment.

(h) "Change in Control" means any one of the following:

(i) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934 (the "Exchange Act")) (a "Person"), other than one or more Permitted Holders or their Related Parties or any group comprised exclusively of Permitted Holders or their Related Parties, of beneficial ownership

(within the meaning of Rule 13d-3 and 13d-5 promulgated under the Exchange Act, except that such person shall be deemed to have "beneficial ownership" of all shares that any such

Person has the right to acquire, whether such right is exercisable immediately or only after the passage of time) of 20% or more (or, if such Person is an Institutional Investor (as such term is defined in the Rights Agreement dated as of November 20, 1998 between Northwest Airlines Corporation and Norwest Bank Minnesota, N.A.), 25% or more), of either (A) the then outstanding shares of common stock of the Company (or its successor by merger, consolidation or purchase of all or substantially all of its assets) (the "Outstanding Common Stock") or (B) the combined voting power of the then outstanding voting securities of the Company (or its successor by merger, consolidation or purchase of all or substantially all of its assets) entitled to vote generally in the election of directors (the "Outstanding Voting Securities"), and (ii) the Permitted Holders or their Related Parties collectively "beneficially own" (within the meaning of Rule 13d-3 promulgated under the Exchange Act) a lesser percentage of that which is described in each of clause (A) and (B) above and do not have the right or ability by voting power, contract or otherwise to elect or designate for election a majority of the board of directors of the Company or such successor;

(ii) Individuals who, as of the date hereof, constitute the Board of Directors of the Company (the "Incumbent Board") cease for any reason to constitute at least a majority of such Board; *provided, however*, that any individual becoming a director subsequent to the date hereof, whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board of Directors of the Company; or

(iii) Consummation by the Company of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company (a "Business Combination"), in each case, unless, following such Business Combination, (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Common Stock and Outstanding Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Common Stock and Outstanding Voting Securities, as the case may be, and (ii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of such Board providing for such Business Combination; or

(iv) Approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

- (i) "Code" means the Internal Revenue Code of 1986, as amended.
- (j) "Committee" means the Compensation Committee of the Board.
- (k) "Company" means Northwest Airlines Corporation, a Delaware corporation.
- (l) "Date of Grant" means the effective date of the grant of an Award to a Participant.

(m) "Disability" means, with respect to a Participant, such Participant's disability entitling him or her to benefits under the Company's group long-term disability plan; provided, however, that if such Participant is not eligible to participate in such plan, then such Participant shall be considered to have incurred a "Disability" if and when the Committee determines in its discretion that such Participant has become incapacitated for a period of at least 180 days by accident, sickness, or other circumstance which renders such Participant mentally or physically incapable of performing the material duties and services required of him or her in his or her employment on a full-time basis during such period.

(n) "Disposition" means, with respect to each Investment, a transfer, sale, exchange or other disposition of all or a portion of such Investment by the Company or a Subsidiary, as applicable, to one or more Transferees. A Disposition shall include a Stockholder Disposition. A Disposition shall not include the exercise of a convertible security (including an option or warrant), but such an exercise shall require an adjustment to related Awards pursuant to Section 4.6. The Committee may determine that a transaction involving an exchange of a security for other consideration is not a Disposition (1) to the extent such other consideration consists of securities other than Publicly Traded securities that are Liquid, or (2) to the extent that such transaction is effected on a tax-free basis to the Company or the applicable Subsidiary (and, in connection with such determination, the Committee may make any appropriate adjustments to related Awards pursuant to Section 4.6). For purposes of determining Market Value under the Program, the net proceeds of a Disposition of an Investment shall be allocated to Phantom Units in accordance with the number of Phantom Units into which such Investment is divided.

(o) "Distribution" means, with respect to each Investment, a dividend or other distribution (other than a dividend or distribution that the Committee has determined should be included as a part of such Investment or with respect to which an adjustment is made to an outstanding Award pursuant to Section 4.6) received with respect to such Investment by the Company or a Subsidiary, as applicable.

(p) "Effective Date" means December 7, 2000.

(q) "Eligible Employee" means any individual who is an officer or a highly compensated management level employee of the Company or any parent corporation or Subsidiary.

(r) "Follow-up Award" shall have the meaning assigned to such term in Section 4.5.

(s) "Follow-up Investment" means, with respect to a then-existing Investment, any other equity holding that is subsequently acquired by the Company or a Subsidiary based on the satisfaction of performance targets, vesting provisions, or other terms and conditions set forth in one or more agreements (as the same may be amended from time to time) to which the Company or a Subsidiary is a party, which agreement(s) were entered into in connection with such Investment.

(t) "Investment" means each equity holding of the Company or a Subsidiary in an e-commerce or internet-based business that is subject to the Program, as determined by the Committee. The term "Investment" shall include a Follow-Up Investment, but each Follow-Up Investment shall be considered a new separate Investment. For purposes of Section 2.1(s) and this Section 2.1(t), an "equity holding" means any interest (including, without limitation, an option or warrant) in an entity other than an instrument that is treated as indebtedness under applicable local law and which has no substantial equity features.

(u) "Investment Cost" means the actual out-of-pocket cost of an Investment (as determined by the Committee) to the Company or a Subsidiary that is paid to the issuer or seller of such Investment.

(v) "Investment Period" means (i) with respect to an Investment (other than a Follow-up Investment), the 10-year period beginning on the first Date of Grant of an Award (or, with respect to an Investment added to an Award following the Date of Grant,

the date such Investment is added to an Award) to any individual with respect to such Investment, and (ii) with respect to each Follow-up Investment, the 10-year period beginning on the first Date of Grant of an Award (or, with respect to an Investment added to an Award following the Date of Grant, the date such Investment is added to an Award) to any individual with respect to the original Investment to which such Follow-up Investment relates.

(w) "Liquid" means, with respect to each Investment, a determination by the Committee that (i) the Company or a Subsidiary, as applicable, could sell all or substantially all of such Investment under Rule 144 promulgated under the Securities Act of 1933, pursuant to an effective registration statement under the Securities Act of 1933 (or under a similar procedure under foreign law), or otherwise without material transfer restrictions being imposed on a non-affiliate Transferee as a result thereof, (ii) any such sale is not prohibited by law, regulation, court or administrative order, rule of an exchange or market, contract, or otherwise, (iii) any such sale will not result in liability of the Company or any Subsidiary under Section 16(b) of the Securities Exchange Act of 1934, as amended (either because of transactions (including Award redemptions) already effected or because of prospective transactions (including Award redemptions) determined by the Committee to be reasonably probable), and (iv) there is an established public trading market for the securities comprising such Investment which can be used to reasonably determine the Market Value of the Phantom Units relating to such Investment. Any other Investment may be considered Liquid if the Committee so determines in its sole discretion.

(x) "Market Value" means, the amount determined by the Committee to be the value of such Phantom Unit as of such date (with the result rounded to the nearest cent). Market Value shall be determined by the Committee as follows:

(i) If a Disposition (other than a Stockholder Disposition) has occurred with respect to all or a portion of the Investment or Investments to which such Phantom Unit relates, then the Market Value of such Phantom Unit as of the date of such Disposition shall equal the sum of (A) the fair market value of the Distributions allocable to such Phantom Unit that have been received by the Company or a Subsidiary with respect to such Investment or Investments from the Date of Grant of the applicable Award to the date of such Disposition (increased, in the case of any Distribution received in cash, by 7% per annum from the date of receipt of such Distribution by the Company or a Subsidiary to the date of such Disposition) and (B) the fair market value of the net proceeds to the Company or a Subsidiary with respect to such Disposition that are allocable to such Phantom Unit. The fair market value determinations required pursuant to the preceding sentence shall be made in good faith by the Committee as of the date of such Disposition.

(ii) If a Disposition of all or a portion of the Investment or Investments to which such Phantom Unit relates has not occurred and if such Investment or Investments are Publicly Traded as of the date the Market Value of such Phantom Unit is required to be determined under the Program, then the Market Value as of such date of such Phantom Unit shall equal the sum of (A) the fair market value of the Distributions allocable to such Phantom Unit that have been received by the Company or a Subsidiary with respect to such Investment or Investments from the Date of Grant of the applicable Award to the date of such valuation (increased, in the case of any Distribution received in cash, by 7% per annum from the date of receipt of such Distribution by the Company or a Subsidiary to the date of such valuation) and (B) the fair market value of such Phantom Unit based on the average of the high and low sales price of the security that constitutes the related Investment or Investments as of the date of such valuation (or the immediately preceding Trading Day on which a sale occurs if no sale

occurs on such date) on the principal exchange for such Investment or Investments. The fair market value determinations required pursuant to the preceding sentence shall be made in good faith by the Committee as of the date of such valuation.

(iii) If a Stockholder Disposition of the Investment or Investments to which such Phantom Unit relates has occurred at a time when such Investment or Investments are Publicly Traded, then the Market Value of such Phantom Unit as of the

date of such Stockholder Disposition shall be determined as provided in clause (ii) above (applied by substituting the date of such Stockholder Disposition for the date of such valuation referred to in clause (ii)).

(iv) If a Disposition of such Investment or Investments has not occurred and the Investment or Investments to which such Phantom Unit relates is not Publicly Traded as of the date the Market Value of such Phantom Unit is required to be made under the Program, then the Market Value shall be determined by the Committee. The Committee's determination shall be made in good faith and shall be based on a valuation opinion prepared by a Valuation Expert who shall be selected by the Committee. The Committee shall cause the opinion of the Valuation Expert (who shall determine the fair market value of the Investment to which such Phantom Unit relates) to be prepared no later than 60 days after the date as of which the Market Value is being determined. The Market Value determined by the Committee based on the opinion of the Valuation Expert shall be increased by the Committee to reflect the fair market value (determined in good faith by the Committee) of the Distributions allocable to such Phantom Unit that have been received by the Company or a Subsidiary with respect to such Investment from the Date of Grant of the applicable Award to the date of such valuation (increased, in the case of any Distribution received in cash, by 7% per annum from the date of receipt of such Distribution by the Company or a Subsidiary to the date of such valuation). All costs and expenses of the Valuation Expert shall be borne by the Company.

(y) "Measurement Date" shall have the meaning assigned to such term in Section 6.3.

(z) "PAR" means the right to receive the excess, if any, of (i) the aggregate Market Value attributable to all Investments relating to a Phantom Unit over (ii) the Base Value of such Phantom Unit.

(aa) "Participant" means an Eligible Employee who has been granted an Award.

(bb) "Permitted Holders" means each of Alfred A. Checchi, Gary L. Wilson, Frederic V. Malek or Richard C. Blum and Richard C. Blum & Associates–NWA Partners, L.P., and also includes the Company and any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company.

(cc) "Person" means a "person", as such term is used for purposes of Section 13(d) or 14(d) of the Act (or any successor section thereto).

(dd) "Phantom Unit" means the Committee's determination of the unit by which to measure value, price, or amount with regard to an Investment or group of Investments. At the time that the first Award is made with respect to an Investment or group of Investments, the Committee shall determine in its sole discretion the number of Phantom Units into which such Investment or group of Investments shall be divided. If the Committee does not designate the number of Phantom Units into which a particular Investment or group of Investments is to be divided, then the Investment or group of Investments shall be divided into one thousand Phantom Units. The Committee may, following the Date of Grant of an Award, add additional Investments, Follow-Up Investments or groups of Investments for purposes of determining the value, price or amount of a Phantom Unit subject to such Award.

(ee) "Point" means .1% of the Phantom Units relating to an Investment or group of Investments.

(ff) "Program" means this Northwest Airlines Corporation E-Commerce Incentive Compensation Program, as amended from time to time.

(gg) "Publicly Traded" means, with respect to a particular Investment, that securities which are of the same class as the securities constituting all or substantially all of such Investment are either (i) registered under section 12 of the Securities Exchange Act of 1934, as amended, and listed on a U.S. national or regional stock exchange or reported by the NASDAQ National Market System or (ii) listed for trading on a national or regional stock exchange or market in a foreign country. An Investment shall also be

considered to be Publicly Traded if the Committee determines that the Company or a Subsidiary could readily acquire by conversion, exchange, exercise or otherwise one or more securities described in the preceding sentence with respect to all or substantially all of such Investment, and, under such circumstances, the Committee shall make appropriate and equitable adjustments to affected PARs and Awards (including, without limitation, adjustments to the determinations of the Base Value and Market Value applicable to related Phantom Units) in connection with any redemption thereof under Article VI.

(hh) "Redemption Amount" means, with respect to the vested portion of a PAR, the excess, as of a specified date of (i) the sum of (A) the Market Value as of such date of all or any portion of Investments not subject to a Disposition and (B) the Market Value of all or any portion of Investments subject to a Disposition (as of such Disposition) over (ii) the sum of (A) the Base Value as of such date of such Phantom Unit and (B) all allocations with respect to such Phantom Unit attributable to Investments subject to a Disposition.

(ii) "Related Parties" with respect to any Permitted Holders means (i) any spouse or immediate family member of such Permitted Holder, any trust created primarily for the benefit of any such individual or such individual's estate, executor, administrator, committee or other personal representatives or beneficiaries; or (ii) any trust, corporation, partnership or other entity, the beneficiaries, stockholders, partners, owners or Persons beneficially holding a majority controlling interest of which consist of one or more of such Permitted Holders and/or such other Person referred to in the immediately preceding clause (i).

(jj) "Stockholder Disposition" means, with respect to each Investment, a distribution or other disposition of all or a portion of such Investment to the Company's stockholders on a pro-rata basis.

(kk) "Subsidiary" means any entity with respect to which the Company, directly or indirectly through one or more other entities, owns equity interests possessing 50 percent or more of the total combined voting power of all equity interests of such entity (excluding voting power that arises only upon the occurrence of one or more specified events).

(ll) "Termination of Service" means the termination of a Participant's employment with the Company and its Subsidiaries.

(mm) "Trading Day" means, with respect to any Investment, a day during which trading in securities generally occurs in the principal securities market on which such Investment is traded.

(nn) "Transferee" means any person, corporation, partnership, limited liability company or partnership, association, trust, or other entity or organization that is not the Company or a Subsidiary.

(oo) "Valuation Expert" means, with respect to each Investment, a nationally recognized investment banking firm experienced in the valuation of property similar to such Investment.

2.2. *Number, Gender, Headings, and Periods of Time.* Wherever appropriate herein, words used in the singular shall be considered to include the plural, and words used in the plural shall be considered to include the singular. The masculine gender, where appearing in the Program, shall be deemed to include the feminine gender. The Section headings herein are included solely for convenience. If there is any conflict between such headings and the text of the Program, the text shall control. Any reference in the Program to a period or number of days, weeks, months, or years shall mean, respectively, calendar days, calendar weeks, calendar months, or calendar years unless expressly provided otherwise.

III ADMINISTRATION

3.1. *Administration by the Committee.* The Program shall be administered by the Committee. The Committee may delegate such administrative matters hereunder as it deems appropriate to officers of the Company.

3.2. *Powers of the Committee.* The Committee shall supervise the administration and enforcement of the Program according to the terms and provisions hereof and shall have the sole discretionary authority and all of the powers necessary to accomplish these purposes. The Committee shall have all of the powers specified for it under the Program, including, without limitation, the power: (a) to select Eligible Employees to receive Awards; (b) to determine all provisions, conditions, and terms relating to any Award, including, without limitation, determinations as to the Date of Grant, the Base Value, the Market Value, the number of PARs subject to an Award, and any adjustments thereto; (c) from time to time to establish rules and procedures for the administration of the Program, which are not inconsistent with the provisions of the Program, and any such rules and procedures shall be effective as if included in the Program; (d) to construe in its discretion all terms, provisions, conditions, and limitations of the Program, any Award, and any Award Notice; (e) to correct any defect or to supply any omission or to reconcile any inconsistency that may appear in the Program or in any Award or Award Notice in such manner and to such extent as the Committee shall deem appropriate; (f) to make determinations as to whether a Disposition of an Investment has occurred; (g) to make determinations as to whether an Investment is Publicly Traded and/or Liquid; (h) to make determinations as to whether an equity holding constitutes a Follow-up Investment; (i) to make determinations that an equity holding is not an Investment; and (i) to make all other determinations necessary or advisable for the administration of the Program. If the Committee determines that the cost of administration of the Program, or the cost to the Company or its Subsidiaries of administration or oversight of Investments, becomes material, the Committee may take such costs into account in determining Base Value relating to future Awards.

3.3. *Committee Decisions Conclusive; Standard of Care.* The Committee shall, in its sole discretion exercised in good faith (which, for purposes of this Section 3.3, shall mean the application of reasonable business judgment), make all decisions and determinations and take all actions necessary in connection with the administration of the Program. All such decisions, determinations, and actions by the Committee shall be final, binding, and conclusive upon all persons. The Committee shall not be liable for any decision, determination, or action taken in good faith or upon reliance in good faith on the records of the Company or information presented to the Committee by the Company's officers, employees, or other persons (including the Valuation Experts and their employees and representatives) as to matters the Committee reasonably believes are within such other person's professional or expert competence. If a Participant disagrees with any decision, determination, or action made or taken by the Committee, then the dispute will be limited to whether the Committee has satisfied its duty to make such decision or determination or take such action in good faith. To the full extent permitted by law, no liability whatsoever shall attach to or be incurred by any officers or directors, as such, of the Company or any of its Subsidiaries, under or by reason of the Program or the administration thereof.

IV PARTICIPATION, AWARDS AND AWARD NOTICES

4.1. *Participation.* Each Eligible Employee shall be eligible to be selected to be a Participant. Subject to the provisions of Sections 4.3, 4.4, and 4.5, (a) the granting of Awards to Eligible Employees shall be determinations made by and in the discretion of the Committee and (b) Awards shall be granted by the Committee from time to time, and at such times, as the Committee in its sole discretion may determine. The Committee may grant any number of Awards to any one Eligible Employee without regard to the number of Awards granted to any other Eligible Employee.

4.2. *Award Notices.* The Company shall provide an Award Notice to each individual who receives an Award relating to a particular Investment. Each Award Notice evidencing an Award shall specify (a) the Date of Grant of such Award, (b) the Investment or group of Investments to which such Award relates, (c) the number of Points subject to such Award, (d) the methodology for determining the Base Value of each Phantom Unit subject to such Points, (e) the vesting schedule and/or other requirements pursuant to which the Participant who holds such Award shall obtain a vested interest in the Investments subject to the Award (to the extent such schedule or requirements differ from the provisions contained in Article V), and (f) such other terms and conditions as the Committee may determine in its sole discretion.

4.3. *Limitations on PARs.* The aggregate number of PARs that may be subject to Awards granted with respect to a particular Investment shall not exceed, in the aggregate, 20% of the number of Phantom Units into which such Investment has been divided.

4.4. *Allocation of PARs.* Up to the aggregate PARs available under Section 4.3 may be allocated among Participants by the Committee based on a number of Points that in the aggregate represent 20% of such Phantom Units, with each Point representing .1% of such

Phantom Units. For example, an Award of 10 Points would represent a grant of PARs on 1% of the total Phantom Units into which the Investment was divided (Such an Award would also represent 5% of the PARs available to be granted under the Program with respect to the Investment or group of Investments).

4.5. *Special Provisions Concerning Awards with respect to Follow-up Investments.* If (a) a Participant has received an Award with respect to an existing Investment or group of Investments prior to the date a Follow up Investment with respect to such existing Investment or group of Investments is acquired by the Company or a Subsidiary, (b) such Participant is either an Eligible Employee or, in the case of a Follow-up Investment made after a Change in Control, has a vested interest in such Award as of the date of such acquisition and (c) such Award has not been canceled pursuant to Section 5.3, then such Participant shall receive an Award with respect to such Follow-up Investment (a "Follow-up Award") as of the date the Follow-up Investment is acquired by the Company or a Subsidiary. In the case of a Participant who is an Eligible Employee at the time such Follow-up Award is made, (i) such Participant's vested interest in such Follow-up Award shall at all times be equal to his or her vested interest in his or her Award relating to the existing Investment or group of Investments and (ii) the number of PARs subject to such Follow-up Award shall be no less than an amount that bears the same ratio to the number of Phantom Units into which such Follow-up Investment has been divided as the number of PARs subject to such Participant's Award relating to the existing Investment or group of Investments bears to the number of Phantom Units into which the existing Investment or group of Investments was divided. In the case of a Participant who is not an Eligible Employee at the time such Follow-up Award is made, such Participant shall have no interest in the Follow-up Award; provided that if such Follow-up Award was made after a Change in Control, (A) the Participant's vested interest in such Follow-up Award shall at all times be equal to 100% and (B) the number of PARs subject to such Follow-up Award shall equal (1) such Participant's vested interest in his or her Award relating to the existing Investment multiplied by (2) an amount that bears the same ratio to the number of Phantom Units into which such Follow-up Investment has been divided as the number of PARs subject to such Participant's Award relating to the existing Investment or group of Investments bears to the

number of Phantom Units into which the existing Investment or group of Investments was divided. The provisions of this Section 4.5 shall apply separately to each Award held by a Participant with respect to such existing Investment or group of Investments.

4.6. *Adjustments to Outstanding Awards.* In the event of (a) any recapitalization, reorganization, merger, consolidation, combination, split-up, split-off, spin-off, exchange, or other relevant change in capitalization of any company or other entity issuing securities constituting an Investment occurring after the date of the grant of any Award relating to such Investment, (b) a capital contribution by the Company or a Subsidiary to any company or entity issuing securities constituting an Investment occurring after the date of the grant of any Award relating to such Investment, (c) the exercise by the Company or a Subsidiary of an option, warrant, or other purchase right constituting an Investment after the date of the grant of any Award relating to such Investment, or (d) the occurrence of any other event which, in the judgment and sole discretion of the Committee, should cause a change in the rights of the Participants with respect to their Awards under the Program, then the Committee shall make such adjustments under the Program and to any outstanding Awards with respect to the number of PARs subject to such Awards, the Base Value of the Phantom Units subject to such PARs, the number of Phantom Units relating to such Investment or any other term or condition applicable to such PARs or Awards (including, without limitation, dividing an Award into two or more Awards) as, in the sole discretion of the Committee, shall (i) be equitable and appropriate under the circumstances, (ii) be consistent with the intent of the Program, and (iii) preclude an increase in the compensation payable to a Participant with respect to an Award beyond that which was intended under the Program. Subject to the principles set forth in clauses (i), (ii), and (iii) of the preceding sentence, Awards may also be adjusted by the Committee as provided in other provisions of the Program. Any adjustments made by the Committee pursuant to this Section shall be final, binding, and conclusive on all parties.

V VESTING OF AWARDS

5.1. *Determination of Vested Interest.* Subject to the provisions of Section 4.5, a Participant shall become vested in an Investment subject to an Award at the rate of 25% for each full one-year period (commencing on the Date of Grant of such Award or, with respect to an Investment added to an Award following the Date of Grant, the date such Investment is added to the Award) that the Participant remains continuously employed by the Company or a Subsidiary, up to 100%. Further, if a Participant incurs a Termination of Service by reason of

death or Disability, then such Participant shall obtain on the date of such termination a 100% vested interest in all the Investments then subject to outstanding Awards held by such Participants. Notwithstanding the preceding provisions of this Section, the Committee may, in its sole discretion, provide in an Award Notice or in an employment agreement a different vesting schedule or vesting provisions pursuant to which a Participant shall become vested in the Investment or Investments subject to his or her Award(s).

5.2. *Termination of Service other than for Cause and not by reason of death or Disability.* Except as provided in Section 5.4 and unless otherwise provided in an Award Notice or a Participant's employment agreement, as of the date a Participant incurs a Termination of Service other than for Cause (and not by reason of death or Disability), (a) such Participant's vested interest in all Investments subject to Awards shall be frozen, (b) the vested interest of such Participant in the Investment or Investments subject to his or her Awards shall not increase after such date, and (c) the nonvested PARs (determined as of such date) subject to such Awards shall be surrendered to the Company and canceled. Notwithstanding the preceding provisions of this Section, the Committee may, in its sole discretion, provide in an Award Notice or in an employment agreement a different vesting schedule or vesting provisions pursuant to which a Participant shall become vested in his or her Award(s).

5.3. *Termination of Service for Cause.* Upon a determination by the Committee that a Participant has incurred a Termination of Service for Cause, (a) all outstanding Awards (including the vested PARs

and nonvested PARs subject thereto) shall be canceled, effective as of the date of such Termination of Service, (b) no outstanding PARs under Awards held by such Participant shall be redeemable, and (c) no amount, including, without limitation, any amount payable under Article VI, shall be paid under the Program to such Participant from and after the date of such Termination of Service. Such Participant shall surrender all outstanding Awards to the Company, and all Awards of such Participant shall be canceled.

5.4. *Special Change in Control Vesting Provisions.* Notwithstanding any other provision of the Plan, in the event of a Change in Control, Investments subject to outstanding Awards shall vest in accordance with the following:

(a) If the Change in Control occurs pursuant to Section 2.1(h)(i) hereof, the Participant shall become 100% vested in all Investments subject to then outstanding Awards held by such Participant immediately upon termination of the Participant's employment by the Company other than for Cause or by the Participant with Good Reason (i) at any time after the occurrence of the Change in Control or (ii) before the occurrence of the Change in Control if such termination is in connection with such Change in Control; and

(b) If the Change in Control occurs pursuant to Section 2.1(h)(ii), (iii) or (iv) hereof, the Participant shall become 100% vested in all Investments subject to then outstanding Awards held by such Participant immediately upon the effective date of such Change in Control.

5.5. *Accelerated Vesting.* At any time, and from time to time, the Committee may in its sole discretion accelerate the vesting of an Investment subject to an Award such that the Participant who holds such Award will have a greater vested interest than such Participant would have otherwise had pursuant to the preceding provisions of this Article V or the vesting schedule set forth in the Award Notice evidencing such Award or such Participant's employment agreement. Actions by the Committee pursuant to this Section may vary among Participants and may vary among the Awards held by an individual Participant.

VI AWARD REDEMPTIONS

6.1. *Redemption Upon Disposition of All or a Portion of an Investment.*

(a) As soon as administratively feasible after the date of a Disposition, the Committee shall determine, with respect to each outstanding Award relating to the Investment subject to such Disposition, the number of PARs, if any, outstanding and shall allocate to each such PAR the amount equal to the excess, if any, of (i) the sum of (A) the Market Value (as of the Disposition) of

the Investment subject to such Disposition and (B) the Market Value of Investments subject to Dispositions prior to such date over (ii) the sum of (A) the Base Value (as of such date) of such Award and (B) amounts previously allocated to such Award as a result of prior Dispositions.

(b) As soon as practicable after such allocation, unless the Participant has previously deferred receipt pursuant to Section 6.3, the Participant shall receive the amount allocated to any of his or her vested PARs; provided, however, that, unless otherwise determined by the Committee, no allocation shall be paid to a Participant prior to the third anniversary of the Date of Grant. Unless otherwise provided by the Committee, the remainder of the allocated amount shall be paid out within 30 days after the later of (i) the third anniversary of the Date of Grant of the Award and (ii) each date on which the unvested Investments subject to PARs become vested, together with 7% interest (compounded annually) on such additional payment for the period beginning on the date of the payment pursuant to the preceding sentence and ending on the date of payment of such additional payment. Upon payment by the Company with respect to a PAR as provided above, the portion of PAR so redeemed shall be surrendered to the Company and canceled. All payments under this Section shall be made in cash.

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(c) *Redemption Upon Expiration of Investment Period.* As soon as administratively feasible after the last day of the Investment Period relating to an Investment or group of Investments, the Company shall redeem the PARs relating to such Investment or group of Investments under such Award. The amount paid by the Company to a Participant who is entitled to a redemption payment pursuant to this Section 6.1(c) shall be the Redemption Amount applicable to such PARs, determined as of the end of the Investment Period. A redemption payment provided for in this Section shall be paid to the Participant in a single lump sum cash payment as soon as administratively practicable, but not later than 60 days, after the last day of the applicable Investment Period.

6.2. *Limitations with respect to Redemption Payments.* Notwithstanding any provision herein to the contrary, (a) except as expressly provided in this Article VI, a Participant shall not have any right to any payment under the Program and (b) in no event shall a payment be made with respect to the portion of an Award in which a Participant does not have a vested interest.

VII TERMINATION, AND AMENDMENT OF PROGRAM

7.1. *Inception, Termination and Amendment.* The Program shall commence on the Effective Date. The Committee may amend the Program at any time and from time to time, and the Committee may at any time terminate the Program; provided, however, that the Program may not be amended or terminated in a manner that would impair (a) the rights of a Participant with respect to an outstanding Award or (b) the right of a Participant with respect to an existing Investment or group of Investments as of the date of such amendment or termination to receive (or the Base Value of) an Award with respect to a related Follow-up Investment pursuant to Section 4.5, without, in each such case, the consent of such Participant. The Committee shall remain in existence after the termination of the Program for the period determined necessary by the Committee to facilitate the termination of the Program, and all provisions of the Program that are necessary, in the opinion of the Committee, for equitable operation of the Program during such period shall remain in force.

VIII MISCELLANEOUS PROVISIONS

8.1. *No Effect on Employment Relationship or any Employee Benefit Plan.* Nothing in the adoption of the Program, the grant of Awards, or the payment of amounts under the Program shall confer on any person the right to continued employment by the Company or any Subsidiary or affect in any way the right of the Company (or a Subsidiary, if applicable) to terminate such employment at any time. Unless otherwise provided in a written employment agreement, the employment of each Participant shall be on an at-will basis, and the employment relationship may be terminated at any time by either the Participant or the Participant's employer for any reason whatsoever, with or without cause. Any Redemption Amount paid with respect to any Award constitutes a cash bonus paid under a long term incentive plan or program adopted by Company and shall be excluded from such Participant's compensation for purposes of calculating benefits payable under any employee benefit plan of the Company, its Subsidiaries and affiliates.

8.2. *Prohibition Against Assignment or Encumbrance.* No Award, PAR, or other right, title, interest, or benefit hereunder shall be assignable or transferable, or liable for, or charged with any of the torts or obligations of a Participant or any person claiming under a Participant, or be subject to seizure by any creditor of a Participant or any person claiming under a Participant. No Participant or any person claiming under a Participant shall have the power to anticipate or dispose of any Award, PAR, or other right, title, interest, or benefit hereunder in any manner until the same shall have actually been distributed free and clear of the terms of the Program. Payments with respect to an Award shall be payable only to the Participant (or (a) in the event of a Disability, his or her duly appointed legal representative and (b) in the event of the death, his or her estate). The provisions of the Program shall be binding on all successors and assigns of a Participant, including without limitation

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the estate of such Participant and the executor, administrator or trustee of such estate, or any receiver or trustee in bankruptcy or representative of the Participant's creditors.

8.3. *Unfunded, Unsecured Program.* The Program shall constitute an unfunded, unsecured obligation of the Company to make payments of incentive compensation to certain individuals from its general assets in accordance with the Program. Each Award and PAR granted under the Program merely constitutes a mechanism for measuring such incentive compensation and does not constitute a property right or interest in the Company, any Subsidiary, or any of their assets (including, without limitation, any Investment or any Distribution with respect to any Investment). Neither the establishment of the Program, the granting of Awards, nor any other action taken in connection with the Program shall be deemed to (a) create any interest in an Investment (nor to constitute the direct or indirect sale, transfer, assignment, pledge or other disposition thereof (or of any part thereof) or of any interest therein), (b) create an escrow or trust fund of any kind, (c) create any fiduciary relationship of the Company or any Subsidiary, or of any officer, director, employee or agent thereof, with respect to any Investment or any Participant, or (d) restrict or affect in any way the acquisition, holding, voting, disposition or the taking of any action with respect to any Investment by the Company or any Subsidiary.

8.4. *Tax Withholding.* The Company and the Subsidiaries may withhold, from a Participant's payment under the Program, or from any other payment to such Participant, an amount necessary to satisfy any and all tax withholding obligations arising under applicable local, state, federal, or foreign laws associated with such payment. The Company and the Subsidiaries may take any other action as may in their opinion be necessary to satisfy all obligations for the payment and withholding of such taxes.

8.5. *Governing Law.* The Program shall be construed, enforced, and administered according to the laws of the State of Minnesota, excluding any conflict-of-law rule or principle thereof.

As Adopted: December 7, 2000

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**NORTHWEST AIRLINES CORPORATION
E-COMMERCE INCENTIVE COMPENSATION PROGRAM
AWARD NOTICE**

Participant: _____ *Date of Grant:* _____

1. *Grant of the Award.* The Company hereby grants to the Participant, on the terms and conditions hereinafter set forth, an award of _____ Points (the "Award"). Each Point represents a PAR on .1% of the Phantom Units relating to the Investments, subject to adjustment as provided in the Program, listed on Exhibit A. Each PAR represents the right to receive the excess, if any, of (i) the aggregate Market Value attributable to the Investment or group of Investments relating to a Phantom Unit over (ii) the Base Value of such Phantom Unit. This grant is made pursuant to the terms of the Northwest Airlines Corporation E-Commerce Incentive Compensation Program (the "Program"), which

Program, as amended from time to time, is incorporated herein by reference and made a part of this Agreement. Capitalized terms not otherwise defined herein shall have the same meanings as in the Program. The Base Value of each Phantom Unit shall represent the quotient of (i) the sum of (A) the Investment Cost of each Investment to which the Phantom Unit relates and (B) a fifteen percent (15%) compounded annual return on the Investment Cost of each Investment divided by (ii) one thousand (1,000) Phantom Units.

2. *Vesting.* Subject to the Participant's continued employment with the Company and its Subsidiaries, each Investment subject to the Award shall vest with respect to 25% of such Investment on the first anniversary of the date corresponding to such Investment on Exhibit A (the "Vesting Date"), and shall vest with respect to an additional 25% of such Investment on each subsequent anniversary of the Vesting Date, until such Investment is 100% vested. If the Participant's employment with the Company and its Subsidiaries terminates for any reason, the Award, to the extent not then vested, shall be canceled without consideration; *provided, however*, that if the Participant's employment is terminated due to death or Disability, the Investments subject to the Award shall become 100% vested on the date of such termination. If the Participant's employment with the Company and its Subsidiaries terminates for any reason the Participant's vested interest in all Investments subject to the Award shall be frozen; *provided, however*, that if the Participant's employment is terminated by the Company for Cause, the Participant's vested interest in all Investments subject to the Award shall be canceled without consideration. Notwithstanding the foregoing, (i) in the event of a Change in Control pursuant to Section 2.1(h)(i) of the Plan, the Investments subject to the Award shall become 100% vested immediately upon the termination of the Participant's employment by the Company other than for Cause or by the Participant for Good Reason (A) at any time after the occurrence of the Change in Control or (B) before the occurrence of the Change in Control if such termination is in connection with such Change in Control and (ii) in the event of a Change in Control pursuant to Section 2.1(h)(ii), (iii) or (iv) of the Plan, the Investments subject to the Award shall become 100% vested immediately upon the effective date of such Change in Control.

3. *No Right to Continued Employment.* Neither the Program nor this Agreement shall be construed as giving the Participant the right to be retained in the employ of the Company or any Subsidiary. Further, the Company or an Subsidiary may at any time dismiss the Participant free from any liability or any claim under the Program or this Agreement, except as otherwise expressly provided herein.

4. *Transferability.* Payments with respect to the Award shall be payable only to the Participant during the Participant's lifetime and may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Participant otherwise than by will or by the laws of descent and distribution, and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company or any Subsidiary.

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5. *Unfunded, Unsecured Award.* The Award shall constitute an unfunded, unsecured obligation of the Company to make payments of incentive compensation to the Participant from its general assets in accordance with the Program. The Award merely constitutes a mechanism for measuring such incentive compensation and does not constitute a property right or interest in the Company, any Subsidiary, or any of their assets (including, without limitation, any Investment or any Distribution with respect to any Investment).

6. *Withholding.* The Company and the Subsidiaries may withhold, from a Participant's payment under the Award, or from any other payment to such Participant, an amount necessary to satisfy any and all tax withholding obligations arising under applicable local, state, federal, or foreign laws associated with such payment. The Company and the Subsidiaries may take any other action as may in their opinion be necessary to satisfy all obligations for the payment and withholding of such taxes.

7. *Notices.* Any notice necessary under this Agreement shall be addressed to the Company in care of its General Counsel at:

Northwest Airlines Corporation
5101 Northwest Drive
St. Paul, Minnesota 55111-3034
Attn: Secretary

and to the Participant at the address appearing in the personnel records of the Company for the Participant or to either party at such other address as either party hereto may hereafter designate in writing to the other. Any such notice shall be deemed effective upon receipt thereof by the addressee.

8. *Choice of Law.* **THE INTERPRETATION, PERFORMANCE AND ENFORCEMENT OF THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF MINNESOTA, EXCLUDING ANY CONFLICT-OF-LAW RULE OR PRINCIPLE THEREOF.**

9. *Award Subject to Program.* By entering into this Agreement, the Participant agrees and acknowledges that the Participant has received and read a copy of the Program. The Award is subject to the Program. In the event of a conflict between any term or provision contained herein and a term or provision of the Program, the applicable terms and provisions of the Program will govern and prevail.

10. *Signature in Counterparts.* This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

NORTHWEST AIRLINES CORPORATION

By:
Name: _____
Title: _____

PARTICIPANT
By: _____

QuickLinks

[NORTHWEST AIRLINES CORPORATION E-COMMERCE INCENTIVE COMPENSATION PROGRAM](#)

NORTHWEST AIRLINES, INC.

2003 LONG TERM CASH INCENTIVE PLAN

Section 1. Purpose; Definitions.

The purpose of the Northwest Airlines, Inc. 2003 Long Term Cash Incentive Plan (the "Plan") is to enable Northwest Airlines, Inc. to attract, retain and reward certain officers of the Company and its Subsidiaries, and strengthen the mutuality of interests between such employees and the Company's stockholders, by providing long term performance-based compensation incentives.

For purposes of this Plan, the following terms shall have the meanings set forth below:

- a. "Administrator" means the Compensation Committee of the Board or a subcommittee thereof or, if the Board elects to administer the Plan, the Board.
- b. "Award" means a cash bonus award granted pursuant to the Plan.
- c. "Board" means the Board of Directors of NWA Corp.
- d. "Cause" means "Cause" as defined in an employment agreement between a Participant and the Company or, if not defined therein or if there is no such agreement, "Cause" means (a) an act or acts of personal dishonesty by the Participant intended to result in substantial personal enrichment of the Participant at the expense of the Company or a Subsidiary, (b) an act or acts of personal dishonesty by the Participant intended to cause substantial injury to the Company or a Subsidiary, (c) material breach (other than as a result of a Disability) by the Participant of the Participant's obligations under the terms and conditions of the Participant's employment, which action was (i) undertaken without a reasonable belief that the action was in the best interests of the Company or a Subsidiary and (ii) not remedied within a reasonable period of time after receipt of written notice from the Company or a Subsidiary specifying the alleged breach, or (d) the conviction of the Participant of a felony.
- e. "Change in Control" means any one or more of the following:
 - (i) (a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934 (the "Exchange Act")) (a "Person"), other than one or more Permitted Holders or their Related Parties or any group comprised exclusively of Permitted Holders or their Related Parties, of beneficial ownership (within the meaning of Rule 13d-3 and 13d-5 promulgated under the Exchange Act, except that such person shall be deemed to have "beneficial ownership" of all shares that any such Person has the right to acquire, whether such right is exercisable immediately or only after the passage of time) of 20% or more (or, if such Person is an Institutional Investor (as such term is defined in the Rights Agreement dated as of November 20, 1998 between Northwest Airlines Corporation and Norwest Bank Minnesota, N.A.), 25% or more), of either (A) the then outstanding shares of Common Stock of NWA Corp. (or its successor by merger, consolidation or purchase of all or substantially all of its assets) (the "Outstanding Common Stock") or (B) the combined voting power of the then outstanding voting securities of NWA Corp. (or its successor by merger, consolidation or purchase of all or substantially all of its assets) entitled to vote

generally in the election of directors (the "Outstanding Voting Securities"), and (b) the Permitted Holders or their Related Parties collectively "beneficially own" (within the meaning of Rule 13d-3 promulgated under the Exchange Act) a lesser percentage of that which is described in each of clause (A) and (B) above and do not have the right or

ability by voting power, contract or otherwise to elect or designate for election a majority of the board of directors of NWA Corp. or such successor;

- (ii) Individuals who, as of the Effective Date, constitute the Board of Directors of NWA Corp. (the "Incumbent Board") cease for any reason to constitute at least a majority of such Board; *provided, however*, that any individual becoming a director subsequent to the date hereof, whose election, or nomination for election by NWA Corp.'s stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board of Directors of NWA Corp.; or

- (iii) Consummation by NWA Corp. of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of NWA Corp. (a "Business Combination"), in each case, unless, following such Business Combination, (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Common Stock and Outstanding Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns NWA Corp. or all or substantially all of NWA Corp.'s assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Common Stock and Outstanding Voting Securities, as the case may be, and (ii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of such Board providing for such Business Combination; or

- (iv) Approval by the stockholders of NWA Corp. of a complete liquidation or dissolution of NWA Corp.

- f. "Company" means Northwest Airlines, Inc. and any successor thereof by way of merger, consolidation, sale of assets or otherwise.

- g. "Effective Date" means the date the Plan is approved by the Board, or such other date designated by the Board.

- h. "Good Reason" means "Good Reason" as defined in an employment agreement between a Participant and the Company or, if not defined therein or if there is no such agreement, "Good Reason" means any one or more of the following:

- (i) a material reduction in Participant's compensation or other benefits;
- (ii) any material change in Participant's job responsibilities; provided that, so long as Participant retains a substantial part of his then current oversight responsibility, a transfer of a portion of such oversight responsibility of Participant shall not in and of itself constitute a material change in Participant's job responsibilities; and

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(iii) the relocation of the Company's principal executive offices to a location outside the Minneapolis-St. Paul Metropolitan Area;

- i. "NWA Corp." means Northwest Airlines Corporation, a Delaware corporation.
- j. "Participant" means an employee of the Company granted an Award under the Plan.
- k. "Performance Period" means a two or more year period ending on a December 31 occurring during the term of the Plan, as determined by the Administrator in connection with an Award.
- l. "Permitted Holders" means each of Alfred A. Checchi, Gary L. Wilson, Frederic V. Malek or Richard C. Blum and Richard C. Blum & Associates–NWA Partners, L.P., and also includes NWA Corp. and any employee benefit plan (or related trust) sponsored or maintained by NWA Corp. or any corporation controlled by NWA Corp.
- m. "Related Parties" with respect to any Permitted Holders means (i) any spouse or immediate family member of such Permitted Holder, any trust created primarily for the benefit of any such individual or such individual's estate, executor, administrator, committee or other personal representatives or beneficiaries; or (ii) any trust, corporation, partnership or other entity, the beneficiaries, stockholders, partners, owners or Persons beneficially holding a majority controlling interest of which consist of one or more of such Permitted Holders and/or such other Person referred to in the immediately preceding clause (i).
- l. "Subsidiary" means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if each of the corporations (other than the last corporation in the unbroken chain) owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in the chain.

Section 2. Administration of the Plan.

- a. The Plan shall be administered by the Administrator. The Administrator in its sole discretion shall have full and absolute power, authority and discretion to (i) select the officers of the Company and its Subsidiaries to whom Awards may from time to time be granted hereunder; (ii) determine whether and to what extent Awards are to be granted hereunder to one or more eligible employees; (iii) determine the amount covered by each such award granted hereunder; (iv) determine the terms and conditions, not inconsistent with the terms of the Plan, of any Award granted hereunder (including, but not limited to, the performance standards, the length of the Performance Period and any other restrictions or limitations, or any vesting, acceleration or waiver of forfeiture restrictions regarding any Award, based in each case on such factors as the Administrator shall determine, in its sole discretion); (v) determine whether, to what extent and under what circumstances amounts payable with respect to an Award under the Plan shall be deferred either automatically or at the election of the Participant; (vi) waive,

amend, or modify the performance standards for any Award; (vii) interpret the provisions of the Plan; and (viii) take all action necessary or appropriate to administer the Plan. All decisions, determinations, interpretations or other actions by the Administrator shall be final and binding on the Participants and the Company.

- b.** The Board in its sole discretion may from time to time elect to administer (and, in the event there is no Administrator, shall administer) the Plan and exercise all of the powers, authority and discretion of the Administrator under the Plan.

Section 3. Change in Control.

In the event that (i) a Participant's employment is terminated by the Company without Cause or the Participant resigns with Good Reason prior to the Payment Date of an Award and (ii) a Change in Control shall have occurred following the grant of such Award and within the two year period

immediately preceding the date of such termination, then such Participant shall receive, promptly after the date of such termination, an Award for the Affected Performance Period (A) if such termination of employment is during the Performance Period of such Award, as if the performance standards for such Performance Period had been achieved at 100% or (B) if such termination of employment is following the Performance Period of such Award but prior to the Payment Date, as if the Participant remained employed until the Payment Date.

Section 4. Awards.

- a.** Subject to the provisions of the Plan, the Administrator shall have authority to determine the persons to whom and the time or times at which Awards shall be made, the amount to be awarded pursuant to such Awards, and all other terms and conditions of the Awards. The provisions of Awards need not be the same with respect to each Participant.
- b.** Each Award under this Section 4 shall be confirmed by, and subject to the terms of, an agreement or other instrument by the Company.

Section 5. Payment.

The amount of an Award for a Performance Period, as determined by the Administrator, shall be paid to the Participant at such time as determined by the Administrator after the end of such Performance Period.

Section 6. Unfunded Status of Plan.

The Plan is intended to constitute an "unfunded" plan for incentive compensation. With respect to any payments not yet made to a Participant by the Company, nothing contained herein shall give any such Participant any rights that are greater than those of a general creditor of the Company.

Section 7. General Provisions.

- a.** Nothing contained in this Plan shall prevent the Board from adopting other or additional compensation arrangements; and such arrangements may be either generally applicable or applicable only in specific cases.

- b. The adoption of the Plan shall not confer upon any Participant any right to continued employment with the Company or a Subsidiary or affiliate, as the case may be, nor shall it interfere in any way with the right of the Company or a Subsidiary or affiliate to terminate the employment of any of its employees at any time.
- c. The Company shall have the power and the right to deduct or withhold an amount of cash sufficient to satisfy federal, state and local taxes required by law to be withheld in connection with a payment made under the Plan.
- d. The validity, construction, interpretation, administration and effect of the Plan shall be governed by the substantive laws, but not the choice of law rules, of the State of Minnesota.
- e. An Award may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of by any Participant, except as may be otherwise provided in the award agreement relating to the Award. If a Participant or anyone claiming under or through a Participant attempts to violate this Section 7(e), such attempted violation shall be null and void and without effect.
- f. The Administrator may amend or terminate the Plan and may amend the terms of the grant of the Awards under the Plan; *provided, however*, no such termination or amendments shall impair the rights of a Participant under an Award previously granted, without such Participant's consent.

Section 8. Term of Plan.

The Plan shall be effective as of Effective Date and shall terminate when determined by the Administrator.

**NORTHWEST AIRLINES, INC.
2003 LONG TERM CASH INCENTIVE PLAN**

AWARD ACKNOWLEDGMENT

Participant:

Date: January __, 2003

Target Percentage of Base Salary:

Article 1. *Grant of Award. The Company hereby grants a cash bonus award (the "Award") equal to the Target Percentage listed above, on the terms and conditions hereinafter set forth. This grant is made pursuant to the terms of the Northwest Airlines, Inc. 2003 Long Term Cash Incentive Plan (the "Plan"), which Plan, as amended from time to time, is incorporated herein by reference and made a part of this Acknowledgement. Capitalized terms not otherwise defined herein shall have the same meanings as in the Plan.*

Article 2. *Performance Level. Subject to the Participant maintaining an average individual performance rating of 3.0 for each calendar year during the Performance Period, as determined by the Administrator in its sole discretion, the Participant shall be entitled to a cash payment equal to the product of (i) the Participant's Base Salary multiplied by (ii) the product of (A) the Payout Percentage based on the Company's attainment of the performance levels set forth below multiplied by (B) the Target Percentage; provided, that if the Company's Average Operating Margin does not rank at least third among the Major Carriers, the Award shall be cancelled without any payment.*

Payout Percentage	Performance Level
50%	The Company's Average Operating Margin ranks third among the Major Carriers.
100%	The Company's Average Operating Margin ranks second among the Major Carriers.
150%	The Company's Average Operating Margin ranks second among the Major Carriers and the Company's net profit for the performance period exceeds the Net Profitability Threshold <i>OR</i> The Company's Average Operating Margin ranks first among the Major Carriers.
200%	The Company's Average Operating Margin ranks first among the Major Carriers and the Company exceeds the Net Profitability Threshold.

For purposes of this Acknowledgement:

"Average Operating Margin" shall mean, with respect to a Major Carrier, the total combined operating income for both fiscal years during the Performance Period divided by the total combined operating revenues for both fiscal years during the Performance Period (excluding any adjustments approved by the Administrator for fuel expense and other extraordinary items), each as reported by such Major Carrier in its public filings.

"Base Salary" shall mean the Participant's annual rate of base salary in effect on December 31, 2004.

"Major Carriers" shall mean the Company, American Airlines, United Airlines, Delta Air Lines, Continental Airlines and US Airways.

"Net Profitability" shall mean the net income of the Company, excluding extraordinary items, as determined by the Administrator in its sole discretion.

"Net Profitability Threshold" shall mean, for each fiscal year during the Performance Period, the amount of Net Profitability determined by the Administrator in its sole discretion.

"Performance Period" shall mean the period beginning on January 1, 2003 and ending on December 31, 2004.

"Target Percentage" shall mean the Target Percentage (set forth above) of the Participant's Base Salary.

Article 3. *Timing of Payment.* The amount of the Award, determined by the Administrator, for the Performance Period shall be paid to the Participant at such time as determined by the Administrator after the end of the Performance Period, but no later than June 15, 2005 (the "Payment Date").

Article 4. *Termination of Employment.*

4.1 If the Participant's employment with the Company or its affiliates terminates for any reason prior to the Payment Date, the Award shall be cancelled without payment; *provided, however*, that if the Participant's employment with the Company or its affiliates is terminated due to the Participant's death or Disability (i) during the Performance Period, the Participant shall be entitled to a pro rata share of the Participant's Award, if it would have become earned and payable had the Participant remained employed during the entire Performance Period and at the base salary in effect on the date of such termination of employment, based on the percentage of the Performance Period that shall have elapsed through the date of the Participant's termination of employment, payable on the Payment Date or (ii) following the Performance Period but prior to the Payment Date, the Participant shall be entitled to the Participant's Award, if it would have become earned and payable had the Participant remained employed until the Payment Date, payable on the Payment Date. For purposes of this Acknowledgement, "Disability" shall mean the Participant's physical or mental condition which prevents continued performance of his or her duties and for which the Participant establishes by medical evidence that such condition will be permanent and continuous during the remainder of the Participant's life or is likely to be of at least three (3) years' duration.

4.2 Notwithstanding the foregoing, if (i) the Participant's employment is terminated by the Company without Cause or the Participant resigns with Good Reason prior to the Payment Date and (ii) a Change in Control shall have occurred within the two year period immediately preceding the date of such termination, then the Participant shall be entitled, promptly after the date of such termination, to the Participant's Award (A) if such termination of employment is during the Performance Period, as if the Payout Percentage for the Performance Period had equaled 100% or (B) if such termination of employment is following the Performance Period but prior to the Payment Date, as if the Participant remained employed until the Payment Date.

Article 5. *No Right to Continued Employment. Neither the Plan nor this Acknowledgement shall be construed as giving the Participant the right to be retained in the employ of the Company or any affiliate. Further, the Company or an affiliate may at any time dismiss the Participant free from any liability or any claim under the Plan or this Acknowledgement.*

Article 6. *Transferability. The Award may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Participant otherwise than by will or by the laws of descent and distribution, and any purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company or any affiliate.*

Article 7. *Withholding. The Company shall have the right and is hereby authorized to withhold from any payment due under this Acknowledgement or under the Plan or from any compensation or other amount owing to the Participant, applicable withholding taxes.*

Article 8. *Choice of Law. THE INTERPRETATION, PERFORMANCE AND ENFORCEMENT OF THIS ACKNOWLEDGEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF MINNESOTA WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.*

Article 9. *Award Subject to Plan. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.*

NORTHWEST AIRLINES, INC.

By: _____

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[NORTHWEST AIRLINES, INC. 2003 LONG TERM CASH INCENTIVE PLAN](#)

Northwest Airlines Corporation

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Dollars in millions)

	Year ended December 31,				
	2002	2001	2000	1999	1998
Earnings:					
Income (loss) before income taxes	\$ (1,220)	\$ (670)	\$ 435	\$ 487	\$ (430)
Less: Income (loss) from less than 50% owned investees	37	(5)	92	86	9
Add:					
Rent expense representative of interest(1)	247	237	229	199	193
Interest expense net of capitalized interest	385	326	316	348	294
Interest of preferred security holder	25	25	27	27	22
Amortization of debt discount and expense	17	14	11	15	18
Amortization of interest capitalized	5	4	4	4	4
Adjusted earnings	\$ (578)	\$ (59)	\$ 930	\$ 994	\$ 92
Fixed charges:					
Rent expense representative of interest(1)	\$ 247	\$ 237	\$ 229	\$ 199	\$ 193
Interest expense net of capitalized interest	385	326	316	348	294
Interest of preferred security holder	25	25	27	27	22
Amortization of debt discount and expense	17	14	11	15	18
Capitalized interest	25	29	23	16	17
Fixed charges	\$ 699	\$ 631	\$ 606	\$ 605	\$ 544
Ratio of earnings to fixed charges	-(2)	-(2)	1.53	1.64	-(2)

(1) Calculated as one-third of rentals, which is considered representative of the interest factor.

(2) Earnings were inadequate to cover fixed charges by \$1.28 billion, \$690 million and \$452 million for the years ended December 31, 2002, 2001 and 1998, respectively.

Northwest Airlines Corporation

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
AND PREFERRED STOCK REQUIREMENTS

(Dollars in millions)

	Year ended December 31,				
	2002	2001	2000	1999	1998
Earnings:					
Income (loss) before income taxes	\$ (1,220)	\$ (670)	\$ 435	\$ 487	\$ (430)
Less: Income (loss) from less than 50% owned investees	37	(5)	92	86	9
Add:					
Rent expense representative of interest(1)	247	237	229	199	193
Interest expense net of capitalized interest	385	326	316	348	294
Interest of preferred security holder	25	25	27	27	22
Amortization of debt discount and expense	17	14	11	15	18
Amortization of interest capitalized	5	4	4	4	4
Adjusted earnings	\$ (578)	\$ (59)	\$ 930	\$ 994	\$ 92
Fixed charges and preferred stock requirements:					
Rent expense representative of interest(1)	\$ 247	\$ 237	\$ 229	\$ 199	\$ 193
Interest expense net of capitalized interest	385	326	316	348	294
Preferred stock requirements	1	1	1	1	2
Interest of preferred security holder	25	25	27	27	22
Amortization of debt discount and expense	17	14	11	15	18
Capitalized interest	25	29	23	16	17
Fixed charges and preferred stock requirements	\$ 700	\$ 632	\$ 607	\$ 606	\$ 546
Ratio of earnings to fixed charges and preferred stock requirements	-(2)	-(2)	1.53	1.64	-

(1) Calculated as one-third of rentals, which is considered representative of the interest factor.

(2) Earnings were inadequate to cover fixed charges by \$1.28 billion, \$691 million and \$454 million for the years ended December 31, 2002, 2001 and 1998, respectively.

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[Northwest Airlines Corporation COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES AND PREFERRED STOCK REQUIREMENTS \(Dollars in millions\)](#)

NORTHWEST AIRLINES CORPORATION

LIST OF SUBSIDIARIES

As of December 31, 2002

(wholly-owned unless otherwise specified)

Northwest Airlines Corporation (Delaware corporation)

Northwest Airlines Holdings Corporation (Delaware corporation)

NWA Inc. (Delaware corporation)

Northwest Airlines, Inc. (Minnesota corporation)

Win-Win L.P. (Delaware limited partnership) *

Wings Finance Company (Japanese corporation)

NWA Funding II, LLC (Delaware limited liability company)

Northwest Airlines Cargo, Inc. (Delaware corporation)

NWA Fuel Services Corporation (Texas corporation)

Montana Enterprises, Inc. (Montana corporation)

Tomisato Shoji Kabushiki Kaisha (Japan corporation)

NWA Worldclub, Inc. (Wisconsin corporation)

Northwest Aircraft Inc. (Delaware corporation)

Aircraft Foreign Sales, Inc. (U.S. Virgin Islands corporation)

Northwest Aerospace Training Corporation (Delaware corporation)

MLT Inc. (Minnesota corporation)

NWA Aircraft Finance, Inc. (Delaware corporation)

Northwest PARS Holdings, Inc. (Delaware corporation)

Northwest PARS, Inc. (Delaware corporation)

Pinnacle Airlines, Inc. (Georgia corporation)

* Northwest Airlines, Inc. is 99% limited partner

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[NORTHWEST AIRLINES CORPORATION LIST OF SUBSIDIARIES](#)

Consent of Independent Auditors

We consent to the use of our report dated January 21, 2003 included in the Annual Report (Form 10-K) of Northwest Airlines Corporation.

Our audit also included the financial statement schedule of Northwest Airlines Corporation listed in Item 15(a). This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audit. In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-65588) of Northwest Airlines Corporation and Northwest Airlines, Inc. and in the related Prospectuses, in the Registration Statement on Form S-3 (No. 333-69655) of Northwest Airlines Corporation and in the related Prospectus and in the Registration Statements on Form S-8 (Nos. 33-85220, 333-12571, 333-66253 and 333-75933, 333-90650, 333-90648 and 333-90646) of Northwest Airlines Corporation of our report dated January 16, 2002, with respect to the consolidated financial statements and the financial statement schedule included in this Annual Report (Form 10-K) of Northwest Airlines Corporation.

ERNST & YOUNG LLP

Minneapolis, Minnesota
March 19, 2003

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[Consent of Independent Auditors](#)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Northwest Airlines Corporation (the "Company") on Form 10-K for the period ending December 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard H. Anderson, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ RICHARD H. ANDERSON

Richard H. Anderson
Chief Executive Officer
March 10, 2003

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[EXHIBIT 99.1](#)

[CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002](#)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Northwest Airlines Corporation (the "Company") on Form 10-K for the period ending December 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard H. Anderson, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ BERNARD L. HAN

Bernard L. Han
Chief Financial Officer
March 10, 2003

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[EXHIBIT 99.2](#)

[CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002](#)