

CAT Road Show

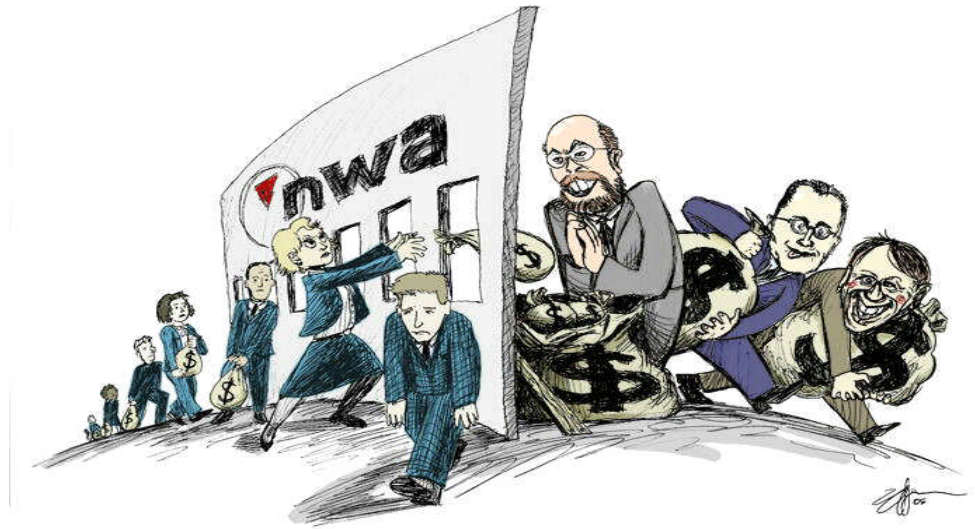


PROFESSIONAL FLIGHT ATTENDANTS ASSOCIATION - LAX

LAX Encounter

PFAA Negotiations Committee members have been working with Dan Akins, an airline industry analyst, to evaluate the company's contract proposals as well as to determine the validity of financial data presented by Northwest management. Dan's work provides us with an objective evaluation of the company's current position and negotiations demands. He looked at Northwest's exposure to Low Cost Carriers (LCCs), as compared to the rest of the industry, put Northwest's current financial picture in historical perspective, compared proposed pay scales with those at LCCs and measured our productivity relative to the industry.

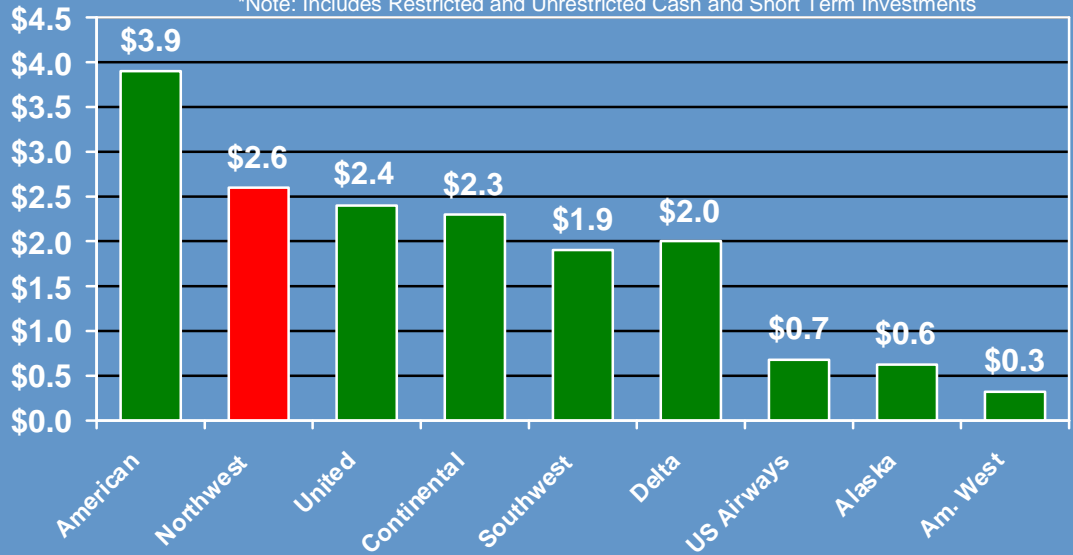
An initial issue was the question of how management had arrived at \$143 million (on September 19, the company raised the target to \$195 million) savings from the Flight Attendants. To date, the company has failed to provide the rationale behind the figure. The question is fundamental in that Northwest's demands for concessions from employees do not address the problem that the company faces: namely that of rising fuel costs. Therefore the request for concessions, at whatever amount, is arbitrary and without boundary. In other words, the Flight Attendant contract is worth about \$600 million per year. In 2004, NWA posted a \$878 million net loss. We could all have come to work for free last year and Northwest would still have posted an operating loss. NWA leadership fails to address the problems inherent in the business plan, choosing instead to blame the employees for their failures.



Cash Balances and Short Term Investments Q2 2005 (in billions)

Source: SEC Filings

*Note: Includes Restricted and Unrestricted Cash and Short Term Investments



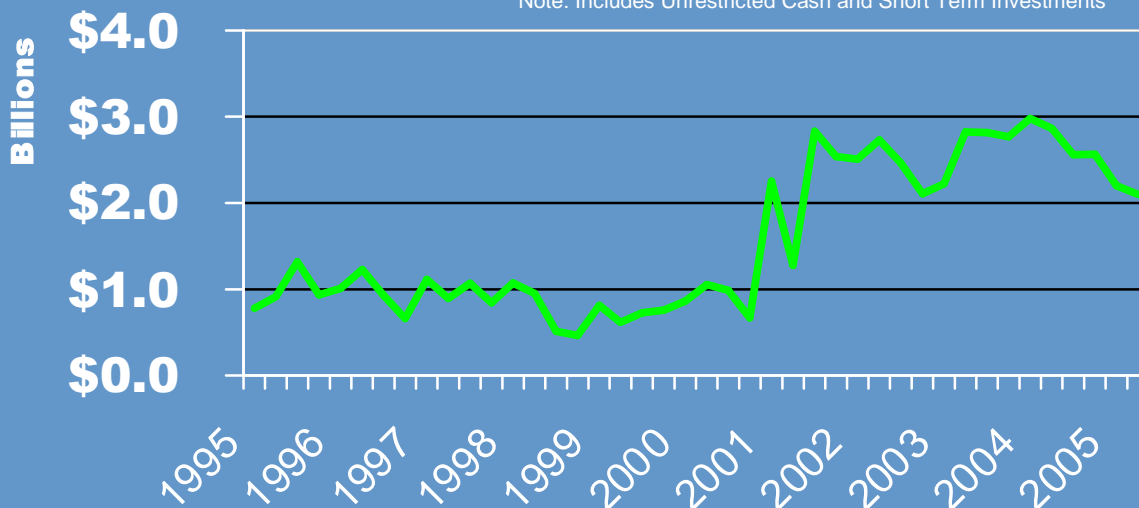
Where we are (Business 101)

At the end of the second quarter 2005, NWA had \$2.6 billion in cash and short term investments. The amount was second only to the cash held by American Airlines, an airline almost twice our size. Also important to note is that cash on hand has increased substantially since 2001, and is much higher than it was during the years of record profitability in the 1990s.

Cash on Hand and Short Term Investments (as Average Among Major Carriers)

Source: US DOT Form 41 Data and NWA

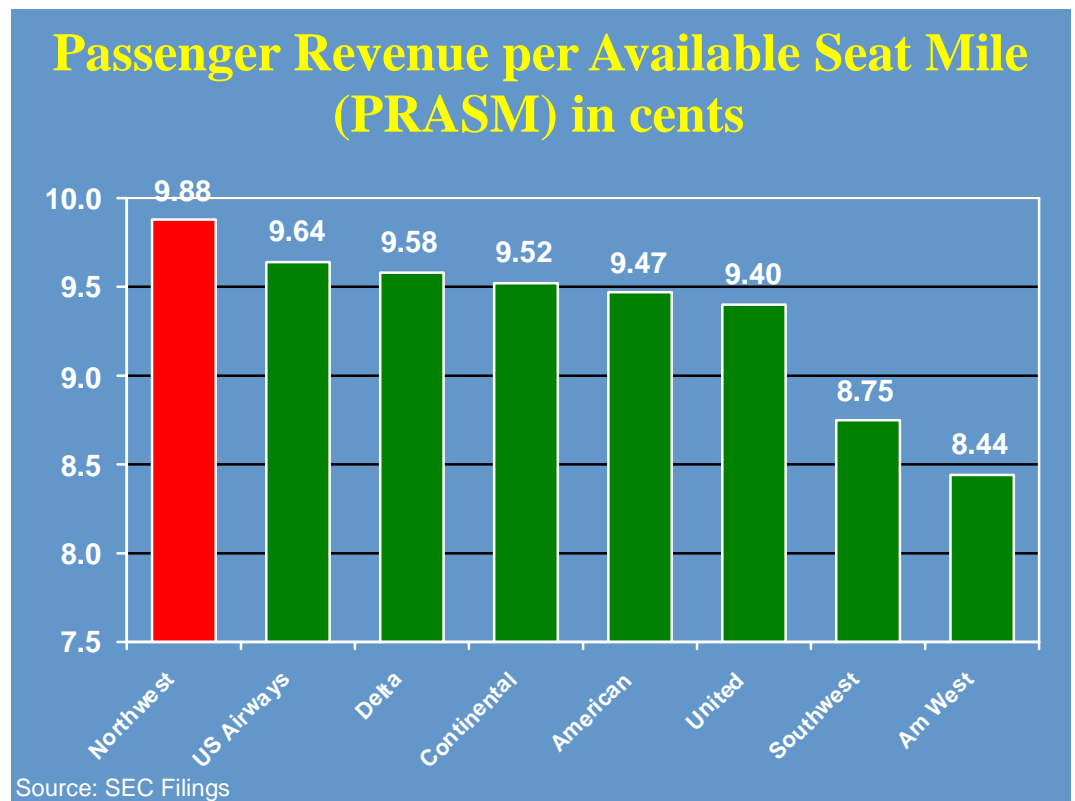
Note: Includes Unrestricted Cash and Short Term Investments



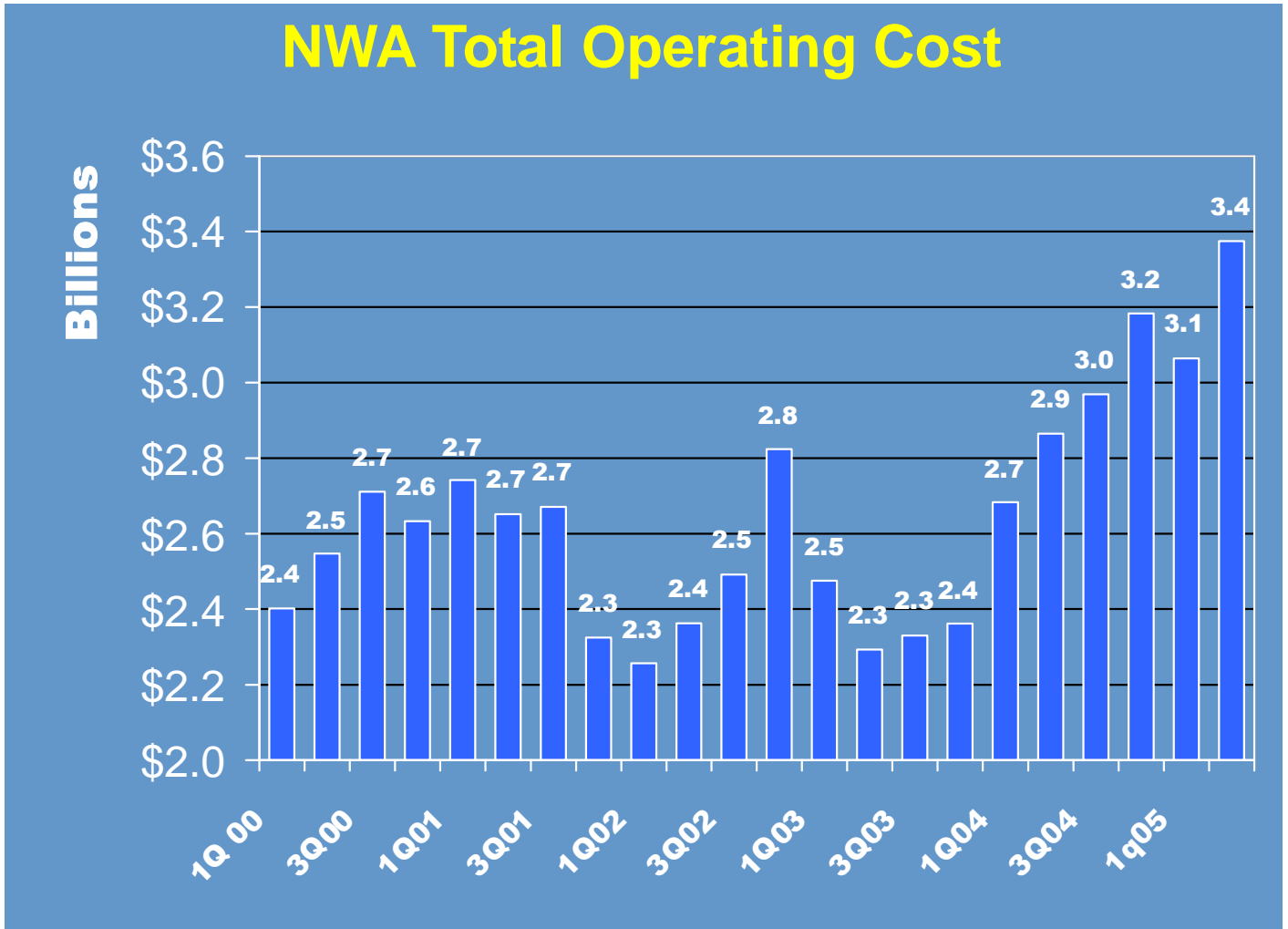
In the interest of more accurate accounting, companies define the costs of providing a product or service to unit costs in order to better measure effective cost control and determine proper pricing. Starbucks, for example, in calculating the cost of producing a single Grande Latte, has assigned values for the cost of the cup, espresso beans, rent, advertising, utilities, labor, etc.

The airline industry measures revenue and costs per Available Seat Mile (ASM). An available seat mile is one airplane seat flying one mile. A DC-9 with 100 seats, flying 1000 miles would have (100 seats X 1,000 miles) 100,000 ASMs. In the interest of simplicity, let's assume that an airline flies a DC-9 on 10 flights per year, each flight being 1,000 miles in range. That airline would offer 1,000,000 ASMs and its total operating costs (labor, advertising, fuel, rent, etc) for the year would be divided by 1,000,000 to arrive at the cost per ASM. Total revenue for the year is also divided by the ASMs to arrive at the revenue generated per ASM.

In his analysis Dan discovered that in the second quarter of 2005, Northwest not only had the highest Passenger Revenue Per Available Seat Mile (PRASM), in the industry, but significantly higher PRASM than Southwest Airlines, currently the most profitable US air carrier.



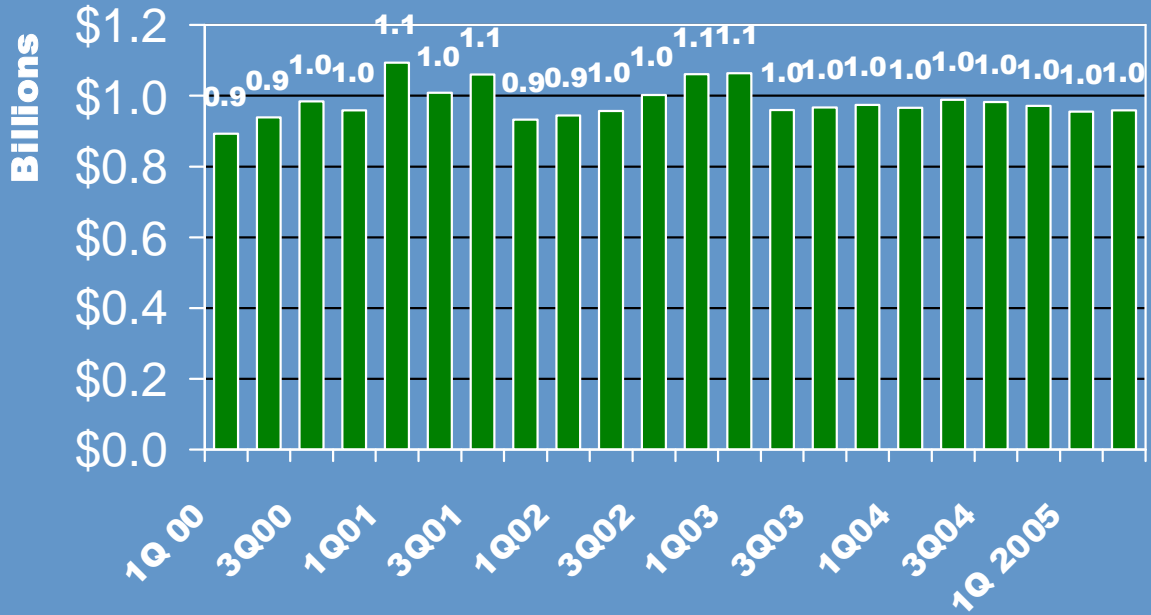
A review of NWA's total operating costs shows that they have increased significantly over the past year; at an alarming rate when we consider that this is the same time period over which the airline removed pillows and main cabin meals and pretzels.



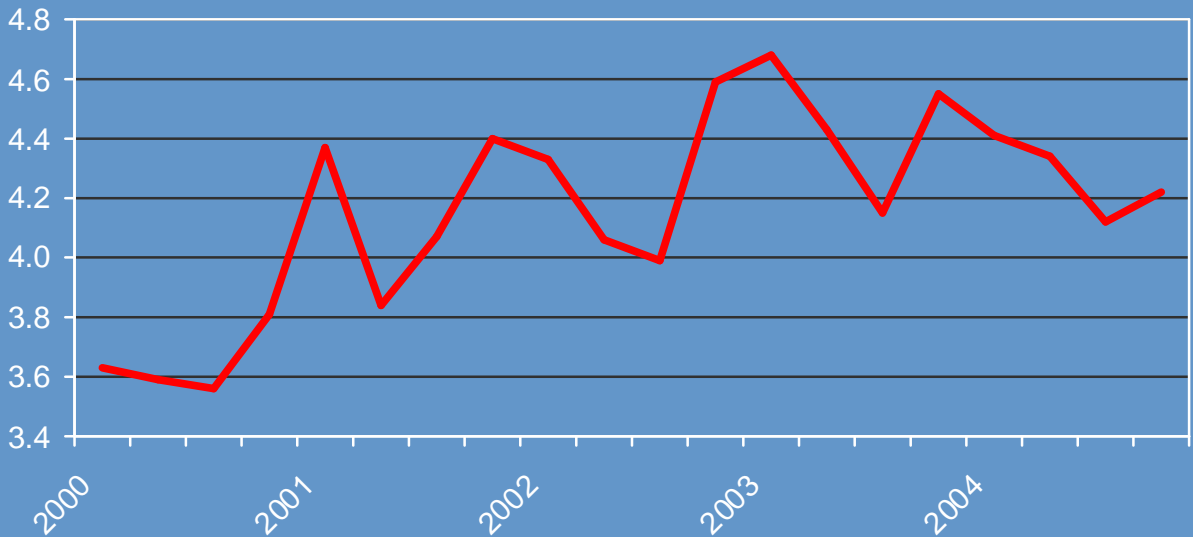
Even a casual observer of the airline industry would guess that part of this increase can be attributed to the substantial rise in fuel costs over that period and, indeed, fuel costs have about doubled versus the five year average. This however doesn't explain the total increase in operating expenses.

It's also tempting to suspect rising labor costs as the culprit. They, along with fuel costs, are after all among the largest expenses at an airline. The evidence shows, though that labor costs have hovered at about \$1 billion per quarter since 2001 and, in fact have DECREASED per ASM over 2003.

NWA Total Labor Costs—Flat Since 2003



NWA Total Labor Costs per ASM (down 10% since 2003)

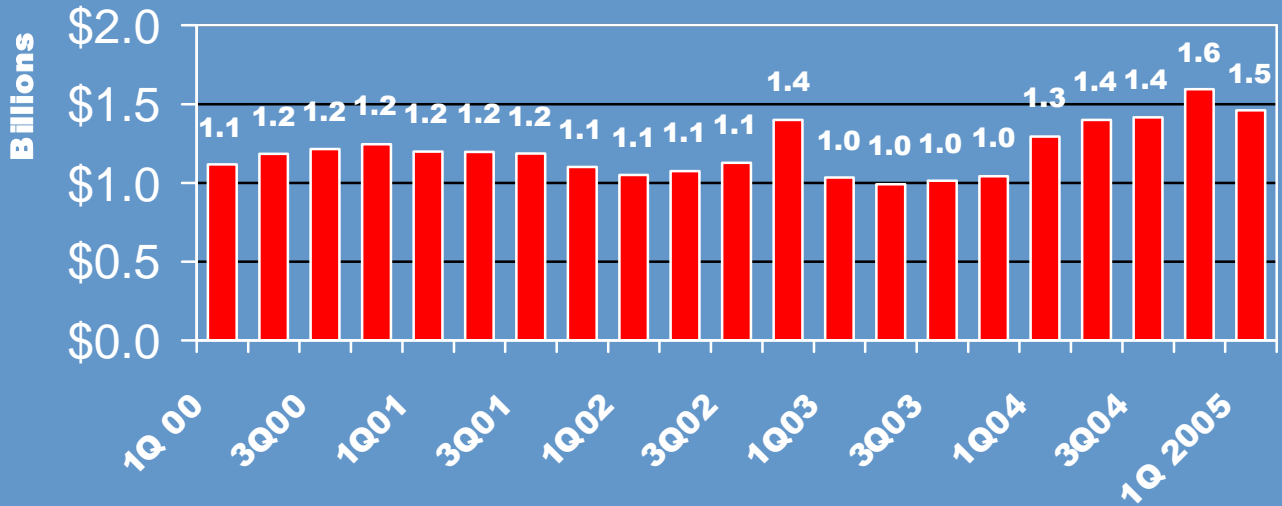


Source: US Dot Form 41 Data

Note: Core CASM is Total Op. Expense less Fuel and Labor divided by ASMs.

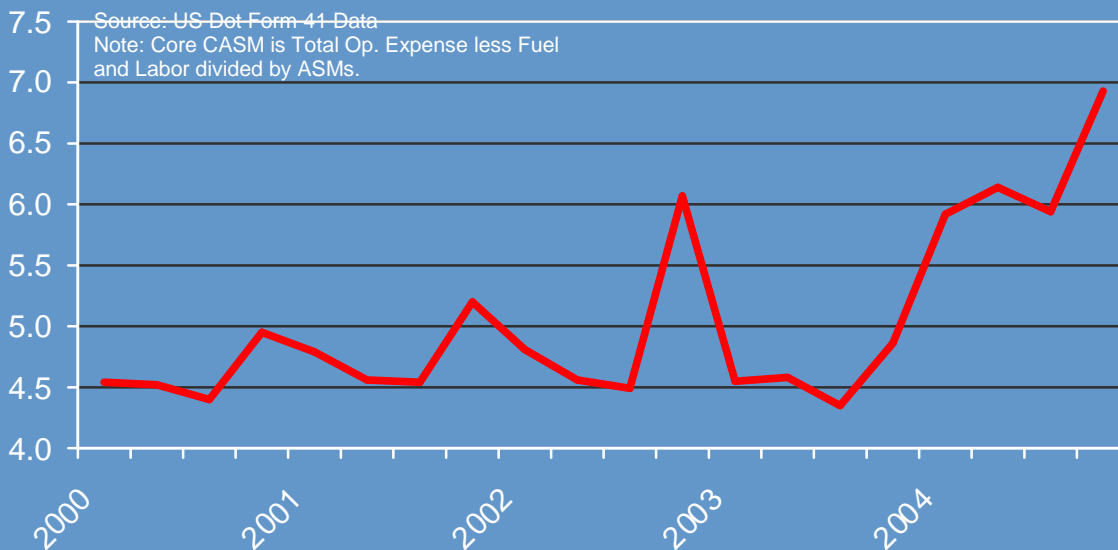
When we remove fuel and labor costs from operating expenses, we find that NWA's Core Operating costs (excluding fuel and labor) have increased significantly since 2004.

NWA Total 'Core' Costs (Excluding Fuel and Labor)



In fact, Northwest's 2004 Core Operating costs, were \$1.7 billion HIGHER in 2005 than they were in 2003, and they have extended the trend of increasing core costs into 2005, and now stand at almost 7 cents per ASM. (Remember that NWA's PRASM is 9.88 cents per available seat mile. That leaves only 2.88 cents per ASM to pay what are arguably the two largest expenses airlines incur: fuel and labor).

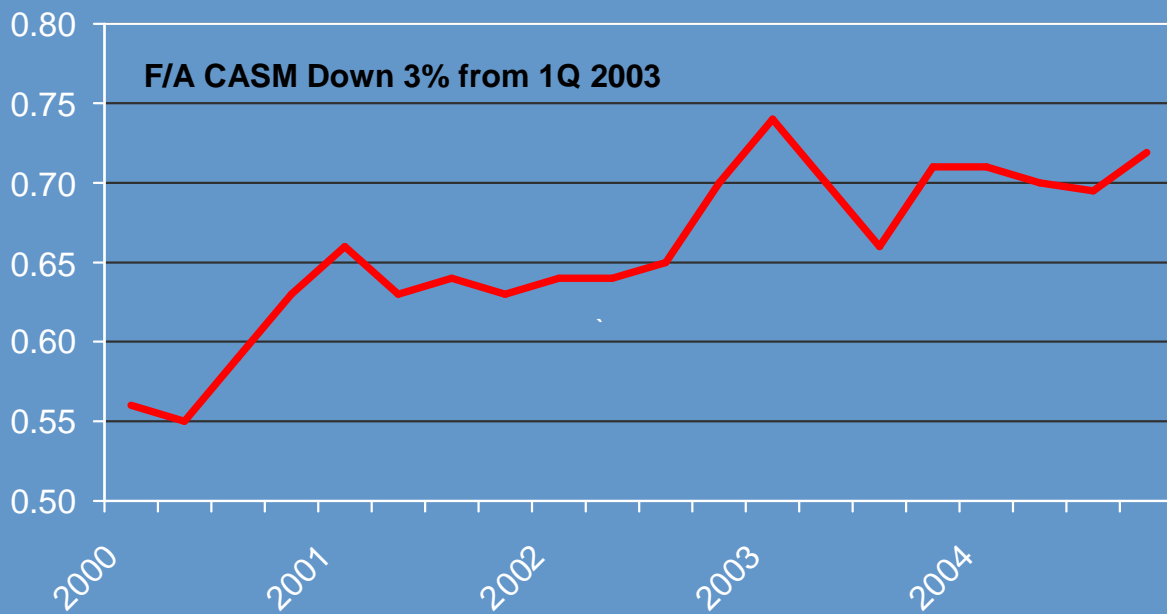
NWA Core Costs per ASM Up 51% Since 2003



The question that remains to be answered by Northwest leadership is: “To what do you attribute this significant and alarming increase in core operating expenses?” It would not be prudent for employees to agree to concessions if the company is simply throwing away the savings by paying above-market prices for items such as aircraft leases, gate rents, catering costs, lavatory supplies, etc. In other words, we should not be expected to enable, condone, or subsidize bad business decisions on the part of Northwest leadership.

Significant also is the cost to NWA of providing Flight Attendants on its aircraft, which currently amounts to 0.7 cents (that’s less than a penny) per ASM.

NWA Flight Attendant Costs per ASM* Down 3% Since 1Q 2003

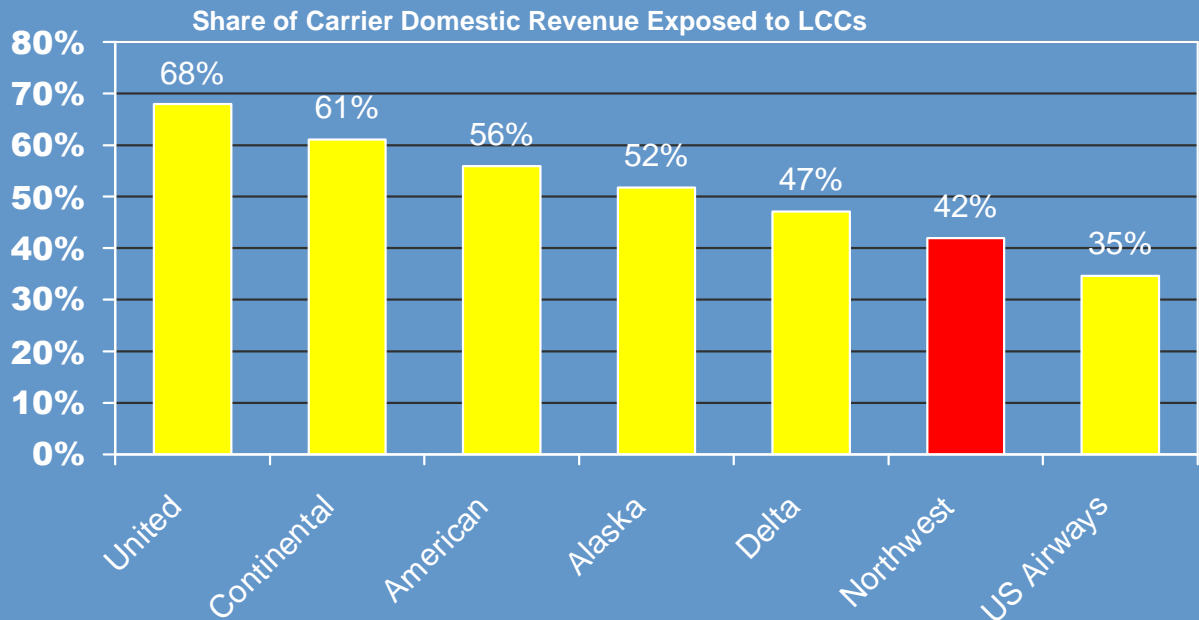


Low Cost Carriers (The Threat That’s Barely There)

Before fuel prices skyrocketed, we all heard Northwest leadership’s complaints of a permanently changed airline industry, as evidenced by the rise of the Low Cost Carriers (LCCs) as the impetus for demands for concessions.

What management failed to tell us however, is that Northwest faces significantly lower exposure to the LCCs than most legacy airlines, due mainly to its stronghold in the Midwest and it’s Trans-Pacific routes.

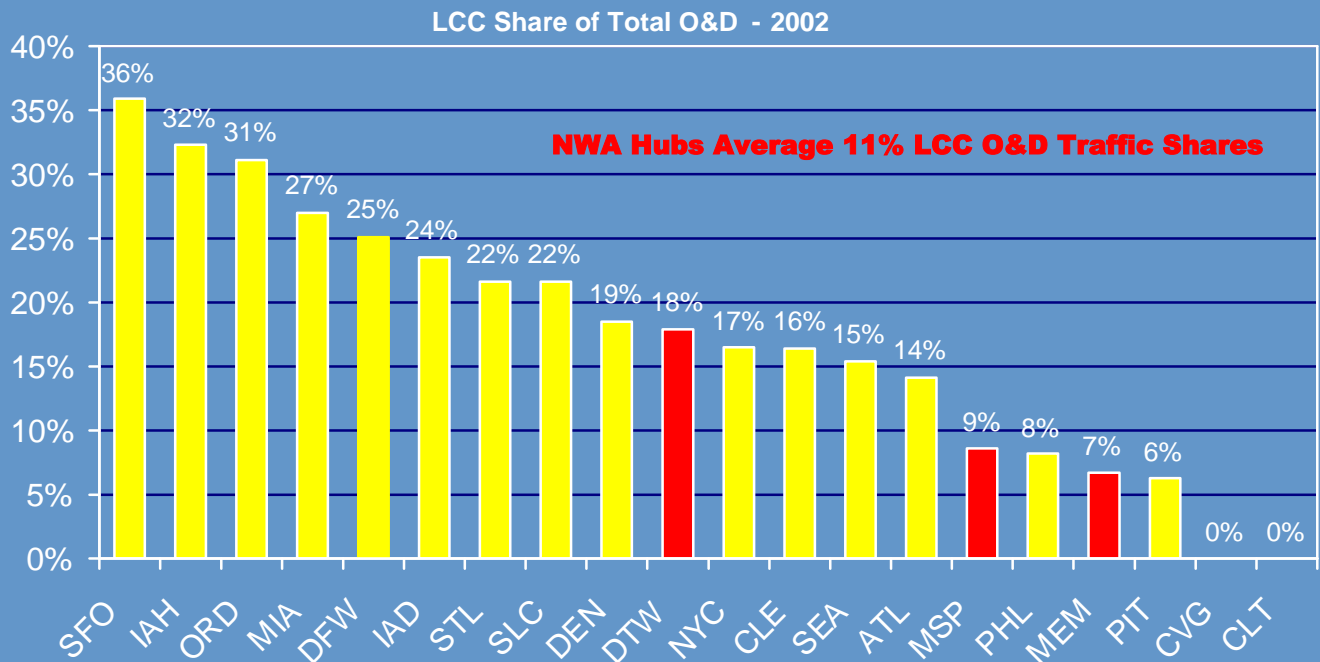
Legacy Carrier Exposure to LCC Competition



Source: Brown University Study, "Low Cost Carrier Growth in the US Airline Industry : Past Present and Future", Haruni and Ito, April 9, 2003

. In fact, an analysis of major airline hubs, ranks cities served by Northwest fairly low in exposure.

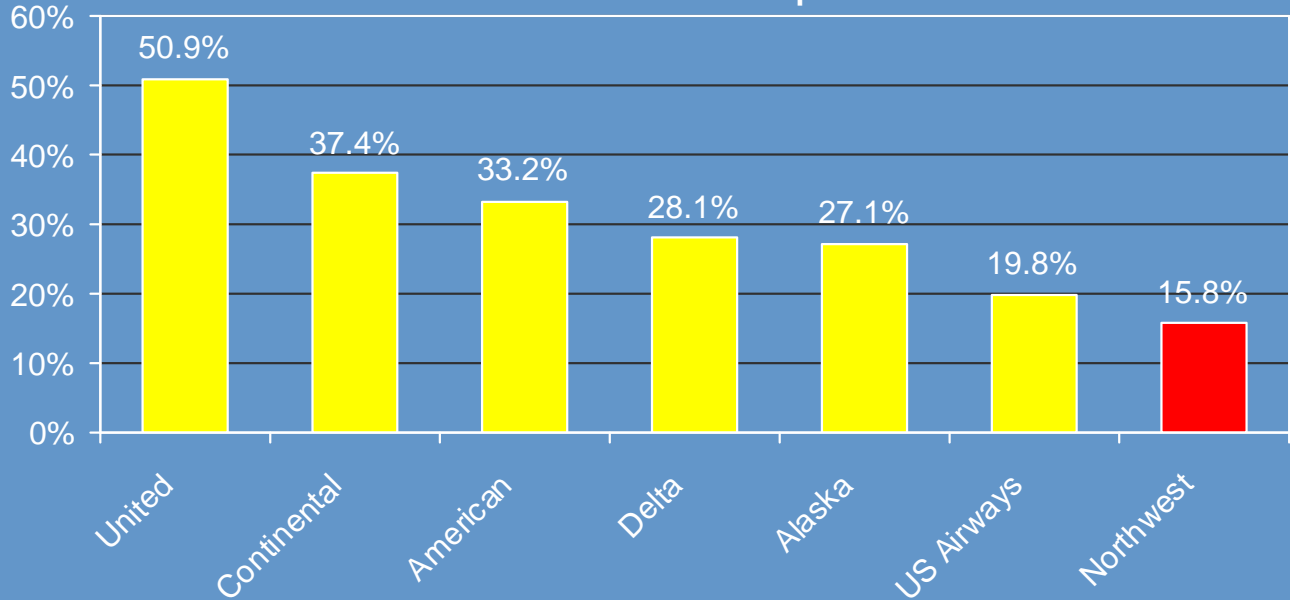
LCC Share of O&D Traffic at Legacy Hubs



Going forward, a significantly smaller portion of Northwest revenue will be exposed to LCC competition than that at other network airlines.

Legacy Carrier Exposure to LCC Competition

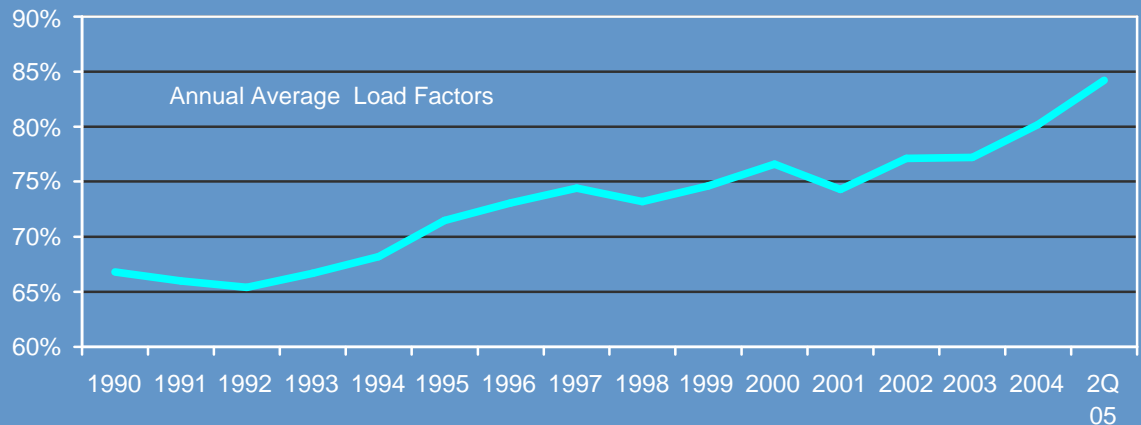
Share of Carrier Domestic Revenue Exposed to LCCs



Feeling Tired? Here's Why

Well for one thing, load factors have increased from an annual average of about 67% in 1990 to almost 85% in 2005, and are greater today than they were in the industry heyday of the mid-1990s when the airlines were posting record profits. Not only that, but NWA currently enjoys an 84.2% load factor, much higher than Southwest's (the most profitable US airline) 72.5%.

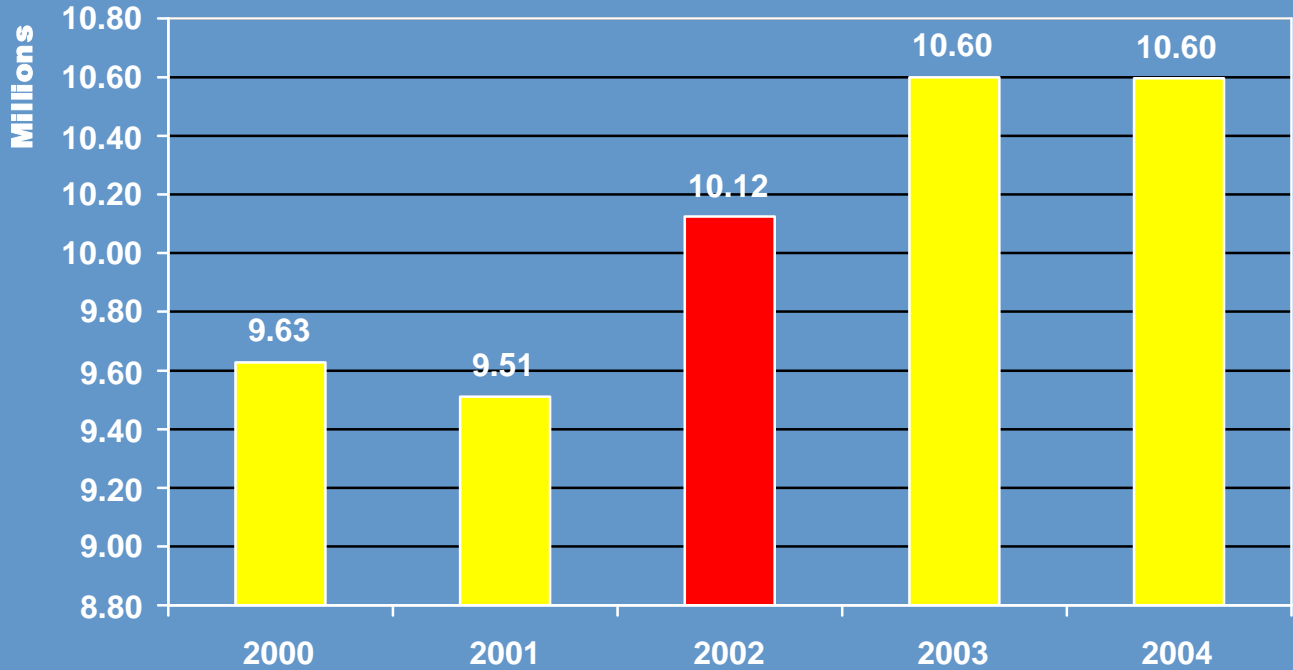
NWA Load Factor



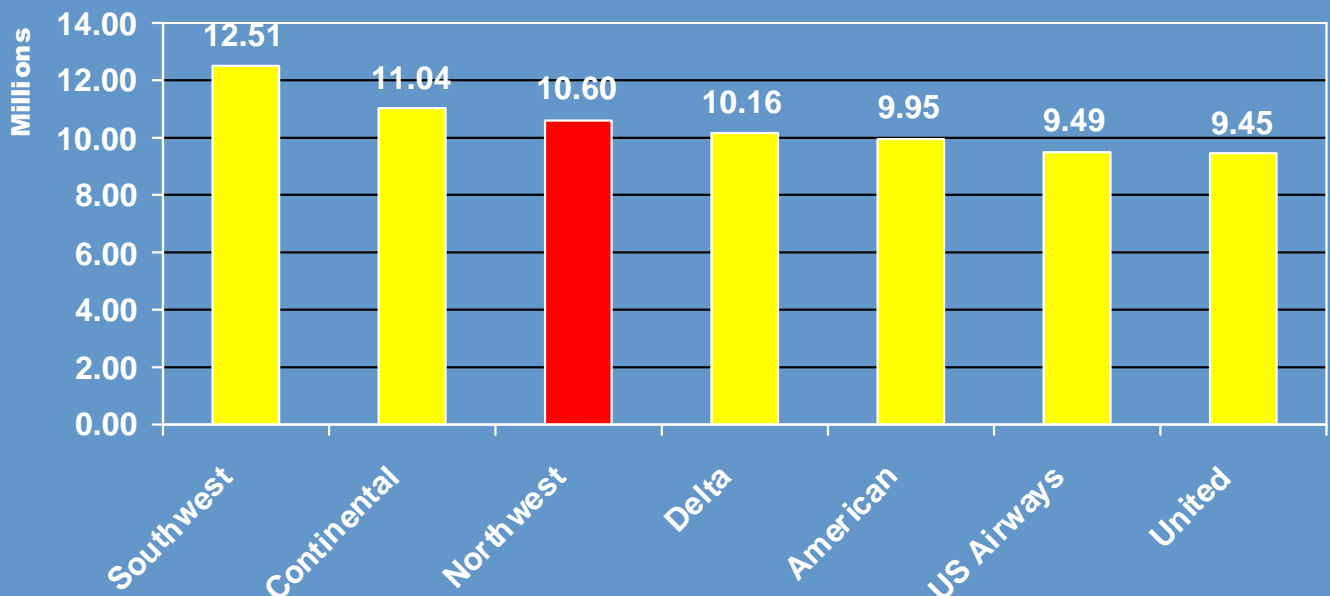
Not only that but the ASMs per Flight Attendant at NWA has been increasing SLIDE 32 and only 2 airlines currently have more ASMs per Flight Attendant.

ASMs per NWA Flight Attendant

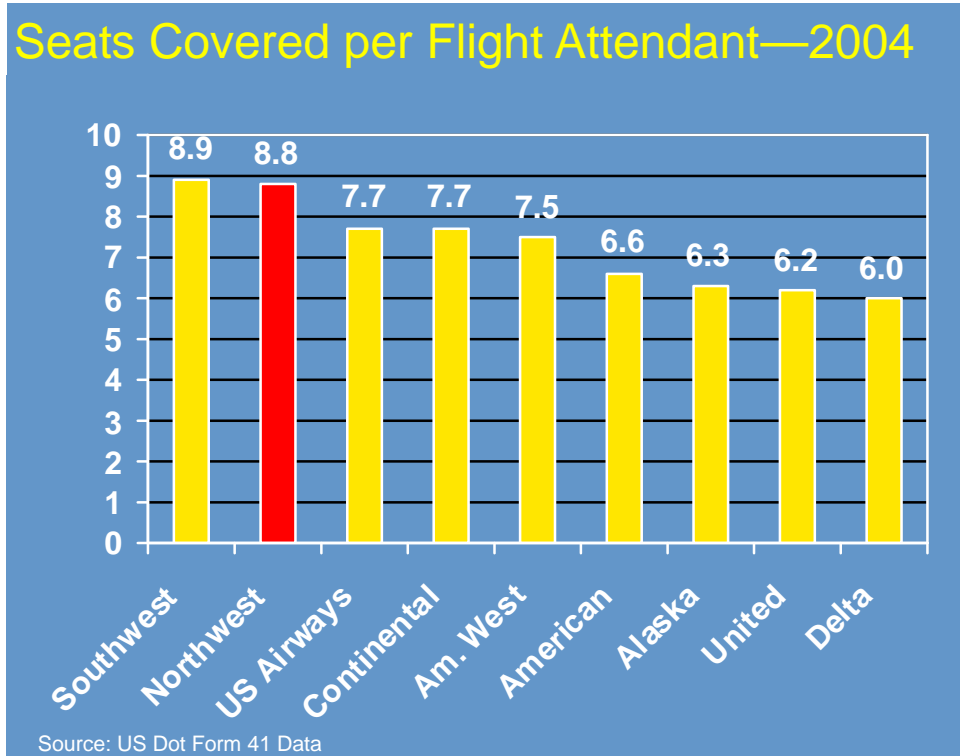
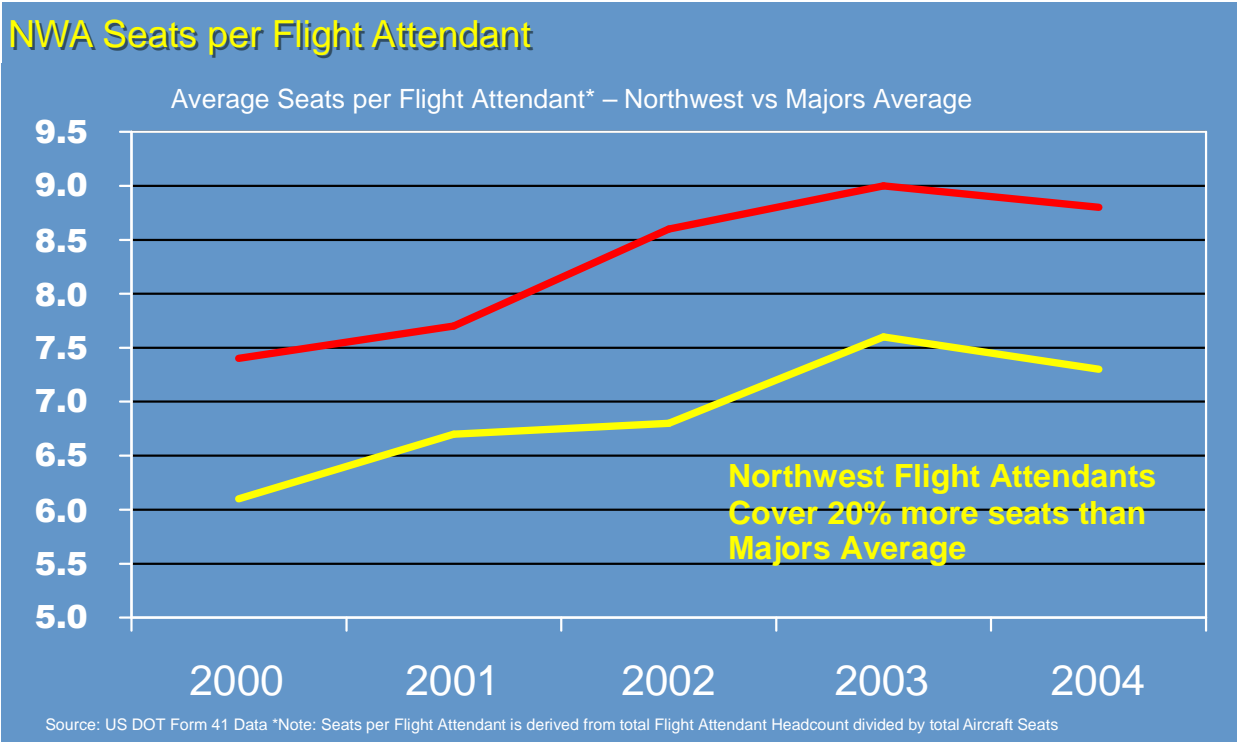
Millions of ASMs per NWA Flight Attendant – 2000-2004



ASMS per Flight Attendant 2004 (in millions)



Another way to look at this statistic is in total seats covered per Flight Attendant. NWA Flight Attendants are 20% more productive than the industry average and we are in fact second only to Southwest (the most profitable US airline) in total seats covered per Flight Attendant.



Bankruptcy and Unanswered Questions

PFAA's financial expert, Dan Akins asked Northwest's negotiators three questions germane to their requests for concessions at the bargaining table.

The first question dealt with the \$102 million discrepancy in Flight Attendant labor costs as reported to the Department of Transportation versus NWA Payroll reporting.

He asked the company negotiators to explain the \$2 billion increase in core operating costs (minus labor and fuel costs) that Northwest incurred in 2004.

Finally, Dan asked the company to relate their rationale in arriving at the \$143 million (now \$195 million) in necessary savings from the Flight Attendants. To date, Northwest has failed to answer these three questions.

On Wednesday, October 12, NWA filed an 1113(c) motion before the bankruptcy court. NWA today filed a Section 1113(c) motion with the Bankruptcy Court. This filing had been widely anticipated and the company had previously hinted at its plans to file this motion.

With the filing, NWA is essentially asking the Court to set aside its work agreements with labor and allow the company to impose its own work rules and compensation rates. The filing begins a 51 day timeline, which may be extended slightly by the judge.

Under 1113(c), negotiations between the involved parties must continue in good faith, with the goal of reaching a consensual agreement. If during that process a tentative agreement is reached, it will be sent to the membership for a ratification vote per the PFAA Constitution.

If a consensual agreement is not reached, the judge will hold a hearing where both sides will present their arguments regarding the motion. The judge has three options with regard to a ruling: accept the company's motion, abrogate our contract and allow the company to impose work rules and compensation rates; reject the company's motion and leave our current agreement in place; send the parties back to the negotiating table for a defined period for a defined period of time in an attempt to reach a consensual agreement. The Court cannot pick and choose which sections of our contract to set aside, and the judge must make his ruling based on whether the company's proposals are necessary for a successful restructuring, as well as whether the proposal treats the affected group fair and equitably relative to all other creditors.

While it's impossible to speculate at this point on the outcome of this filing, to date no contract has been abrogated under this section of the bankruptcy code. In all previous cases, even after an 1113(c) motion was filed, the parties have reached a consensually negotiated agreement.

NWA Flight Attendant Total Cost Differential: DOT vs NWA Payroll

