

## Supplier Q&A

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### A. The Chapter 11 Process

#### **A1. Why did Northwest file for Chapter 11?**

As we have stated publicly on numerous occasions, the airline industry's operating environment has changed permanently. Despite our efforts to reduce costs, our losses averaged \$4 million per day through the first half of 2005. Northwest can no longer sustain these losses and must restructure to compete effectively and become profitable.

#### **A2. What is Chapter 11?**

Chapter 11 refers to the section of the United States Bankruptcy Code that provides for court-supervised restructuring of companies as they continue to operate in the normal course of business. Once a company files for Chapter 11 protection, it is referred to as a "debtor in possession" or simply a "debtor." During the Chapter 11 process, the debtor continues to conduct business. The debtor reorganizes its finances and operations in order to maximize the value of its assets for the benefit of its creditors (those to whom it owes money). Debtors in Chapter 11 can continue to do new business with suppliers, customers and employees as usual.

#### **A3. What does it mean to voluntarily file for Chapter 11?**

Usually, a Chapter 11 case commences when a company chooses to file a Chapter 11 petition with the U.S. Bankruptcy Court. This means that the company voluntarily seeks to restructure its debts and business operations under the Bankruptcy Code. (That is, it was not an action commenced involuntarily by a company's creditors). The period prior to commencement of the Chapter 11 case is referred to as the "**pre-petition**" period and the period following commencement of the case is referred to as the "**post-petition**" period.

#### **A4. Does the Chapter 11 filing mean that Northwest is going out of business?**

Absolutely not. The changes we make during this process are designed to enable Northwest to strengthen its operations and remain competitive for the long term.

#### **A5. Why are you filing now – with the laws changing in just a matter of weeks, would you have been able to file after that date? What would the impact have been if you had waited until after the law has changed? Could you have survived restructuring then?**

The timing of the filing was dictated by the current environment, not the impending changes in the Bankruptcy Code that will become effective on October 17, 2005.

#### **A6. How does bankruptcy really help you?**

The bankruptcy process will enable Northwest to reorganize so it can operate profitably in today's competitive environment. Bankruptcy will allow Northwest to lower its labor and non-labor costs. It will also allow Northwest to lower its debt and lease obligations. The primary objective is to transform Northwest into a modern-era carrier that can compete with low cost carriers in the industry and continue to provide the highest quality of service to its customers.

**A7. Why couldn't Northwest avoid bankruptcy?**

We developed a solid plan to restructure Northwest outside of Chapter 11 and have been implementing that plan. Unfortunately, skyrocketing fuel costs, among other factors, forced us to seek Chapter 11 bankruptcy protection.

**A8. Besides fuel costs, what about the high cost of preparing for the mechanics strike – didn't that also contribute to Northwest's inability to turn the company around?**

No. It was necessary for Northwest to develop a comprehensive contingency plan. Northwest prepared the contingency plan so we could continue to fly our schedule and to provide the best service to our customers in the event of a work stoppage. As a result of our planning efforts, the contingency operating plans are working well and we have experienced no adverse impact on our operational performance as a result of the work stoppage. The expense of our contingency plan is minimal compared to the possible loss in revenue that would have resulted from a failure to plan and execute the plan.

**A9. Does Northwest have a specific plan to improve profitability?**

Yes. Restructuring is about building an airline that can remain competitive in this fast-changing business. Northwest's plan for a successful reorganization focuses on achieving a more competitive cost structure and adapting to the new airline industry's marketplace realities.

**A10. Will Northwest be sold or seek to sell off portions of its assets?**

At this time there are no plans to sell Northwest or any material assets.

**A11. What are the hurdles you have to handle in reorganization?**

There are many steps to a reorganization process. Fortunately, Northwest already has developed a plan to restructure outside of Chapter 11 and has implemented significant elements of that plan. We therefore are confident that we will overcome hurdles we may face during reorganization. As the company has stated previously, it must realize significant cost savings to achieve its goals, including reductions in labor and pension costs and debt and lease obligations. Northwest is confident the Chapter 11 process will provide a platform from which to effect these important changes and emerge a stronger, profitable company.

**A12. How does a debtor exit Chapter 11?**

A debtor exits Chapter 11 when the U.S. Bankruptcy Court has approved a ***"plan of reorganization"*** and the elements outlined by that plan are substantially completed. Typically, the company develops the plan in consultation with its major creditor groups.

**A13. When will Northwest's reorganization be complete?**

It is too soon to speculate when Northwest will emerge from Chapter 11. Our goal is to complete the reorganization as expeditiously as possible. We will take into account the needs of Northwest as well as industry trends and external factors affecting the airline industry. Management is committed to working as quickly and efficiently as possible to restructure the company and create a financially stronger organization going forward.

**A14. Does Northwest think it will eventually have to go through this yet again if on the other side of restructuring it still has the same problems with cost structures – with fuel prices, with labor cost and more?**

Northwest is confident that the Chapter 11 process will enable it to transform itself into a competitive new-era carrier. A successful financial restructuring will position the company to withstand unexpected cost pressures should they arise in the future. Northwest is not seeking short-term, temporary solutions to its financial problems and intends to find permanent resolutions to obviate the need for another restructuring.

**A15. Your bankruptcy filing indicates that you have increased your target labor cost savings number to approximately \$1.4 billion and you are apparently talking to the pilots, IAM and other unions about their respective new targets. Why didn't you give them any time to determine whether they could deliver those targets?**

Skyrocketing fuel costs and external events made bankruptcy unavoidable. In bankruptcy we will still seek consensual agreements with our labor unions for labor cost savings.

**A16. Do you expect that you will survive intact? What if your creditors think it is better to close down operations and sell off the franchise to get a better return for themselves? Is that a possibility? Why or why not?**

Northwest fully expects that the Chapter 11 process will allow it to transform itself into a competitive new-era carrier. Northwest intends to work together with its creditors to formulate a reorganization plan. Northwest is confident that its unique assets and synergies will enable it to continue its operations successfully, which also will be in the best interests of its creditors. A strong future for Northwest is also in the best interests of its creditors, which is why Northwest expects that they will work together with the company in its transformation.

**A17. What have you told your creditors? What is their response?**

In advance of its Chapter 11 filing, Northwest has been very candid in its public statements and its regulatory filings about its financial condition. Now that the Chapter 11 proceeding has been commenced, the bankruptcy laws provide specific requirements for providing notice to known creditors. Northwest will continue to satisfy all such rules. In addition, all of the documents Northwest files with the Bankruptcy Court are available to creditors through the Bankruptcy Court's official website, [www.nysb.uscourts.gov](http://www.nysb.uscourts.gov).

**A18. Where is Northwest's Chapter 11 case being heard?**

Northwest's Chapter 11 case was filed on September 14, 2005, in the U.S. Bankruptcy Court for the Southern District of New York.

**A19. Where can additional information regarding Northwest's restructuring be found?**

A special Web site – [www.nwa-restructuring.com](http://www.nwa-restructuring.com) – has been established to provide information related to Northwest's restructuring efforts. Additional information is available on PACER, the Bankruptcy Court's electronic docket system, at [www.nysb.uscourts.gov](http://www.nysb.uscourts.gov). Information will also be available on [nwa.com](http://nwa.com).

**A20. Some experts have suggested that of the six legacy carriers, only three or four are really needed or can survive. So why are you so sure that you will survive?**

Northwest will not only survive but also thrive for the long-term. Once Northwest achieves a competitive cost structure, it will be able to compete effectively against other airlines based on its many strengths, including its highly skilled, dedicated employees, strong hub and spoke network, domestic and international alliances, world-class airport facilities, valuable cargo business, strong presence in U.S. Heartland markets, and extensive trans-Pacific and trans-Atlantic international routes. Once Northwest's reorganization has been completed and a competitive cost structure is in place, it will emerge as a strong competitor with a solid, profitable future.

**A21. Why did NWA chairman, Gary Wilson, sell stock over the last few months? Did he know a bankruptcy was imminent?**

It was a personal decision made by Mr. Wilson. The sales were made pursuant to a plan that establishes a threshold which automatically sells stock at a predetermined time and price.

**A22. What will happen to NWA stock? Will it still be traded on open market? What happens to stock I own?**

A company's securities may continue to trade even after it has filed for bankruptcy under Chapter 11. However, federal bankruptcy laws govern the priority by which distributions are made to creditors and holders of equity. Under the relevant bankruptcy laws, stockholders may not receive any distributions until all creditors (including banks, suppliers, and bondholders) and senior equity security holders, if any, have been paid in full.

**A23. How does bankruptcy affect our commitments to the State of Minnesota? Do we have to maintain a minimum number of employees in Duluth?**

The law treats the commitments to the State of Minnesota equal to all other debt commitments the company has entered into. Northwest is currently engaged in an analysis of its debt, lease and other obligations. It is not appropriate for us to provide additional comment at this time.

**A24: How does bankruptcy effect our commitments to financing counterparties?**

The law treats them equal to all other debt commitments the company has entered into. Northwest is currently engaged in an analysis of its debt, lease and other obligations. It is not appropriate for us to provide additional comment at this time.

## **B. Supplier Payments and Claims**

### **B1. What are you telling your suppliers?**

We intend to fund continuing operations through existing assets. The Bankruptcy Code provides a priority status for post-petition orders and shipments – goods and services received after the date of the filing. We can and will pay for such post-petition goods in full in the normal course of business and in accordance with the terms of our purchasing agreement with each supplier.

### **B2. Why should suppliers continue doing business with Northwest?**

The successful restructuring of Northwest's business will help ensure Northwest's long-term viability and success. Northwest expects to be a strong business partner going forward and that its suppliers will share in the company's future successes.

### **B3. Will a Northwest check issued prior to the filing date be paid?**

No. Because that payment was made for goods or services prior to the filing date, the check will not be honored, absent a special order of the Bankruptcy Court allowing such payment.

### **B4. Will payment for goods delivered and services provided after the Chapter 11 filing date be honored?**

Northwest will continue to pay for all goods and services provided *after* the Chapter 11 filing. Please be aware that post-petition suppliers are given "administrative expense priority status" under the law, providing additional protection to such suppliers, so they are encouraged to continue providing goods and services to Northwest on normal terms.

### **B5. Will payment be made for goods in transit to Northwest as of the Chapter 11 date?**

Yes. Suppliers will be paid for goods received by Northwest post-petition, even if the goods were in transit at the time of the Chapter 11 filing.

### **B6. How can suppliers file a claim for any invoices that were generated prior to the Chapter 11 filing?**

Upon filing for Chapter 11, Northwest, by law, cannot pay for goods and services received before the filing. The Bankruptcy Court will determine payment for these pre-petition invoices at a later time. Suppliers will have the opportunity to file a proof of claim with the Bankruptcy Court for any pre-petition debt; and known creditors will receive instructions for filing such a proof of claim.

### **B7. What will general unsecured creditors receive as payment for their claims?**

It is too early in the restructuring process to accurately forecast the amount and nature of any eventual payment or distribution to be made on account of allowed pre-petition claims. However, Northwest will pay all post-petition expenses in the normal course of business.

**B8. When will suppliers receive payment for goods supplied prior to the bankruptcy filing?**

In general, any amount paid to creditors holding allowed pre-Chapter 11 claims is paid after the company confirms a plan of reorganization that has been voted upon by creditors and then approved by the Bankruptcy Court. The timing of such payments therefore depends upon the duration of the bankruptcy case, when the Chapter 11 plan is confirmed, and the specific provisions of the Chapter 11 plan. The Chapter 11 plan typically contains provisions for the timing and nature of any payment or other consideration distributed to creditors on account of allowed claims and the resolution of any disputed claims.

**B9. Can suppliers reclaim equipment or goods that they delivered before the filing date if Northwest has not paid for the equipment or goods?**

Except for goods delivered immediately before the petition date, such actions are subject to the automatic stay, which provides a breathing spell for the debtor during which time creditors and other third parties are generally prohibited from, among other things, pursuing their claims against the debtor and its assets/properties. However, at the appropriate time, Northwest will institute court-authorized procedures to handle any valid reclamation claims for goods delivered immediately before the petition date.

**B10. Are suppliers permitted to impose credit terms such as C.O.D. or payment in advance?**

There is no reason for a supplier to change terms or to impose restrictive credit terms as a result of a Chapter 11 filing. Northwest's contracts with its suppliers have payment terms that we expect to be honored and that are enforceable by Northwest. Additionally, post-petition suppliers are given priority administrative status under the law, which provides additional protection to post-petition suppliers.

**B11. Will foreign suppliers be paid on the same terms as U.S. suppliers?**

Although suppliers located outside the United States and its territories are subject to the U.S. bankruptcy laws with respect to payments by Northwest, Northwest has requested permission of the Bankruptcy Court to pay certain foreign creditors and governments that are, for all practical purposes, beyond the enforcement powers of the Bankruptcy Court. Such relief is necessary to protect Northwest's substantial international business operations and Northwest's assets located outside the United States and its territories for the benefit of all creditors, including those located within the United States and its territories.

**B12. How can suppliers receive updates regarding status of payment of outstanding invoices?**

Suppliers should continue to work with their normal contacts at Northwest, who can answer any questions. Additional information for suppliers will also be posted on a special Web site, [www.nwa-restructuring.com](http://www.nwa-restructuring.com).

**B13. With whom can suppliers speak about the status of their pre-petition claims?**

Northwest has established a supplier hotline – 612-726-3656 – to help respond to questions. Suppliers should feel free to call or correspond with their usual Northwest contacts, who will be kept informed of the progress of the Chapter 11 case. Northwest is committed to updating suppliers on the progress of the case. Known creditors will also receive correspondence from the Bankruptcy Court that will provide information on filing a claim. Additionally, suppliers may wish to consult their own legal counsel.