

# Mergent

**KLM Royal Dutch Airlines**  
**Amsterdamseweg 55**

**Phone: 31 20 649 91 23**

**Country: Netherlands**

**Date: August 15, 2000**

**Ticker: KLM**

**Exchange: New York**

**Number of Employees: 28,374**

**Date of Incorporation: October 1919**

**Primary SIC: 4512 *Air Transportation, Scheduled***

Secondary SIC: 4513 *Air Courier Services*

4522 *Air Transportation, Nonscheduled*

4581 *Airports, Flying Fields, and Airport Terminal Services*

## **Business**

Co. is engaged in domestic, international, and intercontinental air transport of passengers, freight, and mail. Co. and its partners serve more than 500 cities in 90 countries on six continents. Through its alliance with US-based partner Northwest Airlines and its European and intercontinental network and route partners, Co. offers passengers and freight shippers more than 160,000 city-pair connections around the world.

Through its subsidiaries, Co. is also involved in helicopter operations to and from oil rigs in the Dutch sector of the North Sea continental shelf; conducts aviation catering services; is engaged in equipment maintenance; provides flight academy services; and operates a network providing customized transport logistic and distribution services.

Co. is a member of the North American Air Transport Association (ATA), the International Air Transport Association (IATA), and the Association of European Airlines (AEA).

## **Joint Ventures**

In fiscal 1992-93, Co. signed a joint venture agreement with Koninklijke Frans Maas Groep to form European Feeder and Distribution Network (EFDN), a company engaged in creating road transportation links between regional distribution centers and customers.

In fiscal 1993-94, Co. continued its agreements with Northwest Airlines, the United States. Northwest and Co.'s combined North Atlantic services to and from the United States are operated as a joint venture. Co. may offer connecting domestic US Northwest flights as its own. Co. and Northwest currently offer code-share services to the United States through the Minneapolis/St. Paul, Detroit, and Boston hubs and to cities in Europe, the Middle East, and Africa through Schiphol Airport in Amsterdam.

## **Long-Term Debt**

Mar. 31, 1999, NLG6,452,000,000 (including current portion of NLG591,000,000) comprised of:

- 01 - NLG1,858,000,000 privately placed subordinated perpetual loans, redeemable at the option of Co. under certain circumstances, with or without payment of a premium.
- 02 - NLG19,000,000 subordinated debenture loans.
- 03 - NLG226,000,000 debenture loans.
- 04 - NLG387,000,000 bank loans.
- 05 - NLG5,431,000,000 financial lease commitments.
- 06 - NLG389,000,000 other loans.

## **Property**

Co. maintains its head office in Amstelveen. The consolidated fleet consisted of 199 aircraft at year-end,

of which 147 jet aircraft, 28 turboprop aircraft and 24 training aircraft. As of Mar. 31, 1998, Co. operated the following aircrafts:

Type of Aircraft	Owned	Leased
Boeing 747-400	14	
Boeing 747-400M	14	
Boeing 747-300	2	1
Boeing 747-300M	44	
Boeing 747-300F	2	
MD-11	19	
Boeing 737-800	22	
Boeing 737-400	6	13
Boeing 737-300	15	13
Boeing 737-300ER	11	
Boeing 737-200	4	
Fokker 100	6	11
Fokker 70	12	
Fokker 50	10	12
Fokker F27-500	1	
BAe 146-100/300	10	
ATR-725		
Training aircraft	24	
Total	90	109

## History

Incorporated in the Netherlands on Oct. 7, 1919. Co. commenced operations in May, 1920.

In 1981, Co. increased its interest in Highmark International from 65.9% to 100%.

On May 29, 1990, Co. sold its interest in Hotel Maatschappij Oud Amsterdam for NLG13,000,000.

In 1991, Co. acquired a 40% interest in ALM Antillean Airlines, the Netherlands Antilles, and a 35% interest in Air Littoral, France.

In Nov. 1992, Co. sold its interest in Air Littoral, France, to CFIA, a subsidiary of Euralair, France.

In fiscal 1993, Co. sold its interest in Paques B.V.; sold its interest in Intercai B.V. to PTT Telecom and Getronics; sold a 25% interest in the Interpost Group of Companies B.V. and in PDS Handling C.V. to PTT Post; and sold its interest in Airfacts and Schreiner Composites.

On Apr. 15, 1994, Co. combined its Flight Operations and Cabin Crew divisions into a new department, Flight Services.

In Sept. 1994, Co. entered into an agreement with Fosters Brewing Group Ltd., Australia, for the purchase of Foster's common and preferred equity interest in Northwest Airlines Corp., the United States, for a cash consideration of US\$180,000,000. On Jan. 9, 1995, Co. completed the agreement, acquiring a 25% equity interest in Northwest Airlines Corp.

In fiscal 1995, Co. divested its interest in Highmark International B.V. to Golden Tulip International B.V. Also in fiscal 1995, Co. sold its 33.3% interest in Schreiner Luchtvaart Groep B.V. to Schreiner.

During fiscal 1995-96, Co. divested two non-core-business holdings. The 60% holding in KLM Aerocarto BV was sold to Heidemij and Co.'s holding in International Airline Publications BV was sold to IATA.

In Jan. 1996, Co. acquired a 26% interest in Kenya Airways for US\$26 million. The deal concludes the first phase of privatization of the sub-Saharan African flag carrier.

In June and July of 1996, Co. disposed of shares of Northwest Airlines Corporation to Northwest Airlines for a transaction amount of US\$379,000,000 as part of the privatization program of Co. A remaining 84% is still held by Co.

In fiscal 1997/98, Co. increased its interest in Air UK from 45% to 100% through the acquisition of 100% of the shares in British Air Transport Holdings Ltd. (BATH), the holding company of the 55% interest in Air UK.

In Feb. 1998, Co. and Nedlloyd nv announced their intention for Co. to acquire Nedlloyd's 50% interest in Martinair Holland nv.

In Apr. 1998, Co. sold its 25.5% interest in Koninklijke Frans Maas Groep nv.

## **Executive Listing:**

### **Name**

### **Title**

#### **Officers**

Abrahamsen, Rob J. N.  
Hartman, Peter F.  
van Wijk, Leo M.  
van Woudenberg, Cess

Managing Dir., C.F.O.  
Managing Dir., C.O.O.  
Pres., C.E.O.  
Managing Dir., Chief Human Res. Officer

#### **Directors**

Albrecht, Max  
Dasburg, J. H.  
Geersing, Bauke  
Maas, Arie  
Maljers, Floris A.  
Oort, Conrad J.  
Oosterwijk, Jan-Willem  
Stekelenburg, Johan

## **Subsidiaries Listing:**

### **Company**

### **Percent Owned**

Martinair Holland nv	50.00 %
Polygon Insurance Company Ltd.	31.00 %
Braathens ASA	30.00 %
Kenya Airways Ltd.	26.00 %
KLM Cityhopper bv	100.00%
KLM uk Holdings Ltd.	100.00%
Cargo Service Center Holding bv	100.00%
KLM Catering Services Schiphol bv	100.00%
KLM Luchtvaartschool bv	100.00%
KLM Arbo Services bv	100.00%
KLM Equipment Services bv	100.00%
KLM Financial Services bv	100.00%
KLM Ground Services Ltd.	100.00%
Transavia Airlines bv	80.00 %

**As Presented Annual Balance Sheet***Millions of Netherlands Guilders*

	Year Ending Mar-99	Year Ending Mar-98	Year Ending Mar-97	Year Ending Mar-96	Year Ending Mar-95
<b>Assets</b>					
Intangible fixed assets	169.00	169.00	167.00	159.00	167.00
Aircraft, spare engines & spare parts, cost	0.00	0.00	12,555.00	12,863.00	12,919.00
Buildings & land, cost	0.00	0.00	1,652.00	1,547.00	1,515.00
Inventories, machines & installations, cost	0.00	0.00	1,206.00	1,177.00	1,157.00
Vehicles & other tangible fixed assets, cost	0.00	0.00	243.00	240.00	235.00
Tangible fixed assets	17,171.00	17,057.00	0.00	0.00	0.00
Less: Other accumulated depreciation	6,824.00	6,831.00	6,624.00	6,570.00	6,397.00
Advance payment for assets under	729.00	381.00	533.00	450.00	377.00
Retired tangible fixed assets	0.00	31.00	0.00	0.00	0.00
Tangible fixed assets, net	11,076.00	10,638.00	9,565.00	9,707.00	9,806.00
Financial holdings	0.00	0.00	612.00	465.00	384.00
Receivables from holdings	0.00	0.00	248.00	465.00	206.00
Other financial fixed assets	0.00	0.00	928.00	903.00	732.00
Financial fixed assets	2,000.00	2,275.00	1,788.00	1,833.00	1,322.00
Total fixed assets	13,245.00	13,082.00	11,520.00	11,699.00	11,295.00
Maintenance materials	449.00	385.00	239.00	180.00	197.00
Various supplies	94.00	100.00	94.00	122.00	88.00
Total operating supplies	543.00	485.00	333.00	302.00	285.00
Trade accounts receivable	0.00	0.00	1,237.00	1,306.00	1,129.00
Share offering	0.00	0.00	0.00	0.00	0.00
Receivables from holdings	0.00	0.00	148.00	109.00	27.00
Value-added tax	0.00	0.00	38.00	35.00	23.00
Current maturities of financial fixed assets	0.00	0.00	11.00	10.00	13.00
Costs of loans contracted	0.00	0.00	0.00	26.00	28.00
Prepaid expenses	0.00	0.00	278.00	178.00	198.00
Accounts receivable	2,419.00	3,679.00	1,712.00	1,664.00	1,418.00
Marketable securities	403.00	521.00	448.00	195.00	925.00
Cash	1,678.00	1,438.00	2,070.00	2,626.00	2,314.00
Total current assets	5,043.00	6,123.00	4,563.00	4,787.00	4,942.00
Total assets	0.00	0.00	0.00	0.00	0.00
<b>Liabilities</b>					
Current maturities of long-term debt	0.00	0.00	487.00	727.00	410.00
Financial lease commitments	320.00	248.00	0.00	0.00	0.00
Other current portions of long-term debt	271.00	314.00	0.00	0.00	0.00
Unearned revenues	1,169.00	885.00	694.00	698.00	759.00
Creditors	1,114.00	1,243.00	1,877.00	892.00	776.00
Taxes & benefit premiums	93.00	74.00	94.00	80.00	56.00
Accruals & other current liabilities	1,438.00	1,450.00	943.00	1,007.00	1,119.00
Total current liabilities	4,405.00	4,214.00	4,095.00	3,404.00	3,120.00
Perpetual debt	1,858.00	1,858.00	1,858.00	1,858.00	1,858.00
Other long-term debt	5,861.00	6,136.00	5,393.00	5,754.00	6,307.00
Total long-term debt	7,719.00	7,994.00	7,251.00	7,612.00	8,165.00
Provisions	911.00	1,043.00	683.00	438.00	339.00
Deferred credits	499.00	586.00	629.00	741.00	823.00
Share of third parties	1.00	2.00	25.00	27.00	28.00
Group equity	4,754.00	5,368.00	3,425.00	4,202.00	3,790.00
Total liabilities & shareholders' equity	13,883.00	14,991.00	11,988.00	13,082.00	13,117.00
<b>Stock Holder Equity</b>					
Priority shares	0.00	0.00	1.00	1.00	1.00
A-preference shares	0.00	0.00	58.00	235.00	235.00
Common shares	0.00	0.00	344.00	1,722.00	1,702.00
Paid-in & called capital	413.00	404.00	0.00	0.00	0.00
Participation certificates	0.00	161.00	159.00	157.00	155.00
Paid-in surplus	1,919.00	1,924.00	1,925.00	1,143.00	1,159.00

Retained earnings	2,421.00	2,877.00	913.00	917.00	510.00
Stockholders' equity	4,753.00	5,366.00	3,400.00	4,175.00	3,762.00

### As Presented Annual Income Statement

<i>Millions of Netherlands Guilders</i>	Year Ending Mar-99	Year Ending Mar-98	Year Ending Mar-97	Year Ending Mar-96	Year Ending Mar-95
Traffic revenue	11,681.00	11,790.00	9,025.00	8,284.00	7,897.00
Other revenue	1,645.00	1,574.00	1,333.00	1,252.00	1,291.00
Total operating revenues	13,326.00	13,364.00	10,358.00	9,536.00	9,188.00
Salaries & benefits	0.00	0.00	2,970.00	2,681.00	2,359.00
Aircraft fuel	0.00	0.00	1,095.00	847.00	837.00
Materials & consumables	0.00	0.00	618.00	595.00	564.00
Commercial costs	0.00	0.00	1,016.00	972.00	948.00
Landing & air navigation charges	0.00	0.00	831.00	744.00	721.00
Third parties handling charges	0.00	0.00	343.00	311.00	288.00
Work by third parties	0.00	0.00	747.00	618.00	577.00
Depreciation	0.00	0.00	841.00	869.00	832.00
Operational lease expenses	0.00	0.00	183.00	67.00	20.00
Other operating expenses	0.00	0.00	1,605.00	1,379.00	1,270.00
Operating expenses	12,901.00	12,553.00	0.00	0.00	0.00
Operating expenses	0.00	0.00	10,249.00	9,083.00	8,416.00
Reorganization & restructuring costs	0.00	0.00	290.00	0.00	0.00
Total operating expenses	0.00	0.00	0.00	9,083.00	0.00
Operating income (loss)	425.00	811.00	-181.00	453.00	772.00
Financial income & expense	-181.00	-280.00	-215.00	-191.00	-283.00
Results on sales of assets	72.00	49.00	15.00	94.00	46.00
Results of holdings	-6.00	210.00	134.00	258.00	0.00
Results on sale of holdings	261.00	35.00	69.00	62.00	28.00
Pretax income (loss) before extraord items	571.00	825.00	-178.00	676.00	563.00
Taxes	115.00	219.00	-120.00	130.00	80.00
After tax income (loss)	456.00	606.00	-58.00	546.00	483.00
Extraordinary items after tax	0.00	1,600.00	294.00	0.00	0.00
Share of third parties	0.00	-3.00	0.00	1.00	-13.00
Net income (loss)	456.00	2,203.00	236.00	547.00	470.00
Net income (loss) per sh excl extraord item	7.33	8.10	0.00	0.00	0.00
Net income (loss) per sh incl extraord item	7.33	29.73	3.01	5.86	5.08
Year end shares outstanding	61.50	73.90	74.00	90.00	85.00

