

KLM ROYAL DUTCH AIRLINES

Form 6-K

October 25, 2002

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**Form 6-K**

**Report of Foreign Issuer**

**Pursuant to Rule 13a-16 or 15d-16 of  
the Securities Exchange Act of 1934**

of October 24, 2002

**KLM ROYAL DUTCH AIRLINES**

*(Translation of Registrant's trade name into English)*

**Amsterdamseweg 55, 1182 GP Amstelveen, The Netherlands**

*(Address of principal executive offices)*

(Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F)

Form 20-F  Form 40-F

(Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

Yes  No

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**APPOINTMENTS KLM ENGINEERING & MAINTENANCE,  
KLM GROUND SERVICES AND KLM CARGO**

AMSTELVEEN, October 14, 2002 Mr. F.H. (Daan) Meyer (59), Executive Vice President Engineering & Maintenance will be retiring from KLM on April 1, 2003. Over the years Mr. Meyer has held a number of positions in Engineering & Maintenance and has also been Director of Operations at Transavia.

January 1, 2003 he will begin the hand over to Mr. A.P.J.M. (Ad) Rutten (51), who is currently Executive Vice President Ground Services. Mr. Rutten has held this position since 1999. Prior to that he was General Director Benelux at HAYS Logistics and General Manager Airside and Terminal at Amsterdam Airport Schiphol.

Effective January 1, 2003, Mr. F.P. (Frank) de Reij (42) will become Executive Vice President Ground Services. Mr. de Reij has worked for KLM since 1998 and is currently Senior Vice President Commercial at KLM Cargo.

His successor is Mr. A.A. (Bram) Gräber (37) who has worked at KLM Cargo for a number of years and is currently Vice President Business Unit Air Cargo.

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Royal Dutch Airlines

INTERIM RESULTS

**KLM'S OPERATING INCOME FOR THE SECOND QUARTER IMPROVES TO EUR 141 MILLION**

AMSTELVEEN, THE NETHERLANDS, OCTOBER 24, 2002 KLM Group today reports an **Operating Income** of EUR 141 million for the **Second Quarter, ended September 30, 2002**, compared to an operating income of EUR 83 million last year, which represents an increase of 70 percent. **Net income** amounts to EUR 86 million or EUR 1.82 per common share, compared to a net income of EUR 27 million, or EUR 0.56 per common share last year.

This fiscal year's second quarter operating income was negatively affected by EUR 9 million, relating to the wild cat strike by ground engineers, as well as an additional EUR 10 million depreciation charge on KLM's Boeing 747-300 fleet. The corresponding period last year was adversely affected by EUR 50 million as a result of the events of September 11, 2001.

KLM continued its conservative capacity policy, with overall capacity in the Second Quarter 2 percent below that of the corresponding period. During the quarter, overall traffic levels increased by 2 percent compared to last year, which resulted in the overall load factor improving by 3.4 percentage points to 80.2 percent. As manageable yields (excluding currency effects) were above last year's levels, KLM maintained the quality of its operating revenues.

AEA (Association of European Airlines) statistics show that KLM continues to be ranked highest amongst the major hub-and-spoke carriers in Europe with respect to arrival punctuality, which improved by 6 percentage points to 92.0 percent.

**Leo van Wijk, President and CEO of KLM, said:** *Our Second Quarter results again demonstrate our ability to deliver a good set of results under difficult market circumstances. Through effective revenue management we were able to manage the increased pressure on our yields and to improve load factors, which resulted in our unit revenue remaining flat year-on-year. At the same time, we reduced our unit costs by 3 percent. Nevertheless, we remain focused on our cost levels.*

**Operating Income** for the six-month period ended September 30, 2002 was EUR 182 million, which compares to an Operating Income of EUR 106 million last year. **Net Income** for this period amounts to EUR 97 million, or EUR 2.05 per common share, and compares to a net income of EUR 46 million, or EUR 0.95 per common share last year.

**SECOND QUARTER FINANCIAL PERFORMANCE**

**REVENUES**

**KLM Group**

An encouraging and improving trend in KLM's revenues saw Group operating revenues for the Second Quarter decline less than 1 percent to EUR 1,846 million. This decline was less than the 2 percent in the First Quarter.

KLM airline manageable unit revenues per ATK (excluding currency effects) increased by 5 percent, reflecting the combination of a flat year-on-year overall yield development and improved year-on-year load factors.

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### **Passenger Business**

Passenger capacity (measured in ASKs) in the Second Quarter was down 3 percent on last year. As passenger traffic was only down 1 percent on last year, load factor improved by 1.8 percentage points to 84.0 percent, with an underlying and more pronounced improvement in intercontinental Business Class load factor. Overall traffic on European routes performed particularly well, in part reflecting the successful implementation of the simplified fare structure during this quarter. KLM's market shares in the Second Quarter developed positively, whereby market share growth is most evident on African, intra European and North Atlantic routes.

Passenger yields were down 2 percent on last year. However, manageable passenger yields (excluding currency effects) increased 3 percent compared to last year, mainly due to a better class and country mix, illustrating the continued success of KLM's effective revenue management system. Passenger traffic revenues, EUR 1,199 million in the Second Quarter, were 3 percent lower than last year.

On the North Atlantic routes, the KLM and Northwest Airlines joint venture capacity was down 9 percent on last year. As traffic was only 5 percent lower compared to last year, load factor increased by 4 percentage points to 86.0 percent. The positive yield development continued in the Second Quarter.

### **Cargo Business**

KLM Cargo's operating revenues in the Second Quarter, EUR 245 million, were up 3 percent on last year, driven by a recovery in the air cargo market, which is reflected in traffic growth at KLM Cargo. Cargo traffic (measured in RTFKs) increased by 7 percent compared to last year. As cargo capacity (measured in ATFKs) was 1 percent below last year's, cargo load factor increased by 5.5 percentage points to 71.4 percent. Cargo yields were 4 percent lower than last year. Manageable cargo yields (excluding currency effects), however, increased by 1 percent. In particular traffic on Asia Pacific and on African routes reported levels well above last year, while traffic on North Atlantic routes reported lower levels, mainly due to lower traffic originating from the USA.

### **Engineering & Maintenance Business**

KLM Engineering & Maintenance revenues of EUR 226 million, were 1 percent lower than last year. A decline in the revenues attributable to KLM business was successfully offset by an increase in third party business. This success emphasizes Engineering & Maintenance's capacity to react to changing operating conditions.

### **Leisure and Low Cost Businesses**

The Dutch leisure market seems to have recovered from the effects of September 11, 2001, resulting in volume increases in both charter and scheduled services. Yields and load factors developed in line with our expectations, allowing Transavia's Second Quarter operating revenues (including BASIQ AIR) to improve in comparison to the corresponding period.

In the Second Quarter, *buzz* increased its network capacity (measured in sectors flown) by 20 percent compared to last year, which reflects the start up of high frequency, short distance routes focused on the French market. As in the previous quarter, *buzz* reported a significant year-on-year increase in passenger numbers in the Second Quarter. In August *buzz* announced a lease agreement for six 737-300 aircraft, which will replace part of its BAe 146 fleet.

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**OPERATING EXPENSES**

Group operating expenses decreased by EUR 69 million, or 4 percent. KLM airline manageable unit costs (excluding currency and fuel price effects) increased by 1 percent compared to the corresponding period.

**Fuel cost development**

Fuel costs decreased by 18 percent, which reflects the mixed impact of lower capacity levels, lower prices for jet fuel and a lower USD exchange rate. KLM has increased its hedging position on jet fuel for the remainder of this fiscal year, achieving full protection if prices were to escalate.

**Depreciation of KLM's Boeing 747-300 fleet**

Considering the current market price levels for Boeing 747-300 aircraft and the expected timing of the retirement, KLM has decided to accelerate the depreciation on its Boeing 747-300 fleet until the phase-out of this subtype has been completed. Second Quarter depreciation therefore includes an additional depreciation charge of EUR 10 million. The accelerated depreciation is expected to have an effect of approximately EUR 10 million in the each of the next eight quarters.

**FINANCIAL INCOME AND EXPENSE**

Financial Income and Expense improved by EUR 22 million versus previous year, primarily due to favourable revaluation of financial instruments (derivatives), as a result of rate of exchange differences in accordance with SFAS 133.

**RESULT OF HOLDINGS**

Result of Holdings improved by EUR 13 million, mainly because last year's figure included a provision of EUR 8 million.

**CASH FLOW AND FINANCIAL POSITION**

**Cash flow and cash position**

Second Quarter's cash flow from operating activities was EUR 253 million. Net investments amounted to EUR 124 million. This relates to advance payments on previously announced new fleet purchases. Free cash flow in the Second Quarter amounted to EUR 129 million.

KLM's overall liquidity position remains robust, amounting to EUR 1,290 million as at September 30, 2002. Of this amount EUR 958 million are Cash and marketable securities and EUR 332 million relate to Triple A bonds and long term deposits, largely shown under financial fixed assets. The interest coverage ratio improved to 7.2.

**Financial position**

During the first six months of Fiscal Year 2002/03, KLM's net-debt position decreased by EUR 47 million to EUR 2,561 million at September 30, 2002. Group equity increased by EUR 44 million to EUR 2,036 million. KLM's financial gearing (net-debt as a percentage of group equity) improved in line with our expectations from 131 percent at March 31, 2002 to 126 percent at September 30, 2002.

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**OUTLOOK**

KLM confirms its expectation of reporting a positive operating income for the current fiscal year due to a continued focus on cost and despite a planned higher depreciation charge and lower pension surplus refunds than in the prior year.

Operating conditions will remain difficult given the unstable economic and geo-political environment.

This makes it unlikely that a positive net income will be achievable for the current fiscal year.

This report is unaudited.

Amstelveen, October 24, 2002

The Board of Managing Directors

**UPCOMING EVENTS**

**Analyst Conference Call on Second Quarter Results**

A Conference Call will be held on Thursday, October 24, 2002 from 04:00 pm until 05:00 pm CET. Rob Ruijter, Managing Director and Chief Financial Officer will host the call. The call will be accessible via live audio webcast on the KLM Investor Relations website at <http://investorrelations.klm.com>, under the link multimedia presentations.

**KLM Investor Day**

On October 30, 2002 KLM will host an Investor Day. Details on the program and how to access the live audio webcast facility are listed on KLM's Investor Relations website: <http://investorrelations.klm.com>, under the link multimedia presentations.

**SAFE HARBOR CLAUSE**

Statements in this news release contain forward-looking statements within the meaning of Section 27A of the United States Securities Act of 1933, as amended, and Section 21E of the United States Securities Act of 1934, as amended, which are based on current expectations, estimates, forecasts and projections about future events. All forward-looking statements involve risks, uncertainties and assumptions that are difficult to predict, and actual outcomes and results may differ materially from what is expressed or forecasted in these forward-looking statements. Such risks and uncertainties include, among others, the future level of air travel demand, the Company's future load factors and yields, the many effects on the Company and the airline industry from the terrorist attacks on the United States on September 11, 2001, including the adverse impact on general economic conditions, increased costs for security, the cost and availability of aviation insurance coverage and war risk coverage, the price and availability of jet fuel and the possibility of additional terrorist activity or the fear of such activity. For additional information regarding factors that may affect future results, please see the Company's filings with the United States Securities and Exchange Commission. These documents will be filed at the end of June 2002 and include, but are not limited to, the Company's Form 20-F for the year ended March 31, 2002. We undertake no obligation to update any forward-looking statements after they are made, whether as a result of new information, future events or otherwise.

NOTE TO THE EDITORS: Financial and Statistical Data can be found at <<<http://investorrelations.klm.com>>>. For more information, contact Investor Relations at 31 20 649 3099, or Media Relations at 31 20 649 4545

For photography: [www.presslink.nl/klm](http://www.presslink.nl/klm)



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	Three months ended September 30		Six months ended September 30	
	2002	2001	2002	2001
	(in millions of euros)			
<b>Operating revenues</b>	<b>1,846</b>	1,857	<b>3,532</b>	3,569
Operating expenses before depreciation and long term rentals	<b>1,525</b>	1,589	<b>3,005</b>	3,093
<b>EBITDAR</b>	<b>321</b>	268	<b>527</b>	476
Depreciation and long term rentals	<b>180</b>	185	<b>345</b>	370
<b>Operating income</b>	<b>141</b>	83	<b>182</b>	106
EBITDAR as a % of operating revenues	<b>17.4</b>	14.4	<b>14.9</b>	13.3
Operating income as a % of operating revenues	<b>7.6</b>	4.5	<b>5.2</b>	3.0
<b>Pretax income</b>	<b>124</b>	36	<b>141</b>	60
<b>Net income</b>	<b>86</b>	27	<b>97</b>	46
Per common share (EPS)*	<b>1.82</b>	0.56	<b>2.05</b>	0.95
<b>Cash flow from operating activities</b>	<b>253</b>	256	<b>454</b>	403
<b>Cash flow from investing activities</b>	<b>(124)</b>	17	<b>(404)</b>	(122)
<b>Free cash flow</b>	<b>129</b>	273	<b>50</b>	281
<b>Interest coverage ratio</b>	<b>7.2</b>	1.6	<b>4.0</b>	1.9
<b>Number of Staff KLM Group**</b>				
- permanent	<b>31,613</b>	31,718	<b>31,557</b>	31,607
- temporary	<b>1,575</b>	2,030	<b>1,518</b>	1,916
- agency staff	<b>1,743</b>	2,059	<b>1,574</b>	1,992
	<b>34,931</b>	35,807	<b>34,649</b>	35,515

	September 30, 2002	March 31, 2002
<b>Stockholders equity</b> (in millions of euros)	<b>2,036</b>	1,992
Per common share*	<b>43.63</b>	42.61
Average number of common shares outstanding (fully diluted)	<b>46,809,699</b>	46,809,699
<b>Net debt-to-equity ratio (%)</b>	<b>126</b>	131
<b>Cash Position</b>		
Cash and marketable securities	<b>958</b>	1,029
Triple A bonds and long term deposits	<b>332</b>	354
	<b>1,290</b>	1,383

\* After taking other rights to a share in net income and equity into account

\*\* Average full-time equivalents

**Table of Contents****CONSOLIDATED STATEMENT OF EARNINGS**

	Three months ended September 30		Six months ended September 30	
	2002	2001	2002	2001
	(in millions of euros)			
<b>Operating revenues</b>	<b>1,846</b>	1,857	<b>3,532</b>	3,569
<b>Operating expenses</b>	<b>1,705</b>	1,774	<b>3,350</b>	3,463
<b>Operating income</b>	<b>141</b>	83	<b>182</b>	106
Financial income and expense	(20)	(42)	(47)	(66)
Results on sale of assets	(1)		(2)	11
Results of holdings	4	(9)	6	(14)
Results on sale of holdings		4	2	23
<b>Pretax income</b>	<b>124</b>	36	<b>141</b>	60
Taxes	(38)	(9)	(44)	(14)
<b>Net income</b>	<b>86</b>	27	<b>97</b>	46
Attributable to preferred stock dividends	1	1	1	1
Attributable to common stockholders	85	26	96	45

**CONSOLIDATED STATEMENT OF CASH FLOWS**

	Three months ended September 30		Six months ended September 30	
	2002	2001	2002	2001
	(in millions of euros)			
Net income	86	27	97	46
Depreciation	125	119	242	236
Changes in provisions	37	(8)	42	5
Changes in operating working capital	10	98	93	133
Results of holdings	(4)	9	(6)	14
Results on sale of holdings		(4)	(2)	(23)
Other changes	(1)	15	(12)	(8)
<b>Cash flow from operating activities</b>	<b>253</b>	256	<b>454</b>	403
Net capital expenditures on intangible fixed assets	(5)	(1)	(16)	(5)
Net capital expenditures on tangible fixed assets	(114)	(21)	(375)	(182)
Net capital changes in holdings	(5)	39	(13)	65
<b>Cash flow from investing activities</b>	<b>(124)</b>	17	<b>(404)</b>	(122)
<b>Free cash flow</b>	<b>129</b>	273	<b>50</b>	281
<b>Cash flow from financing activities</b>	<b>(166)</b>	(23)	<b>(121)</b>	(27)
<b>Changes in cash and marketable securities</b>	<b>(37)</b>	250	<b>(71)</b>	254

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Net capital expenditures on tangible fixed assets for the six months ended September 30, 2002 include the purchase of one Boeing 747-400 (final payment), down payments on Boeing 747-400ER freighters and Boeing 777-200 s.

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	September 30, 2002	March 31, 2002
	(in millions of euros)	
<b>Fixed assets</b>		
Intangible fixed assets	64	56
Tangible fixed assets	5,228	5,104
Financial fixed assets	1,290	1,364
	<u>6,582</u>	<u>6,524</u>
<b>Current assets</b>		
Operating supplies	254	257
Accounts receivable	1,191	1,233
Cash and marketable securities	958	1,029
	<u>2,403</u>	<u>2,519</u>
<b>Current liabilities</b>	<u>2,161</u>	<u>2,092</u>
<b>Current assets less current liabilities</b>	<u>242</u>	<u>427</u>
<b>Assets less current liabilities</b>	<u>6,824</u>	<u>6,951</u>
<b>Long-term debt</b>		
Subordinated perpetual debt	592	591
Other long-term debt	3,597	3,826
	<u>4,189</u>	<u>4,417</u>
<b>Provisions</b>	313	277
<b>Deferred credits</b>	286	265
<b>Group equity</b>	<u>2,036</u>	<u>1,992</u>
	<u>6,824</u>	<u>6,951</u>

**CHANGES IN STOCKHOLDERS' EQUITY**

	2002	2001
	(in millions of euros)	
Balance at March 31	1,992	2,061
Changes in accounting policies		71
Distribution 2001/02 to shareholders	(11)	
Allocation from net income	97	46
Exchange rate differences/other	(42)	(45)
	<u>2,036</u>	<u>2,133</u>
Balance at September 30	<u>2,036</u>	<u>2,133</u>

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Movements with respect to exchange rate differences/other relate to exchange rate differences arising on the translation of KLM's share in equity and results of foreign holdings and the valuation of derivatives under SFAS 133/138.

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	Three months ended			Six months ended		
	2002	September 30 2001	% Change	2002	September 30 2001	% Change
(in millions of euros)						
Traffic revenues:						
Passenger*	<b>1,199</b>	1,231	(3)	<b>2,295</b>	2,348	(2)
Cargo	<b>245</b>	239	3	<b>496</b>	489	1
Leisure/low cost**	<b>207</b>	203	2	<b>370</b>	369	0
Total traffic revenues	<b>1,651</b>	1,673	(1)	<b>3,161</b>	3,206	(1)
Engineering & Maintenance revenues	<b>226</b>	229	(1)	<b>453</b>		