



**KLM**

# KLM Royal Dutch Airlines

(Koninklijke Luchtvaart Maatschappij N.V.)

Amstelveen, The Netherlands

At present 55,4 % held by the State of the Netherlands

**SFr. 200.000.000.-**

**6 1/8 % Subordinated Bonds 1985 ff**

- Denominations :** SFr. 5.000.- and SFr. 100.000.-
- Issue Price :** 100 % (+ 0,30 % tax on negotiation of securities)
- Life :** Until the liquidation of KLM Royal Dutch Airlines
- Interest :** 6 1/8 %, payable annually in arrears, for a first period of ten years from February 12, 1985 to February 12, 1995

For the subsequent 10 year periods the interest will be based on the arithmetical mean of the Swiss Bank Corporation's Index of the overall yield to maturity of foreign bonds on the Swiss stock exchanges and the new Foreign bond issue Index (other than State or Provinces) of Pictet et Cie, plus a margin of 1/8 % rounded up if necessary to the nearest 1/8 % (see page 3)

**Settlement Date :** February 12, 1985

**Delivery of Bonds :** As soon as possible

The Institutions named below have purchased these Bonds and offer them for public subscription until January 25, 1985, noon.

## KREDIETBANK (SUISSE) S.A.

CLARIDEN BANK  
AMRO BANK UND FINANZ

Armand von Ernst & Cie AG  
Banco di Roma per la Svizzera  
Banque Générale du Luxembourg (Suisse) S.A.  
Banque Indosuez, Succursales de Suisse  
Banque Morgan Grenfell en Suisse S.A.  
Caisse d'Epargne du Valais

## NORDFINANZ-BANK ZÜRICH

LLOYDS BANK INTERNATIONAL LTD.  
BANQUE CIAL (SCHWEIZ)  
- Crédit Industriel d'Alsace et de Lorraine AG -

Fuji Bank (Schweiz) AG  
Gewerbebank Baden  
Handelsfinanz Midland Bank  
Hypothekar- und Handelsbank Winterthur  
Maerki, Baumann & Co. AG  
Sparkasse Schwyz

## ALGEMENE BANK NEDERLAND (SCHWEIZ) SODITIC S.A.

BA Finance (Suisse) S.A.  
Banca del Gottardo  
Bank in Liechtenstein Aktiengesellschaft  
Bank of Tokyo (Schweiz) AG  
Bank Oppenheim Pierson (Schweiz) AG  
Banque Gutzwiller, Kurz, Bungener S.A.  
Banque Scandinave en Suisse  
Barclays Bank (Suisse) S.A.  
Chase Manhattan Bank (Switzerland)

Citicorp Bank (Switzerland)  
Crédit Commercial de France (Suisse) S.A.  
First Chicago S.A.  
Manufacturers Hanover (Suisse) S.A.  
Mees & Hope Finanzgesellschaft AG  
Nederlandsche Middenstandsbank (Suisse) S.A.  
Nomura (Switzerland) Ltd.  
Sanwa Finanz (Schweiz) AG  
The Nikko (Switzerland) Finance Co, Ltd.  
The Royal Bank of Canada (Suisse)

By virtue of a resolution of the Management-Board and of the Supervisory-Board of the KLM Royal Dutch Airlines dated November 30, 1984, respectively December 13, 1984 and pursuant to a Public Bond Issue Agreement dated as of January 18, 1985 (« The Agreement ») with Kredietbank (Suisse) S.A. (« Kredietbank ») and a consortium of banks (hereinafter together with Kredietbank referred to as the « Banks »), KLM Royal Dutch Airlines (« the Company ») has resolved to issue on the Swiss capital market a public issue of Subordinated Bonds 1985 of Swiss Francs 200,000,000.- nominal (hereinafter called the « Bonds »).

Payment of interest and principal, plus premium (if any), shall be made without deduction of any taxes, imposts or duties, present or future, which are required to be withheld at source by the Company, which are levied or imposed or to be levied or imposed in the Netherlands, or any political subdivision of or taxing authority of or within the Netherlands, to the extent provided in the Bonds.

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## USE OF PROCEEDS

The net proceeds to the Company from the sale of the Bonds will be used to finance the Company's capital expenditure program.

## TERMS OF THE BONDS

The terms of the Bonds, which shall be an integral part of the Agreement and which govern the Bonds are the following (hereinafter called the « Terms of the Bonds ») :

### 1. Form and Denomination

The Bonds will be issued in bearer form in the denomination of Swiss Francs 5'000.- and Swiss Francs 100'000.- nominal amount each.

### 2. Interest

2.1. The Bonds will bear interest for a first period of ten years from February 12, 1985 (the « Payment Date ») at the rate of 6  $\frac{1}{8}$  % (six per cent and one eighth of one per cent) per annum, payable annually in arrears on February 12 of each year (the « Coupon Due Date »). The first payment shall be made on February 12, 1986.

2.2. Rate of Interest as from February 12, 1995.

The rate of interest payable from February 12, 1995 in respect to the Bonds (the « Rate of Interest ») will be established on the basis of the following provisions :

- (i) On each « Interest Determination Date » namely the tenth business day prior to each tenth anniversary of the payment date, Kredietbank (Suisse) S.A. (hereinafter called « KREDIETBANK » and the expression KREDIETBANK shall also mean in the event of its incapacity any other appointed principal paying agent (Section 6.2 hereof)) will determine, for the subsequent ten year period for which such rate will apply annually, the applicable base Rate of Interest as being the arithmetical mean of the SBC-foreign Bond index and the Pictet-new foreign Bond issue index. The Rate of Interest, subject as provided below, shall be  $\frac{1}{8}$  per cent per annum above the arithmetic mean (rounded upwards if necessary to the nearest  $\frac{1}{8}$  per cent).  
« SBC-foreign Bond index » means the overall yield to maturity of bonds issued by non resident borrowers (Gesamtrendite) determined by Swiss Bank Corporation, Basle, Switzerland, as presently published in the newspaper Finanz und Wirtschaft, Zurich ; « Pictet-new foreign Bond issue index » means the yield of new foreign bond issues other than of states and provinces as determined and published by Pictet & Cie, Geneva, Switzerland ;  
always provided that such index is not older than two weeks on the relevant Interest Determination Date.
- (ii) If on any Interest Determination Date only one of the indices is ascertainable (whether only one index is published during the relevant period or one of the indices is not any longer applicable, because its composition factors have been substantially changed and are not any longer comparable to the former composition of factors which shall be decided in the sole discretion of KREDIETBANK) the base Rate of Interest shall be determined by KREDIETBANK being the index ascertainable. The Rate of Interest shall be  $\frac{1}{8}$  per cent per annum above this base Rate of Interest (rounded upwards if necessary to the nearest  $\frac{1}{8}$  per cent).
- (iii) If on any Interest Determination Date none of the indices are ascertainable (whether due to a failure of publication or substantial change in the composition of the factors of such indices) then the applicable base Rate of Interest for the next ten year period shall be determined by KREDIETBANK as being the Reserve Interest Index. The « Reserve Interest Index » shall correspond to the average yield to maturity plus a margin of  $\frac{1}{8}$  % (rounded upwards if necessary to the nearest  $\frac{1}{8}$  per cent) of all, to be at least a major number of issues as determined by KREDIETBANK, Swiss Franc bonds issued by non Swiss residents and listed on the stock exchanges of Zurich, Basle and Geneva determined as of the last common trading day at all of the stock exchanges in the week prior to the relevant Interest Determination Date. If no paid price is available for any bond listed, then the bid price is to be used in such calculation.
- (iv) If on any Interest Determination Date a Reserve Interest Index is not ascertainable the Company and KREDIETBANK shall determine the applicable Rate of Interest for the next ten years by agreement whereby the Rate of Interest shall not be less than the average yield to maturity of the outstanding public issues of the Swiss Federal Government (rounded upwards if necessary to the nearest  $\frac{1}{8}$  %) plus a margin of 1 %. If, however, the Company and KREDIETBANK cannot reach an agreement the Bonds shall fall due and payable sixty days after the respective Interest Determination Date and the last Rate of Interest shall be payable by the Company up to such repayment of the Bonds. KREDIETBANK shall notify the Bondholders of such repayment, pursuant to Section 12.
- (v) The amount of interest payable on presentation and surrender of each coupon shall be rounded to the nearest legal coin, but at least five centimes.
- (vi) The establishment of the Rate of Interest and the coupon amount by KREDIETBANK shall (in the absence of manifest error) be final and binding on all concerned.

the Company to the holders of Bonds or coupons, or for their account. It is understood that the provisions of this Section 4 are and are intended solely for the purpose of defining the relative rights of the holders of Bonds or coupons and the holders of other *Pari Passu* Indebtedness, on the one hand, and the holders of Senior Indebtedness, on the other hand.

Nothing contained in this Section 4 is intended to or shall impair, as between the Company, its creditors other than the holders of Senior Indebtedness, and the holders of Bonds or coupons, the obligation of the Company, which is unconditional and absolute, to pay to the holders of Bonds or coupons as and when the same shall become due and payable in accordance with the terms hereof, or to affect the relative rights of the holders of Bonds or coupons and creditors of the Company other than the holders of Senior Indebtedness and of other *Pari Passu* Indebtedness, nor shall anything in this Section 4 prevent the holders of Bonds or coupons from exercising all remedies otherwise permitted by applicable law upon default under the Bonds, subject to the rights, if any, under this Section 4 of the holders of Senior Indebtedness in respect of cash, property or securities of the Company received upon the exercise of any such remedy. Upon any payment or distribution of assets of the Company referred to in this Section 4, the holders of Bonds or coupons shall be entitled to rely upon any order or decree of a court of competent jurisdiction in which such dissolution, winding up, liquidation or reorganization proceedings are pending or upon a certificate of the liquidating trustee or agent or other person making any distribution to the holders of Bonds or coupons for the purpose of ascertaining the persons entitled to participate in such distribution, the holders of Senior Indebtedness and other indebtedness of the Company, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Section 4.

If holders of Bonds or coupons do not file a proper claim or proof of debt in the form required in any proceeding referred to above prior to 30 days before the expiration of the time to file such claim in such proceeding, then the holder of any Senior Indebtedness is hereby authorized, and has the right, but shall not be required, to file an appropriate claim or claims for or on behalf of the holders of Bonds and coupons.

No payment by the Company on the Bonds and coupons (whether at maturity, upon redemption or repurchase, or otherwise) shall be made if, at the time of such payment or immediately after giving effect thereto, (a) there shall exist a default in the payment of principal, premium if any, sinking fund or interest with respect to any Senior Indebtedness, or (b) there shall have occurred an event of default (other than a default in the payment of principal, premium, if any, sinking fund or interest) with respect to any Senior Indebtedness, as defined therein or in the instrument under which the same is outstanding, permitting the holders thereof or any trustee under any such instrument to accelerate the maturity thereof, and such event of default shall not have been cured or waived or shall not have ceased to exist (except payments made if the Bonds are redeemed or acquired prior to the happening of such default or event of default).

Nothing contained in the Bonds shall affect the obligation of the Company to make, or prevent the Company from making, at any time, except as provided in this Section 4, payments on the Bonds and coupons.

Any renewal or extension of the time of payment of any Senior Indebtedness or the exercise by the holders of Senior Indebtedness of any of their rights under any instrument creating or evidencing Senior Indebtedness, including without limitation the waiver of default thereunder, may be made or done all without notice to or assent from the holders of Bonds or coupons.

No compromise, alteration, amendment, modification, extension, renewal or other change of, or waiver, consent or other action in respect of any liability or obligation under or in respect of, or of any of the terms, covenants or conditions of any indenture or other instrument under which any Senior Indebtedness is outstanding or of such Senior Indebtedness, whether or not such release is in accordance with the provisions of any applicable document, shall in any way alter or affect any of the provisions of this Section 4 or any other part of the Terms of the Bonds relating to the subordination hereof.

No rights of any present or future holder of any Senior Indebtedness to enforce the subordination herein shall at any time or in any way be prejudiced or impaired by any act or failure to act on the part of the Company or by any non-compliance by the Company with the terms, provisions and covenants of the Terms of the Bonds, regardless of any knowledge thereof any such holder may have or be otherwise charged with.

## **5. Purchase of Bonds and early redemption of Bonds**

5.1 Nothing herein shall be deemed to prohibit the Company or any subsidiary from acquiring any of the Bonds in the open market, in private transactions or otherwise.

5.2 The Company is entitled to call at par all, but not part of, the outstanding Bonds for early redemption on each tenth anniversary of the Payment Date, the first time as of February 12, 1995, provided the Company has given to KREDIETBANK a notice of early redemption such notice to be received by KREDIETBANK during a period starting 90 days prior to and ending 60 days prior to the next Coupon Due Date. If KREDIETBANK has not received such notice of early redemption 60 days prior to the next relevant Coupon Due Date, the Bonds may not be called by the Company, irrespective of whether such notice has been sent by the Company. Notice of such redemption shall be published by KREDIETBANK pursuant to Section 12 hereof.

## **6. Payments and exchange of coupon sheets**

6.1. The Company undertakes to pay to KREDIETBANK for the benefit of the Bondholders when due, principal and interest on the Bonds, in freely disposable legal currency of the Swiss Confederation, without cost to the Bond-

(vii) In this Section, the expression « business day » means a day which banks are open for the whole day in Zurich, Basle and Geneva.

(viii) The Rate of Interest so determined and the coupon amount so calculated shall be published by KREDIETBANK pursuant to Section 12 as soon as possible.

### 3. Repayment

The Company undertakes to repay the principal amount of the Bonds without any previous notice not later than two business days after its shareholders assembly has resolved to liquidate the Company (the « Repayment Date »). Each and every holder of a Bond hereby agrees expressly that, subject to Section 10 hereof, he waives any right to terminate the indebtedness under the Bond prematurely.

### 4. Status and Subordination to Senior Indebtedness

The Company, for itself, its successors and assigns covenants and agrees, and each holder of Bonds or of any coupons appertaining thereto, by his acceptance thereof likewise covenants and agrees, that the payment on the Bonds and coupons is hereby expressly subordinated, to the extent and in the manner hereinafter set forth in right of payment to the prior payment in full of all « Senior Indebtedness » (as defined hereafter).

The term « Senior Indebtedness » shall mean the principal, premium, if any, and unpaid interest (including interest accrued after the commencement of any reorganization or bankruptcy proceeding), fees, expenses, costs of collection and costs of preserving, protecting, policing or foreclosing on any real or personal property that has been pledged, hypothecated, mortgaged or in which a security interest may have been granted, and any other present and future indebtedness which is not expressly subordinated to or ranking *pari passu* with the Bonds. « Senior Indebtedness » shall not include the 6 ¼ % Swiss Francs Subordinated Bonds Due November 22, 1992 (the « 6 ¼ % Bonds ») and the 6 ¾ % Dfl. Subordinated Debenture Loan Due 1989/1993 (the 6 ¾ % Subordinated Bonds ») of the Company with respect to which the Bonds and coupons shall rank *pari passu* or any other present or future indebtedness which is subordinated to Senior Indebtedness in substantially the same manner as the Bonds and coupons (the Bonds and coupons, the 6 ¼ % Bonds, the 6 ¾ % Subordinated Bonds and such other indebtedness being referred to herein as « *Pari Passu* Indebtedness »).

Upon any distribution of assets of the Company upon any dissolution; winding up, liquidation or reorganization of the Company, whether in bankruptcy, insolvency, reorganization or receivership proceedings or upon an assignment for the benefit of creditors or any other sequestring of the assets and liabilities of the Company or otherwise,

- a) the holders of all Senior Indebtedness shall be entitled to receive payment in full (including payment of or provision for any unmatured, contingent or unliquidated Senior Indebtedness) before the holders of Bonds or coupons are entitled to receive any payment thereon ; and
- b) any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities, to which the holders of Bonds or coupons would be entitled except for the provisions of this Section 4 shall be paid by the liquidating trustee or agent or other person making such payment or distribution, whether a trustee in bankruptcy, a receiver or liquidating trustee or otherwise, directly to the holders of Senior Indebtedness or their representative or representatives or to the trustee or trustees under any indenture under which any instruments evidencing any of such Senior Indebtedness may have been issued, ratably according to the aggregate amounts remaining unpaid on account of the principal of, premium, if any, and interest on the Senior Indebtedness held or represented by each, to the extent necessary to make payment in full of all Senior Indebtedness remaining unpaid, after giving effect to any concurrent payment or distribution to the holders of such Senior Indebtedness ; and
- c) in the event that, notwithstanding the foregoing, any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities, shall be received by the holders of Bonds or coupons before all Senior Indebtedness is paid in full, such payment or distribution shall be paid over to the holders of such Senior Indebtedness or their representative or representatives or to the trustee or trustees, under any indenture under which any instruments evidencing any of such Senior Indebtedness may have been issued, ratably as aforesaid, for application to the payment of all Senior Indebtedness remaining unpaid until all such Senior Indebtedness shall have been paid in full, after giving effect to any concurrent payment or distribution to the holders of such Senior Indebtedness. The consolidation of the Company with, or the merger of the Company into, another corporation or the liquidation or dissolution of the Company following the sale or conveyance of its property or assets as an entirety or substantially as an entirety, to another corporation upon the terms and conditions provided in Section 9 herein shall not be deemed a dissolution, winding up, liquidation or reorganization of the Company for the purpose of this Section 4 if such other corporation shall, as a part of such consolidation, merger, sale or conveyance, comply with the conditions stated in Section 9.

Subject to the payment in full of all due Senior Indebtedness, holders of Bonds or coupons shall be subrogated pro rata (based on respective amounts paid over for the benefit of the holders of Senior Indebtedness) with the holders of other *Pari Passu* Indebtedness to the rights of the holders of Senior Indebtedness to receive payments or distributions of cash, property or securities of the Company applicable to Senior Indebtedness until the Bonds or coupons shall be paid in full and no such payments or distributions to the holders of Bonds or coupons of cash, property or securities otherwise distributable to the holders of Senior Indebtedness shall, as between the Company, its creditors other than the holders of Senior Indebtedness, and the holders of Bonds or coupons be deemed to be a payment by

holders, without any limitations and under all circumstances notwithstanding any transfer restrictions, regardless of any bilateral or multilateral payment or clearing agreement in existence between the Netherlands and the Swiss Confederation, irrespective of the nationality, residence or domicile of any of the Bondholders and without requiring any affidavit or the fulfillment of any formalities.

The funds required for the payment of principal, interest and any additional sums payable pursuant to Section 7 hereof, shall be made available to KREDIETBANK in Switzerland by the Company in good time before each Due Date. The receipt of the funds by KREDIETBANK on behalf of the Bondholders shall release the Company from its obligations in respect of the payments due at the respective dates for principal, premium (if any), interest and additional sums payable pursuant to Section 7 hereof.

KREDIETBANK will arrange for payment of such funds as and when due to the holders of Bonds and coupons. Bonds and coupons may be presented and surrendered for payment and talons may be presented in exchange for new coupon sheets only at the counters of the following banks and their offices throughout Switzerland:

Kredietbank (Suisse) S.A.  
Nordfinanz-Bank Zürich  
Clariden Bank  
Lloyds Bank International Ltd.  
Amro Bank und Finanz  
Banque CIAL (Schweiz) – Crédit Industriel d'Alsace et de Lorraine AG –  
Armand von Ernst & Cie AG  
Banco di Roma per la Svizzera  
Banque Générale du Luxembourg (Suisse) S.A.  
Banque Indosuez, Succursales de Suisse  
Banque Morgan Grenfell en Suisse S.A.  
Caisse d'Epargne du Valais  
Fuji Bank (Schweiz) AG  
Gewerbebank Baden  
Handelsfinanz Midland Bank  
Hypothekar- und Handelsbank Winterthur  
Maerki, Baumann & Co. AG  
Sparkasse Schwyz  
Algemene Bank Nederland (Schweiz)  
Soditic S.A.  
Bank of America NT and SA, Zurich Branch  
Banca del Gottardo  
Bank of Tokyo (Schweiz) AG  
Bank Oppenheim Pierson (Schweiz) AG  
Banque Gutzwiller, Kurz, Bungener S.A.  
Banque Scandinave en Suisse  
Barclays Bank (Suisse) S.A.  
Chase Manhattan Bank (Switzerland)  
Citicorp Bank (Switzerland)  
Crédit Commercial de France (Suisse) S.A.  
First Chicago S.A.  
Manufacturers Hanover Trust Company, Zurich Branch  
Nederlandsche Middenstandsbank (Suisse) S.A.  
The Royal Bank of Canada (Suisse)

The Bonds will be paid at the principal amount printed on the Bonds and the amount printed on the coupons, respectively, and in case of redemption pursuant to Section 7 hereof including the additional amounts mentioned therein.

6.2. If at any time during the life of the Bonds, KREDIETBANK shall at any time be incapable, for any reason, of accepting funds for the payment of interest or principal, and any additional amounts payable pursuant to Section 7 hereof, or of acting as agent of the Bondholders as contemplated by the terms and conditions of the Bonds, the Bondholders expressly agree that KREDIETBANK may be replaced by a decision of the institutions other than KREDIETBANK mentioned in this Section 6 whereby the votes in such decision shall be counted based upon the principal amount of the Bonds initially subscribed by such institutions and such institutions shall, after consultation with the Company, appoint one of these institutions to replace KREDIETBANK in these functions. If the institutions shall fail to appoint another institution to replace KREDIETBANK within 30 days after demand of the Company, then the Company shall appoint the replacement. In the event of any replacement of KREDIETBANK hereunder, all reference to KREDIETBANK shall be deemed to refer to such replacement for the purpose of the Bonds. The appointment of the replacement shall be published in accordance with Section 12.

6.3. No payments on the Bonds or coupons will be made outside of Switzerland.

## 7. Tax Status

All payments of interest and principal shall be made without deduction of any taxes, imposts, duties, assessments or governmental charges at source (hereinafter individually referred to as « Taxes »), present or future, which are required to be withheld (including, without limitation, back-up withholding) by the Company, which are levied or imposed or to be levied or imposed in the Netherlands, including areas subject to its jurisdiction or any political subdivision of or taxing authority of or within one of the foregoing (hereinafter referred to as a « Taxing Jurisdiction »).

In the event that any such Taxes should at any future time be imposed or levied by any such Taxing Jurisdiction, the Company shall remit to KREDIETBANK for the account of the holders of any Bond or coupon such additional amounts as may be necessary to ensure that after deduction of any such Taxes of a Taxing Jurisdiction, but before any deduction made pursuant to Swiss law, every net payment of the principal (or amounts in respect thereof) and interest on such Bond will be not less than the face amount of any coupon and the principal amount of any Bond or amounts in respect thereof that may be due and owing at the time of payment thereof, plus premium (if any). The Company's obligation to remit such additional amounts shall not be subject to the fulfillment of any disclosure or certification requirement with respect to the nationality, status or identity of the recipient of the payment or the beneficial owner of the Bond in question.

The foregoing provisions, however, do not exempt a holder of a Bond or coupon from any Taxes imposed or levied in a Taxing Jurisdiction, and the Company shall not be obligated to remit funds and pay additional amounts on account of such Taxes, if the holder of the Bond or coupon is subject to taxation in a Taxing Jurisdiction for reasons other than his ownership of the Bond or coupon, nor shall the Company be obligated to remit funds and pay additional amounts, in the event any such Taxes are imposed by reason of one or more of the following :

- i) any tax, assessment or governmental charge that is payable otherwise than by withholding or deduction from payments of principal (or amounts in respect thereof), premium (if any) and/or interest on the Bonds ;
- ii) any gift, estate, inheritance, sales, transfer or personal property tax or any tax, assessment or governmental charge similar to any of the foregoing ; or
- iii) the presentation of a Bond or any coupon for payment on a date more than 10 days after the date on which such Bond or coupon became due and payable or the date on which payment thereof is duly provided for, whichever occurs later.

if, at any time, the Company furnishes evidence to KREDIETBANK that the Company has paid or will have to pay or if the Company has determined that there has been a substantial increase in the likelihood that the Company will become obligated to pay on the next Coupon Due Date any additional amount in respect of the Bonds or the coupons or the Company has withheld or has been requested by the relevant Taxing Jurisdiction to withhold amounts from any payment due, the Company shall have the right to redeem all (but not a part only) of the then outstanding Bonds at any time thereafter and such Bonds will become due 30 days after receipt by KREDIETBANK of notice to this effect, without a premium.

Bonds called or deposited for redemption shall cease to bear interest from the date fixed for such redemption, unless the Company shall default in providing for the payment of such Bonds. The Bonds must be presented for repayment with all unmatured coupons and the coupons sheet talon attached. An amount equal to any missing unmatured coupon shall be deducted from the amount due for repayment. Such coupons will, however, be paid upon subsequent presentation provided they shall not have become barred pursuant to Section 11 hereof.

## 8. Authorizations

The Company has confirmed to the Banks that any authorizations or approvals which are required under the laws of the Netherlands for performance of its obligations hereunder have been obtained.

## 9. Merger, Sale or Transfer of Assets

All outstanding Bonds shall become due and payable at their principal amount plus accrued interest, upon 30 days' notice to the Company by KREDIETBANK, if the Company shall merge or consolidate with, or sell or convey all or substantially all of its assets to any other corporation, unless either (A) the Company shall be the surviving corporation in the case of a merger or (B) the surviving, resulting or transferee corporation shall expressly assume the due and punctual payment (including any additional amounts payable pursuant to Section 7 hereof) of all the Bonds, according to their tenor, and the due and punctual performance of all of the covenants and obligations of the Company under the Bonds, the coupons and the Terms of the Bonds by supplemental agreement satisfactory to KREDIETBANK, provided that such surviving, resulting or transferee corporation will provide all necessary information to KREDIETBANK to enable KREDIETBANK to reapply on behalf of the surviving, resulting or transferee corporation for the admission and quotation

of the Bonds so assumed on the stock exchanges of Zurich, Basle, Berne and Geneva under the then existing rules and regulations of such stock exchanges, including but not limited to the publication of a prospectus and other necessary publications, at the cost of the surviving, resulting or transferee corporation. Upon any such merger, consolidation, sale conveyance or assumption the successor or assuming corporation shall succeed to all the obligations of the Company and may exercise every right and power of the Company under the Bonds with the same effect as if such successor or assuming corporation had been named as the Company herein, and the Company shall be released from its liability as obligor under the Bonds.

## 10. Events of Default

KREDIETBANK shall have the right but not the obligation, on behalf of the Bondholders, to declare the then outstanding Bonds, plus accrued interest, to be due and payable if any of the following events shall have occurred, or to take any other measures, including the amendment of the Terms of the Bonds by agreement with the Company, to protect the interests of the Bondholders :

- a) if the Company is in default in the payment of principal or, for a continuous period of 30 days, in the payment of interest on the Bonds or additional amounts payable pursuant to Section 7 above ; or
- b) if the Company is in default in the performance, or is in breach, of any covenant or agreement of the Company in the Bonds and such default or breach continues unremedied for a period of 60 days after notice thereof has been given by KREDIETBANK, by cable or telex, to the Company ; or
- c) if an event of default, as defined in any indenture or instrument evidencing or under which the Company has at the date hereof or shall hereafter have outstanding at least Hfl. 20,000,000.- aggregate principal amount of indebtedness for borrowed money, shall happen and be continuing and shall not be contested in good faith and such default shall involve the failure to pay the principal of such indebtedness (or any part thereof), when due and payable after the expiration of any applicable grace period with respect thereto, or such indebtedness shall have been accelerated so that the same shall be or become due and payable prior to the date on which the same would otherwise have become due and payable, and such acceleration shall not be contested in good faith not be rescinded or annulled within 10 days after notice thereof shall have been given to the Company by KREDIETBANK ; provided that if such event of default under such indenture or instrument shall be remedied or cured by the Company or waived by the holders of such indebtedness, then the event of default hereunder by reason thereof shall be deemed likewise to have been thereupon remedied, cured or waived without further action upon the part of KREDIETBANK or any of the holders of Bonds ; or
- d) in the case of the commencement by the Company of any bankruptcy or other action or proceeding for any relief under any law affecting creditors' rights generally or seeking the appointment of a trustee, receiver, liquidator or similar official for it or any substantial part of its properties, or the commencement against the Company of any bankruptcy or other such action or proceeding, if such action or proceeding shall not be dismissed or stayed within 60 days following the commencement thereof ; or
- e) if the Company is involuntarily wound up or dissolved, or
- f) if the Company shall cease to be a major airline possessing sufficient franchises, concessions, permits, rights and privileges for the conduct of its business and operations as such.

In any one of the above events KREDIETBANK shall have the right but not the obligation to call for a meeting of the Bondholders to decide on the immediate repayment or on an amendment with the consent of the Company of the Terms of the Bonds. Notice of such a meeting shall be given at least 10 days prior to the date of the meeting by way of one announcement in the newspapers mentioned in Section 12 hereof. The meeting shall pass its resolutions by the absolute majority in principal amount of the Bonds which are represented at the meeting. The Bondholders will exercise their voting rights in proportion to the principal amount of Bonds held. The exclusive contractual remedies of the Bondholders under the Bonds against the Company for any default shall be as set forth in this paragraph, and no Bondholder shall have the right under the Bonds otherwise to declare a default and demand payment of the Bonds or to bring suit for enforcement of any Bond or coupon.

In the event the Bonds are declared due and payable pursuant to this Section 10, the then outstanding principal amount of the Bonds plus interest accrued thereon shall become due and payable at the date communicated in writing to the Company by KREDIETBANK.

## 11. Statute of Limitations

In accordance with the Swiss Statute of Limitations, the coupons will become barred five years and the Bonds ten years after their respective due dates.

## **12. Notices and Publications**

All notices to the Bondholders regarding the Bonds shall be published by KREDIETBANK and shall be deemed to have been validly given if published in the Feuille Officielle Suisse du Commerce and in a daily newspaper in Geneva, Basle, Berne, Lugano and Zurich.

## **13. Listing of the Bonds**

Application will be made for the admission and quotation of the Bonds on the Stock Exchanges of Zurich, Basle, Berne and Geneva for the entire duration of the Bonds.

## **14. Replacement of the Bonds**

If any Bond or coupon is defaced, mutilated, destroyed, stolen or lost, it may be renewed or replaced at the offices of KREDIETBANK on payment of such costs as may be incurred in connection therewith and on such evidence and indemnity as the Company may require. Defaced or mutilated Bonds or coupons must be surrendered before new ones may be issued.

## **15. Currency Indemnity**

If any sum due from the Company under the Bonds has to be converted from Swiss Francs (the « first currency ») into another currency (the « second currency ») for the purpose of (i) making or filing a claim or proof against the Company, (ii) obtaining an order or judgment in any court or other tribunal or (iii) enforcing any order or judgment given or made in relation hereto the Company shall indemnify and hold harmless the Bondholders from and against any loss suffered as a result of any discrepancy between (a) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (b) the rate or rates of exchange at which KREDIETBANK on behalf of the Bondholders may in the ordinary course of business purchase the first currency with the second currency on the date of receipt of a sum paid to them in satisfaction in whole or in part of any such order, judgment, claim or proof.

## **16. Applicable Law and Jurisdiction**

The terms, conditions and form of the Bonds and coupons of these Bonds (the English language version of which shall prevail in all instances) shall be subject to and governed by Swiss law.

Any dispute which might arise between the Bondholders, on the one hand, and the Company on the other hand, in respect of the Bonds and the coupons of this issue shall fall within the jurisdiction of the ordinary courts of the Canton of Geneva, venue being in the City of Geneva, with the right to appeal, as provided by law, to the Swiss Federal Court in Lausanne, whose judgment shall be final. Solely in connection with matters relating to the Bonds and the coupons and for the process of execution in Switzerland, the Company elects legal and special domicile at the principal office of Kredietbank (Suisse) S.A., 7, boulevard Georges-Favon, 1204 Geneva, Switzerland or in the event of its incapacity at the principal office in Geneva of any other appointed principal paying agent. The aforementioned jurisdiction shall also be valid for the cancellation and replacement of lost, stolen, defaced, mutilated or destroyed Bonds and coupons.

Payment effected to a Bondholder who has been identified as a creditor of the Company by a judgment of a Swiss court shall release the Company from its payment obligation under the respective Bond or Bonds.

Subject to the provisions of Section 10 hereof, a Bondholder shall have the right to bring any legal action against the Company with respect to the Bonds and the coupons and all covenants contained therein in any competent court in the Netherlands which has jurisdiction, in which case Swiss law shall also be applicable.

The Terms of the Bonds set forth in Sections 1 to 16 hereof shall be printed in the English language on the reverse side of the Bonds.

In connection with the Issue of the Bonds in the aggregate amount of SFr. 200,000,000.- the Company has provided the following information concerning itself :

**KLM ROYAL DUTCH AIRLINES**  
 (« The Company »)

**INTRODUCTION**

Koninklijke Luchtvaart Maatschappij N.V. (KLM), more commonly known by its English equivalent, KLM Royal Dutch Airlines, is a limited liability company incorporated in 1919 under the laws of the Netherlands. KLM's common shares are listed on the Amsterdam, Brussels, Dusseldorf, Frankfurt, Hamburg and New York stock exchanges. KLM has been in continuous corporate existence and operation longer than any other scheduled airline. Although since 1929 the State has owned a majority of KLM's voting shares (presently approximately 55 %), KLM has been managed and operated as a private business enterprise at all times since its incorporation.

KLM's principal business is the transportation of passengers, freight and mail on routes in and between the Netherlands, North, Central and South America, the Near East, the Far East, Europe and Africa. KLM's route network, including that of NLM CityHopper, is one of the largest of all international carriers, covering more than 389,000 kilometers and serving six continents through 124 cities in 77 countries. KLM is Amsterdam airport Schiphol's biggest customer with an average of more than 55,000 aircraft movements a year.

During the financial year ended 31st March 1984, KLM generated operating revenues of Dfl 4,963 million of which 85 per cent was attributable to the transportation of passengers, cargo and mail and the remaining 15 % to ancillary activities, principally the maintenance and handling of aircraft operated by other airlines.

**INCORPORATION, DURATION AND HEAD OFFICE**

KLM was established by notarial deed of October 7, 1919.

The registered office and Head Office of the Company is at Amsterdamseweg 55, Amstelveen. The duration shall be for an indefinite time.

**PURPOSE**

In accordance with its Articles of Association, the purpose of the Company shall be to carry on the business of air transport and to engage in any other activities of a commercial, industrial or financial nature, including participation in other enterprises, both for the Company's own account and for the account of or in participation or cooperation with third parties.

**FINANCIAL YEAR**

The financial year of KLM runs from April 1, to March 31.

**CAPITAL AND SHARES**

	in guilders
The authorized capital is 2,400,000,000 guilders, divided into :	
2,500 priority shares, each with a par value of 20 guilders .....	50,000
89,997,500 common shares, each with a par value of 20 guilders .....	1,799,950,000
30,000,000 preference shares, each with a par value of 20 guilders .....	600,000,000
Total :	2,400,000,000

As of December 31, 1984, there have been issued from such authorized capital :	
1,750 priority shares, each with a par value of 20 guilders .....	35,000
39,433,100 common shares, each with a par value of 20 guilders .....	788,662,000
10,000,000 preference shares, each with a par value of 20 guilders .....	200,000,000
Total :	988,097,000

The ownership of the State of the Netherlands amounts to :

1,300 priority shares	= approx. 74.3 % of issued priority shares
17,394,450 common shares	= approx. 44.1 % of issued common shares
10,000,000 preference shares	= 100.0 % of issued preference shares

**DIVIDENDS**

With respect to the financial year 1978/79 a dividend of 7 % was declared ; no dividend has been paid since.

## VOTING RIGHTS

There are three classes of shares : priority shares, preference shares and common shares. Each share has a par value of 20 guilders and entitles the holder to cast one vote at the general meeting of shareholders.

## SUPERVISORY BOARD AND MANAGEMENT OF THE COMPANY

As of January 1, 1985, the following changes have been made in the Supervisory Board as shown in the KLM Organization chart figuring on page 46 of the enclosed annual report, Mr. P. Sanders being replaced by Mr. R. den Besten, and in the international Audit Bureau, Mr. H.A. Bakker by Mr. J.C. Bruggink.

## SUBSIDIARIES

Subsidiaries of which KLM owns a majority of the shares are included in its financial statements, the most important being :

KLM International Finance Company N.V.  
Weblok B.V.  
NLM CityHopper B.V.  
KLM Helikopters B.V.  
KLM Aerocarto B.V.  
Service Q Algemeen Dienstverleningsbedrijf B.V.  
Highmark International B.V.  
Golden Tulip International B.V.  
Korenduif B.V.

All the above subsidiaries are 100 % owned by KLM.

No subsidiary has any outstanding public issue.

## RECENT DEVELOPMENTS

The Report on the quarter ended September 30, 1984, giving the consolidated statements of earnings for the three and six months ended September 30, 1983 and 1984, are shown in the Interim Report dated November 1, 1984, together with the comments of the Management, attached hereafter.

The unaudited consolidated Balance sheet dated September 30, 1984, is also included.

## BUSINESS OUTLOOK

Although the seasonal pattern of the traffic will cause part of the profit made in the first six months of the financial year ending March 31, 1985, to be lost in the second halfyear, the management does, nonetheless, anticipate a higher profit this financial year than last year, barring any unforeseen circumstances.

Yours truly,  
Koninklijke Luchtvaart Maatschappij N.V.

S. Orlandini, P.C.W. Alberda van Ekenstein  
President Senior Vice President Finance