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A stronger KLM for a stronger Netherlands

Suggestions for the path forward

John Burant

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About this report

This report has been commissioned by the Federation of Dutch Trade Unions (FNV). This report assesses the performance and strategy of KLM Royal Dutch Airlines (KLM), in particular with regard to issues raised in the scenario report *Mogelijke toekomsten voor KLM* ("Possible futures for KLM") commissioned and published by KLM. Approaches that the airline can take to refocus its strategy and operations to better serve the people of the Netherlands are examined.

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Authorship

This report was researched and written by John Burant.

John is a quantitative analyst with 25 years of experience analysing businesses, industries, and economic systems. In the last twelve years, he has focused significantly on the transportation industry and advised labour organisations around the globe on aviation issues. He has lived in the United States and the Netherlands and worked for labour unions and as an independent consultant. He trained as a scientist, earning a PhD in theoretical chemistry, before deciding to focus on important societal issues at the intersection of labour, business, and the environment.

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Summary

KLM management is considering – and signalling its intent to make - significant changes at the airline. It recently undertook a consultation procedure with internal and external stakeholders, which resulted in a report outlining potential scenarios for the airline's future. Against a background of weakening profitability, the scenario report raises the possibility of significant cost reductions and reorganisations, with the threat of its parent, Air France-KLM, forcing action if it does not meet certain goals. And alongside its year-to-date financial results announcement in November 2026, KLM management announced several action steps it intended to take.

But the scenario report misses two issues: First, it lacks evidence that KLM is actually in a crisis. Second, it lacks evidence of a careful consideration of the group's mission and business strategy, from which a coherent set of potential action steps could then be derived. This report, commissioned by FNV, which counts thousands of KLM employees among its members, considers those two issues.

First, KLM's current financial and operational position within the broader European aviation market was examined by reviewing and analysing published financial statements, airline and airport traffic data and industry research. It compares KLM's metrics with European network airline peers to give context on its operations and profitability. The analysis considers several issues KLM management has cited as factors contributing to its decrease in financial results - airport fees, fuel prices and geopolitical disruption - distinguishing pressures shared across the industry from factors that could explain differences in KLM's performance. This approach places KLM's results in the context of a changing industry, providing a basis for assessing both management's description of its financial position and its response to market conditions.

Second, a vision for what would make KLM the best airline for the Netherlands is developed: a financially sound airline that builds its service offerings around Dutch residents, visitors and businesses, provides good employment and moves quickly towards sustainability. The analysis considers KLM's balance between local and transfer passengers and opportunities to improve passenger choice and revenue through differentiated services, using developments at and results achieved by other airlines as a reference point for assessing KLM's strategic choices. It also examines workforce composition and labour costs and related fairness issues, as well as the potential consequences of reorganising or outsourcing ground handling. Sustainability is considered through the scope for commercially justified flight reductions, fleet renewal, lower-carbon fuels and integrated rail connections. These considerations inform recommendations intended to strengthen KLM's commercial performance and its contribution to Dutch society.

The report's key finding regarding KLM's financial position is that KLM remains profitable, in the middle tier among peer European airlines. Its operating cash flow has been sufficient to cover investments, and its financial performance is improving. KLM is not in crisis.

The report's key finding regarding KLM's strategy is that management has not adapted its network strategy sufficiently in response to changing market conditions, nor has it diversified its service offerings as aggressively as leading airlines. As a result, it misses opportunities for higher revenue. Its focus on reducing costs is not surprising, but that will not, on its own, deliver sustained financial improvements. The best KLM for the Netherlands would embrace leading-edge airline strategies, a balanced network that emphasises more profitable passengers, and strong labour and sustainability standards. The report provides several clear recommendations on this front. These recommendations are:

Management must address how it matches capacity to long-term changes in demand and industry competition. Recent developments in airport fees, fuel prices and geopolitical disruption create pressures, but do not adequately explain KLM's weaker performance relative to competitors. Its declining seat occupancy alongside lower profitability points to shortcomings in adapting the flight programme to market conditions.

KLM should build its network around passengers travelling to and from the Netherlands. These passengers account for nearly two-thirds of KLM Group's customers, with evidence suggesting they are more profitable than transfer passengers. Transfer traffic remains valuable when it supports profitable services, but maintaining or adding flights primarily to attract lower-paying connecting passengers risks diluting margins. Modest reductions in flight frequencies could improve returns while preserving substantial connectivity.

KLM should earn more from its services through better product differentiation. Leading competitors combine competitive basic fares with a wider range of paid upgrades and premium options, while KLM's offerings remain limited across parts of its network. Expanding these choices, including reconsidering Transavia's offering and role at Schiphol, could increase revenue within existing airport capacity.

Labour decisions must reflect where costs have grown and what restructuring would achieve. The KLM workforce is diverse, ranging from modestly paid ground handling staff to highly paid pilots. The growth of the pilot contingent over the last decade has driven higher labour costs, with this group accounting for about 41% of labour-cost growth since 2017, despite representing only 12% of the workforce. Any planning for labour cost savings should therefore begin with scrutiny of pilot staffing and compensation, with greater contributions expected from those best able to bear them. Separating or outsourcing ground handling risks weakening service quality for estimated savings that would improve margins by only a few tenths of a percentage point at best.

KLM must act more proactively to reduce its emissions. Fleet renewal is underway, and lower-carbon fuels are already part of the fuel mix. But the benefits of both remain limited, and improvements risk being undercut by increased flying. Where possible, KLM should pair these investments with commercially justified flight reductions and expand reliable, jointly booked rail connections to replace short feeder flights.

Abbreviations

ASK(s)	Available seat kilometre(s)
CEO	Chief executive officer
CO_2	Carbon dioxide
COVID	Coronavirus disease; referring here to COVID-19
E&M	Engineering and maintenance
EBIT	Earnings before interest and tax
EU	European Union
EUROCONTROL	European Organisation for the Safety of Air Navigation
FNV	Federation of Dutch Trade Unions *(Dutch: Federatie Nederlandse Vakbeweging)*
FTE(s)	Full-time equivalent(s) employees
GH	Ground handling
GHSP	Ground handling service provider
HV	Transavia; two-character airline code
IAG	International Airlines Group; registered name: International Consolidated Airlines Group
IFRS	International Financial Reporting Standards
ITA	Italia Trasporto Aereo; operating as ITA Airways
JFK	John F. Kennedy International Airport (airport code)
KLM	KLM Royal Dutch Airlines
LCC(s)	Low-cost carrier(s)
LOT	LOT Polish Airlines
LtO	License to Operate
P2P	Point-to-point
ROIC	Return on invested capital
RPK(s)	Revenue passenger kilometre(s)
SAF(s)	Sustainable aviation fuel(s)
SAS	Scandinavian Airlines System
SEO	SEO Amsterdam Economics (*Dutch: SEO Economisch Onderzoek)*
TAP	Transportes Aéreos Portugueses; operating as TAP Air Portugal
WACC	Weighted average cost of capital
WPBL	Employers' Organisation for Aviation Passenger and Baggage Handling *(Dutch: Werkgeversvereniging Passagiers- en Bagageafhandeling Luchtvaart)*

1

Background and Overview

1.1 Background

KLM Royal Dutch Airlines (KLM) is the leading airline in the Netherlands. Through its mainline (network) operation and its owned subsidiary Transavia, it is the largest carrier of air traffic to and from the Netherlands, via its hub operation at Amsterdam Schiphol Airport and Transavia's bases at Schiphol, Eindhoven Airport and Rotterdam-Den Haag Airport. KLM has a storied history and pioneered strategies now common in global aviation.

The COVID pandemic that began in 2020 threw the entire airline industry into chaos, with a "return to normal" only crystallised in 2023. By now, most airlines have returned to similar levels of traffic and financial performance as before the pandemic. KLM, however, has not managed to return to its pre-pandemic levels of financial performance.

KLM management has raised alarm internally and externally. Management contracted with Reos Partners to facilitate a dialogue amongst internal and external stakeholders, including employees, and to develop scenarios for KLM's future.[1] These scenarios are not meant to be strategic options to choose among but rather distinct paths that could emerge depending on choices made by management and other stakeholders in the coming months and years. Nonetheless, the framing of the report and its discussion of what management and other stakeholders identify as challenges, along with sketches of specific actions and outcomes contained in the scenarios, give glimpses into what could occur. There can be no doubt that this reflects, at least to some degree, elements of management's thinking.

Many of the actions sketched in these scenarios relate to cost reduction, reorganisation within KLM and the Air France-KLM Group, or modest shifts of geographic focus. But these represent a grab-bag of one-off, isolated actions that do not evidence a clear connection to its mission, its place in Dutch society, or a cohesive rethinking of the company's business and position in the aviation industry. As a result, these actions risk being mere "tactics in search of a strategy", and the scenarios risk amounting to no more than arbitrary waystations on a journey towards a destination unknown and uncharacterised except for a belief that they might generate higher margins.

Despite sharing the scenario report publicly less than two months ago, KLM management moved quickly – more quickly than outlined in some of the scenarios – by announcing specific intended actions along with its third-quarter results.[2] These actions include changes to future aircraft purchases, outsourcing certain ground handling operations, changes to cargo handling and maintenance operations, and an intent to negotiate collective labour agreements with "very moderate" wage growth. In all, 5,000 positions are expected to be affected by some form of reorganisation, including reducing positions with KLM itself by 1,000. It is not clear that KLM has concluded the internal discussions and "relationship repair" it contemplated in the scenario report or developed a comprehensive business strategy that can achieve its stated goals before taking this action.

1.2 Overview of this report

This report examines KLM's current operations, factors that may have impacted the company's recent financial performance, the company's strategic focus, the position of its workforce within

the company, and KLM's relationship with the broader public. The goal is to identify important matters to consider before any significant strategic course is set.

The report proceeds as follows:

- Chapter 2 examines whether KLM is in a crisis – and if so, what has led to that situation. This question is broken down into distinct topics:
    - In Section 2.1, KLM's recent financial performance is compared with European aviation industry peers and KLM's own stated needs to assess whether the company is truly in a crisis.
    - In Section 2.2, several factors management has identified as negatively impacting KLM's financial performance are investigated critically, and the degree of their impact is assessed.
    - In Section 2.3, the response of KLM management to conditions in its markets – namely reconciling supply with changes in demand – is examined.
- Chapter 3 examines what is best for the Netherlands and whether KLM is delivering that. Alongside issues of equity and sustainability, a central theme is the balancing act between pursuing higher revenues and reducing costs. Following a general introduction in Section 3.1, this examination addresses several distinct themes:
    - In Section 3.2, two aspects of airline strategy are examined. These are the network model and the degree of product differentiation. We offer proposals to refocus and strengthen the strategy in ways that drive higher (unit) revenues.
    - In Section 3.3, KLM's labour costs and internal equity are examined, identifying trends in workforce composition and labour costs over time. Implications for workforce planning are outlined.
    - In Section 3.4, the question of what might be gained or lost from a restructuring of the ground handling operation is considered.
    - In Section 3.5, questions regarding the long-term sustainability of KLM's operations are considered.
- Chapter 4 contains a summary and conclusions.

2

Is KLM in crisis?

KLM argues that it is in a difficult financial situation and blames labour costs, airport fees, fuel prices and geopolitical disruptions, among other factors. A close look suggests that KLM's financial performance is within the middle tier of European network airlines and the factors cited are not as significant as management may suggest. Matching supply to market demand, which is a core airline management responsibility, may not have been executed as well as it could have been.

2.1 Operating margin comparison

KLM's operating margin has fallen since the highs it achieved before the COVID pandemic. This is a point management has raised repeatedly. But simply quoting KLM's margins, as its own materials generally do, doesn't provide enough context to draw any conclusions about the significance of this circumstance. A broader peer comparison is necessary. Figure 1 shows operating margins for all major European network airlines in 2019, the last year before the COVID pandemic, and 2025.[i]

Operating margins are shown for 13 airlines in 2019 and 14 airlines in 2025.[ii] Except for Brussels Airlines in 2019, all airlines had positive operating margins in both years. The spread among the margins is significant, ranging from -2% to above 16%. The heavy black line segments show the revenue-weighted averages, which were essentially equal at roughly 7.1% in both years. The heavy red line segments show the medians, which were 5.3% in 2019 and 4.9% in 2025.

This chart shows a separation into two distinct groups. There were four high-performing airlines that were above the peer mean and median in both years. Of those four airlines, three (British Airways, Iberia and Aer Lingus) are part of IAG and the other, SWISS, is part of the Lufthansa Group. The remaining airlines were near or below the peer mean in both years.

KLM recorded an operating margin of 7.7% in 2019 and 3.2% in 2025. This was 0.6 percentage points above the peer average in 2019 and 3.9 percentage points below the average in 2025. KLM was 2.4 percentage points above the median in 2019 and 1.7 percentage points below the median in 2025. Despite the drop in its operating margin, KLM fell within the mid-tier among competitors in both years, though near the top of that range in 2019 and near the bottom in 2025. Its precise rankings were 5th out of 13 in 2019 and 9th out of 14 in 2025. Five airlines, including KLM, showed a decrease in operating margin from 2019 to 2025. Eight airlines showed an increase. KLM's operating margin fell more than Aer Lingus', SWISS', and Finnair's, but less than Lufthansa's. Notably, all but one of the airlines below average in 2019 increased their margins by 2025.

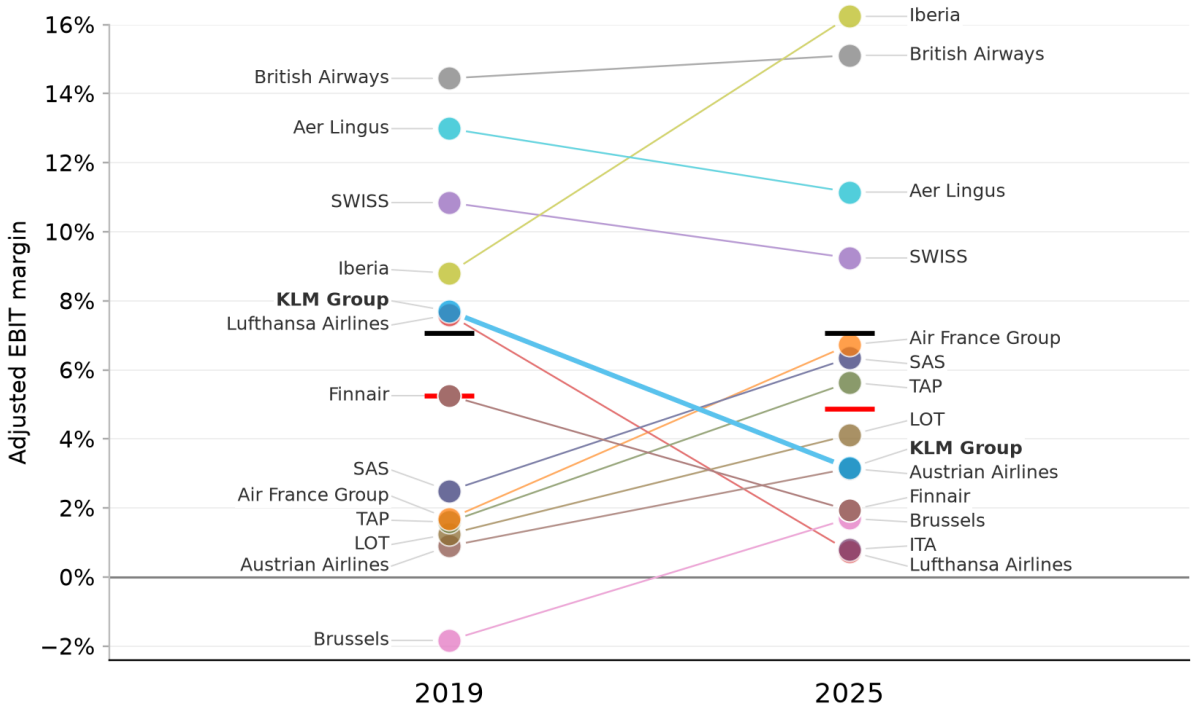
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[i] See Appendix 1 (Methodological notes). The set of peer airlines is major network airlines based in the EU, EFTA, and the United Kingdom. This is the peer group used throughout this paper, except where otherwise specified. SAS refers to Scandinavian Airlines System, TAP refers to TAP Air Portugal, LOT refers to LOT Polish Airlines, and ITA refers to ITA Airways.

[ii] The new airline in 2025 is ITA Airways, which is the restructured Alitalia. In 2019 Alitalia was in bankruptcy and its financial performance at that time does not represent a meaningful comparison with ITA Airways or other airlines, and is therefore is excluded from this chart.

KLM's scenario report claims it must generate €1.15 billion in annual operating profit in 2026-2028, and above €1.3 billion annually in the longer term. This contrasts with an absolute operating profit of €416 million generated in 2025.[iii] These profit levels appear to reflect the 8.0% margin targeted by KLM's *Back on Track* programme, an effort announced in 2024 intended to improve KLM's financial performance.[3] The scenario report claims that "without a profit margin, there is no room to invest in fleet renewal", but neither the scenario report nor KLM's other discussions of the *Back on Track* programme offers a justification for this specific operating profit level.

Figure 1 Operating margin of major European network carriers, 2019 and 2025



Source: Profundo analysis of consolidated group and/or airline annual reports.

Operating margin is just one measure of a company's financial performance. It's not necessarily the best metric for determining whether investments are justifiable or even possible. In general, whether a business can justify investing new capital depends on whether it can generate a return on that investment. A standard benchmark is the comparison of a business's return on invested capital (ROIC) against its weighted average cost of capital (WACC). This assesses whether the cost of capital used to make investments is more or less than the return the business can expect to generate using the assets acquired with those investments. KLM's ROIC in 2025 was 8.0%, slightly above the group's WACC of 6.9%.[iv] That ROIC is below what a well-performing publicly listed corporation would be expected to generate and well below the 16.3% KLM generated in 2019, but it's not so low as to warn off continued investment.

[iii] The KLM Group reporting boundary is not the same in 2025 as it was in 2019. In 2023, Air France-KLM separated its Flying Blue frequent flyer programme into a separate subsidiary held by the parent, so profits generated by KLM's participation in the programme are no longer reported as a component of KLM Group's results. The total operating profit from the Flying Blue subsidiary in 2025 was €218 million. Allocating this between KLM Group and Air France Group on the basis of RPKs would suggest a profit of €88 million was due to KLM Group activities and would have been reported as part of KLM Group profits under the old reporting system, which would have pushed up KLM Group's operating profit to €504 million had it been included. This is equivalent to a change in margin of +0.67% relative to what was reported under the new system.

[iv] See Appendix 1 (Methodological notes).

Moreover, KLM generates enough cash from operations to fund investments in new equipment. In 2025, KLM's net cash flow from operating activities was €1.18 billion, more than the net €1.05 billion used for investments.[4] That operating cash flow level is lower than in the last few years leading up to the pandemic but is roughly on par with KLM's performance over the decade prior to the pandemic. More importantly, based on the company's financial reporting, we expect cash needs for aircraft acquisitions in the coming years to be roughly consistent with recent levels rather than requiring substantially higher spending. We further expect routine financing to offset some near-term cash needs, allowing planned investments in new equipment to proceed while continuing to meet existing obligations arising from prior acquisitions.[v]

KLM's third-quarter/year-to-date results for 2026 show modest improvement in financial performance since the end of 2025.[5] The operating margin over that period was 4.8%, up 1.5 percentage points from the first nine months of 2025. In the European aviation industry, the third quarter is nearly always the most profitable period of the year. As such, KLM's third-quarter operating margin of 11.4% should not be interpreted as a substantial recovery, other than as a general uptrend versus the prior-year period, when it was 9.8%. Fourth-quarter margins are generally lower than full-year margins as well; therefore, it is likely that the 4.8% margin through three quarters will drop modestly when extended through the remainder of the year. But extending a 1.5 percentage point year-over-year increase projects the final 2026 operating margin to be in the neighbourhood of 4.7%, a significant improvement over 2025.

KLM continues to make money and to generate enough excess for continued investments. The airline is not as profitable as it was at its peak and does not match the peer average at the moment. Its decrease in financial performance is cause for concern but not alarm. KLM is not in crisis.

2.2 Commonly cited issues

KLM has cited several issues that it claims drag down its profitability. KLM draws significant attention to labour costs, but also raises issues of airport fees, fuel prices, and armed conflicts in Ukraine and the Middle East. Here we discuss the impact of airport fees, fuel prices, and armed conflicts. The issue of labour costs is taken up in Section 3.3.

These concerns are not unique to KLM; many airlines cite these factors. The fact that these are a common refrain among airlines underscores a critical issue for analysing (changes in) airline finances: The absolute level of these costs – or in the case of armed conflicts, the absolute degree of disruption - isn't the key issue. The *relative* impact on different airlines is what matters. A closer look suggests that the relative difference in how KLM is impacted by these issues, compared with competing airlines, varies. There is some impact, but it is likely modest.

2.2.1 Airport fees

One component of every airline's costs is the fees it must pay to airports for every takeoff or landing or for every passenger boarding their planes. In the aggregate, these amount to approximately five percent of airline operating costs, though the exact amount varies from case to case. Schiphol's airport fees rose sharply in 2025, leading to complaints, formal challenges to regulatory authorities, and a lawsuit from airlines including KLM.[6,7] Not surprisingly, KLM Group's reported expenditures on landing fees and route charges increased by €166 million, or 18.6%, from 2024 to 2025. This difference, however, amounted to just €2.70 per passenger.[vi]

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[v] See Appendix 1 (Methodological notes).

[vi] A further breakdown between airport fees and route charges (mainly navigation fees) is not provided in KLM's reporting. The per-passenger figure cited includes both KLM and Transavia. Costs and passenger figures were taken from KLM reporting. The calculation takes into account the increase in passenger numbers.

A closer look suggests that the effect of Schiphol's fee increases on KLM's competitive position was likely to have been relatively limited and does not appear to explain any significant drop in financial performance. Considering local and transfer traffic separately is crucial to unravelling the impact of airport fees.[vii]

For passengers starting or ending their journey in Amsterdam, passenger fees are the same regardless of the airline; no airline has any advantage or disadvantage relative to another. Airlines suggest that travellers can choose among different departure airports, but for most passengers using Schiphol, the extra transport costs to a more distant airport more than offset any modest fee differences. Brussels, the nearest alternative international hub airport, takes about two hours to reach by train from Amsterdam. Eindhoven is a second alternative for some flights but lies about 125 km from Amsterdam by road and also requires a nearly two-hour train-and-bus trip using public transport.[viii]

To understand the potential impact on passengers who must connect at a hub such as Schiphol, however, a comparison of fee levels at different airports is helpful. But a close analysis suggests even in this case the differences between Schiphol and other airports, and thus the effects on KLM, are not large. SEO Amsterdam Economics, an economic consultancy, recently undertook an examination of Schiphol's fees and benchmarked these fees against other hub airports.[8] By applying other airports' tariff schedules to Schiphol's established traffic pattern – which is dominated by KLM's usage - this analysis enables a like-for-like comparison of KLM's fee burden to that of similar network carriers utilising other hubs.

SEO found that Schiphol's fees were €21.70 per transfer passenger movement.[ix] This places Schiphol at about half Heathrow Airport's cost, effectively level with Frankfurt Airport and only modestly above most other airports. Among the six hubs appearing in the report that host European network carriers and had lower costs than Schiphol — Paris-Charles de Gaulle Airport, Munich Airport, Zurich Airport, Copenhagen Airport, Brussels Airport and Adolfo Suárez Madrid-Barajas Airport — the average premium of connecting through Schiphol was roughly €25 per *round-trip* itinerary.[9] Approximately 75% of Schiphol's transfer journeys involve at least one long-haul leg, and long-haul return fares can be well over €1,000 even for an economy-class ticket.[10,11] In that context, the difference in the airport fees is a relatively modest component of total travel costs. Schiphol's middle-of-the-road pricing on transfer passenger airport fees reflects, in part, the substantial discount it provides for transfer passengers compared to the fees it charges for local passengers. Schiphol's 38% discount was the largest among all airports considered in SEO's analysis that serve as a hub for an airline in KLM's peer group.

SEO's analysis covered 2025, but the general finding still holds. Furthermore, KLM's position relative to network carriers based at other hubs appears to have improved since that time and should improve further into 2027. First, Schiphol has not increased average fees since 2025. Second, Schiphol introduced a temporary reduction in certain daytime fees in 2026.[12] Third, the airport plans to reduce its transfer passenger-service and security bundle by nearly €1 in 2027, pending final calculations.[13] In contrast, Frankfurt raised average airport charges 3.9% in 2026 and plans a further 3% increase in connecting-passenger charges for 2027.[14] Heathrow's September 2026 proposal raises its 2027 transfer passenger charges by about 7% and its base daytime movement charge by 18.5%.[15] Even if the 2025 fee increases at Schiphol had a significant net impact on KLM, that impact may be fading over time.

[vii] Throughout this report, the term local passenger is used to refer to a traveller who begins or ends their journey at Schiphol, regardless of whether they reside in the area, are visiting, or travel elsewhere via another means of transportation. The term transfer passenger is used to refer to a passenger who travels on a single ticket changing planes at a hub airport.

[viii] Distances and travel time estimates developed from airport websites and travel planning services available on the web.

[ix] This includes fees assessed on a per-aircraft basis but excludes navigation charges and government aviation taxes.

Netherlands-imposed aviation taxes function similarly. There is currently a flat fee of €30.25 per departing passenger.[16] From 2027, this is intended to be split into three levels based on distance to the destination, with amounts increasing with distance and, for longer distances, higher than the current undifferentiated level. But the tax applies only to local passengers; transfer passengers are exempt. Therefore, no airline has any competitive advantage or disadvantage in competing for passengers to and from Schiphol, nor do KLM and its partners face significant competitive disadvantage on transfer itineraries relative to carriers using other hubs.[17]

Although the analysis above makes clear that the impact of Schiphol's fee increases (and taxes) on KLM's competitive position relative to other airlines is likely minimal, that does not mean the fee increases had no impact on the absolute level of demand for air travel. Depending on management's response to such changes in demand, these input-cost changes can indirectly affect airline profitability, as explained below in Section 2.3

2.2.2 Fuel prices

Fuel is a major airline expense. In 2025, fuel costs accounted for approximately 20% of KLM's costs (see Table 1 later in this paper). Fuel costs are subject to significant fluctuations, so many airlines, including KLM (via its parent Air France-KLM) hedge a significant degree of their purchases. This means most fuel costs are set far in advance, usually six to twelve months before actual consumption. This insulates them from short-term fluctuations, such as sudden increases due to the conflict in the Strait of Hormuz that began in February 2026. But this does not insulate them from long-term changes in fuel prices.

The hedging within the Air France-KLM group appears to be done at the level of the parent company. For 2025, it reported that its fuel exposure was 69% hedged for an effective rate of US$808 per tonne, not substantially different from the year-average market price.[18] Given the relative closeness of the hedged price to the market price, it is unlikely that the average fuel costs for KLM compared with competitors were substantially different, unless one of the competitors was very unlucky with its hedging strategy.

In its third-quarter 2026 results, Air France-KLM reported that its hedged fuel price was projected to reach US$1,068 for the full-year 2026 and US$1,193 per tonne in 2027.[19] This does represent a significant increase relative to 2025. The bottom-line implications for KLM derive not from the absolute fuel cost fluctuations, but rather from how KLM management responds to the increase in costs and its competitive position relative to other carriers.

We have not compiled hedged fuel cost projections for other airlines, but as hedging practices are fairly standardised within the industry, it seems reasonable to expect that no substantial competitive advantage or disadvantage will emerge from the increases in 2026 and 2027. The crucial question is the degree to which KLM alters its pricing and supply in response, which is not yet known. But, as discussed more below, that response is within management control. That response is what will determine the bottom-line impact going forward. This management-response mechanism is underscored by KLM's financial results through the first three quarters of 2026, as referenced earlier. Over that period, KLM Group's fuel expenditures increased by 21.6%, but its operating margin still increased by 1.5 percentage points, with balanced RPK and ASK increases across network services.[20]

We can therefore conclude that, at least for 2025 and likely into 2026 thus far, fuel prices were likely not a significant driver of changes in KLM's results relative to 2019.

2.2.3 Geopolitical conflicts

The outbreak of fighting in Ukraine in February 2022 led numerous European airlines that had regularly flown through Russian airspace to destinations in Far East Asia to suspend service on

those routes. The Russian government closed its airspace to EU airlines shortly thereafter. Airlines from several Asian countries that were not barred also chose not to fly through Russian airspace.[21]

EU airlines that wished to continue flying to these destinations had the options of longer routes near the North Pole or to the south, including over Middle Eastern flight zones. Depending upon the exact origin and destination, this added two to four hours of flying time. KLM and other airlines reinstituted service to some destinations using such routing, albeit with an attendant increase in fuel consumption and crew costs. The main disadvantage to European airlines, however, was not the absolute cost increase. Chinese airlines were not barred from Russian airspace and continued to fly through it, which shifted the competitive advantage to Chinese airlines. For example, an analysis from October 2024 showed that total seat volumes between China and Europe were at 95% of 2019 levels, but KLM's seat share in that market was 55% below its 2019 levels, in line with reductions for Lufthansa and British Airways as well. Chinese airlines now dominate the China-Europe market.[22]

KLM combines multiple regions (in this case, Asia with the Middle East) in its public geographical volume reporting, so those sources don't provide a more fine-grained insight into the impact of the Ukraine hostilities on KLM. And because other European network carriers use yet other geographical groupings, public data also doesn't allow a like-for-like comparison among European carriers. Data from EUROCONTROL suggests that, at least initially, the reduction in flights to the Asia/Pacific region among European network carriers was most significant for Finnair and, on a relative size basis, roughly similar across Lufthansa, British Airways, KLM and Air France.[23]

The rational response for KLM management in this situation would be to fly only the flights on which it could (continue to) make a profit, but publicly available data does not allow for assessing the profitability of individual flights either now or before the fighting in Ukraine began. However, given drastically reduced volumes and a clear competitive disadvantage compared with Chinese airlines, we can identify that this is at least a lost opportunity for potential profit.

Although it is not clear when Russian airspace might be re-opened to EU airlines – and whether they would then resume flying – it should be hoped that this state of affairs is not permanent. If so, KLM and other EU airlines will eventually be able to resume service to these destinations at levels similar to before the conflict. Therefore, we regard the impact of the fighting in Ukraine as temporary for KLM.

2.3 Summary and assessment

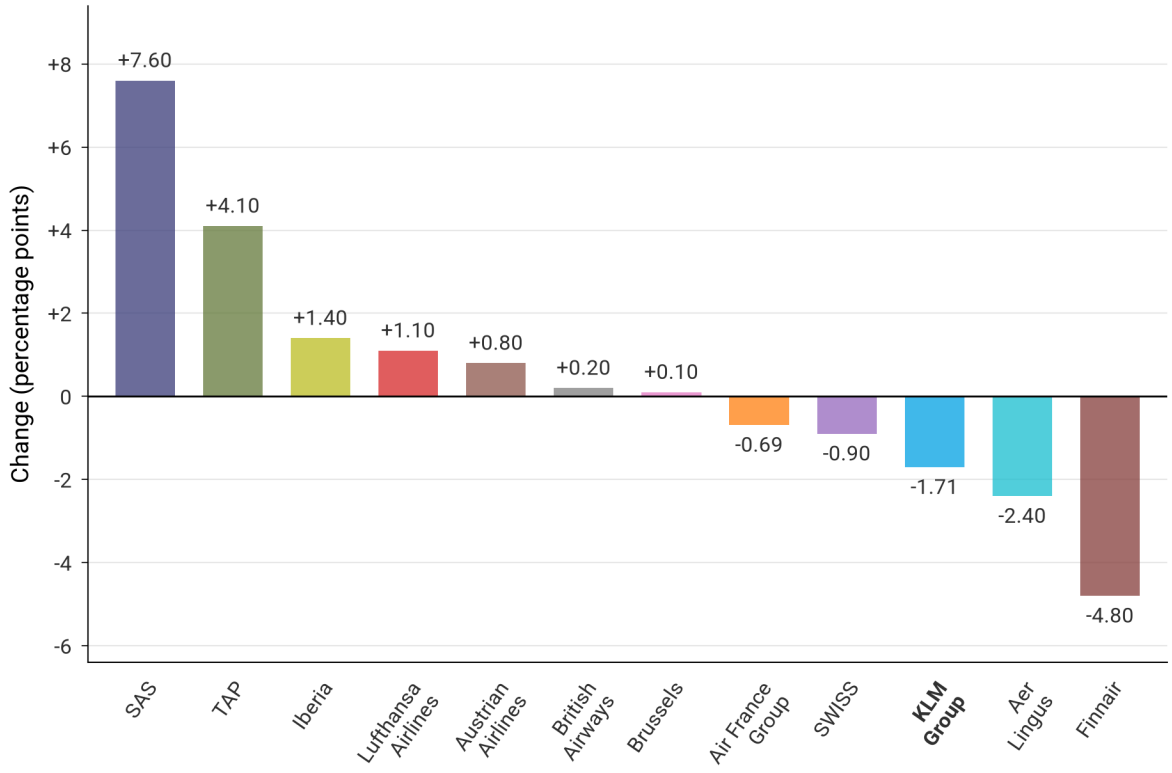
Although KLM's financial performance is not as strong as it was at its pre-pandemic peak, it is also clear that the airline is not in crisis. Many of the reasons management has cited as concerns are either (likely) temporary or appear much less impactful than KLM management may wish to imply.

So why did KLM's financial performance decrease? Profits are, of course, just what's left over from revenues after expenses are deducted. Management's responsibility in any business includes managing both. In the airline industry, where costs are nearly fixed once flights are scheduled and tickets made available for sale, managing revenues and expenses comes down, to a large degree, to balancing supply and demand.

Demand for air travel fluctuates regularly, and for many reasons. One major factor is ticket pricing: air travel demand is elastic, meaning passenger numbers decrease as ticket prices rise, and vice versa.[24] The three factors discussed in detail above – airport fees, fuel prices, and disruptive armed conflicts – can impact demand negatively. If input prices rise, airlines may raise ticket prices. Because demand for air travel is elastic, demand then falls. Matching supply to demand – predicting the development of demand and managing the supply response - is a major factor in airline profitability.[25] The dynamic is simple: if there are too many flights, either there won't be enough passengers at the airline's desired ticket prices to fill seats, or the airline will have to charge less to fill them. In either case, profitability suffers. Getting this right is a key management responsibility. Unfortunately, KLM management does not appear to have performed well on this point recently compared with peers.

This can be seen by examining changes in load factor, which measures the percentage of seats filled by paying passengers, for KLM and peer airlines. Figure 2 shows changes in load factors for 12 major network airlines (or airline groups) between 2019 and 2025.[x] KLM showed a drop of 1.71 percentage points, ranking 10th out of these 12 airlines. Simply put, KLM management did not balance supply and demand as well as other airlines did.

Figure 2 Change in load factor of major European network airlines, 2019 vs 2025



Source: Profundo analysis of airline reporting

Although a change in load factor does not always correspond to a change in profitability – it is possible that sales of fewer, more expensive fares can yield higher profits - there is generally a positive correlation between changes in load factor and profitability. Among the airlines shown here, four out of the five with decreases in load factor also showed decreases in operating profit and six out of the seven with increases in load factor also showed increases in operating profit.

The decision to schedule – and then ultimately operate – any given flight is always a management choice. Given that both KLM's load factor and profitability dropped, it seems unlikely that the decrease in load factor reflected a conscious management goal. More likely, it resulted from poor judgment. The key question is why KLM management could not or did not respond to changing operational conditions as well as management at most peer airlines appears to have been able to.

Much of what KLM management has brought attention to, and that we have further analysed above, is related to costs. There's an old adage in business that says "you can't cut your way to prosperity". Businesses often try to grow their way to profitability, believing incremental revenue growth can outpace marginal cost growth.

[x] Load factor is generally defined as revenue passenger kilometres (RPKs) divided by available seat kilometres (ASKs), and is therefore weighted by flight distance, and this is the approach used here. LOT Polish Airlines does not appear to report load factors or the volume measures necessary to calculate it.

But that's not feasible for KLM. Industry studies show a tradeoff between growth and profitability for network carriers: growth does not generate increased profits.[26] Given the new slot limitations at Schiphol Airport, KLM's *volume* growth possibilities at Schiphol are relatively limited and consideration of this tradeoff may therefore not seem relevant at first blush. Importantly, however, it may shed light on whether past decisions – leading to growth that did not generate increased profitability - may have put KLM in a position where it now struggles with profitability. And the alternative proposition, that modest shrinkage might result in higher profitability, should be considered. More importantly, however, the combination of circumstances suggests that a focus on *unit revenue* growth – attracting more revenue within the scope of the current operations is, perhaps, the only route forward. These issues are explored in more detail in the following section.

3

What's best for the Netherlands – and is KLM delivering?

KLM plays a significant role in the Dutch society and economy through the services it offers and the employment it generates. But it also creates noise nuisance for Schiphol-area residents and creates negative environmental impacts. Balancing these positive and negative impacts is crucial. Responsibility for this balance lies ultimately with the Dutch government, but KLM's operations, strategy, and public policy engagement matter. In this section, we outline how KLM could optimise its contribution to Dutch society and analyse whether KLM is delivering on these objectives.

3.1 Defining the best KLM for the Netherlands

The best KLM for the Netherlands is a profitable airline that puts the needs of the Netherlands - Dutch citizens, visitors, and businesses - first, while operating in a sustainable manner to help ensure a bright future for all the citizens of the world.

Every business has multiple constituencies – customers, suppliers, employees, regulators, members of the communities where it operates and more. Sometimes constituencies' interests conflict, and in such cases management must carefully consider how to act. When the playing field is as complex as what KLM management faces, it helps for the organisation to have a North Star.

KLM's royal designation (*Predicaat Koninklijk*) stamps it forever as a Dutch institution, its ownership by the multinational Air France-KLM Group notwithstanding. As such, assessing potential actions and taking decisions based on their impact on Dutch society is an important part of management's responsibility. Looking beyond the borders of the Netherlands and operating as a global business is not a problem – it is, in fact, what makes KLM so relevant to the Netherlands. But the right emphasis for one decade is not necessarily the right emphasis for another, and as often as business leaders embrace change and innovation, they can also be hampered by a dedication to outdated business models and fail to adapt to changing conditions. With its recently released scenario report, KLM management clearly signals it is looking for change, but its proposals should to be judged against what its home constituency deserves.

This section considers several aspects of KLM's core business model in light of developments in the aviation industry over the last decade, KLM's responsibility as a Dutch employer, and its role as a global business operating at a time of existential threat from climate change.

3.2 KLM's core model and the Dutch market

KLM has been a leader in the aviation industry throughout its history. Leadership has meant adapting to, and taking advantage of, changing conditions. Surprisingly, KLM's management seems to have failed to respond to some of the most important competitive changes and promising developments of the last decade. The issues examined herein represent opportunities to increase revenue, with the potential to (possibly significantly) offset the cost pressures KLM management cites.

3.2.1 Over-emphasis on outdated network model

KLM built a formidable global airline by connecting passengers through Schiphol. It pioneered this model, especially through international airline cooperation: its 1989 partnership with Northwest Airlines helped establish the modern alliance framework, and its joint ventures enabled close commercial coordination. Partners deliberately fed passengers into one another's networks, building connecting volumes.[27] But the world has changed. Transfer traffic is no longer the gold mine it once was, and failing to recognise this may be preventing KLM from becoming an even better airline for the Netherlands.

KLM presents the network model as both the airline's prime focus and indispensable to the Netherlands, calling its "dense global hub network that it has built with its partners" its "strength". Invoking a "small Dutch home market", management treats the primacy of the connecting model as a precondition for robust Dutch aviation, with CEO Marjan Rintel claiming: "Without our operating model, with 50 to 60 percent transfer passengers, there would be no airline in the Netherlands."[28]

Management claims do not stand up to scrutiny. First, the "small home market" understates Schiphol's regional reach. Amsterdam itself is a relatively small city, but Schiphol serves one of Europe's most densely populated regions, with 12.2 million people living within a 100 km catchment area.[xi] Among EU airports hosting major network carriers, Amsterdam ranks third on this metric; Amsterdam ranks fourth when London is included. Smaller catchments sustain rich networks for SWISS in Zurich, Iberia in Madrid and Vueling Airlines in Barcelona and connectivity for local residents and visitors — all while relying on lower airport transfer shares than Amsterdam.

Second, the headline transfer percentage quoted by KLM management should not obscure the true makeup of KLM's customer base. A customer connecting between two KLM flights appears twice in its passenger statistics, once for each flight segment; a passenger beginning or ending at Schiphol counts just once. Adjusting for this double-counting and adding Transavia's estimated Amsterdam passengers gives the combined KLM Group an estimated mix at Schiphol of 64% local and 36% transfer journeys, based on 2023 measures, the latest for which public sources provide such a breakdown.[xii] The larger customer group, by far, is local passengers: those who start or end their journey in Amsterdam.

Competition for transfer passengers is intense. A connecting passenger can often choose between multiple airlines based at different hubs, with KLM via Schiphol just one of many options. That applies to both intra-Europe and intercontinental journeys, but the latter is the larger group for KLM: roughly three-quarters of Schiphol connections involve an intercontinental leg, and about one in ten involve two.[29] The main rivals are other European carriers based at other hubs, in particular those of International Airlines Group (IAG) (British Airways in London and Iberia in Madrid), and Lufthansa Group (Lufthansa in Frankfurt and Münich, SWISS in Zürich, Austrian Airlines in Vienna, and Brussels Airlines in Brussels), alongside Turkish Airlines and Gulf carriers. But even North American and Far Eastern hubs, home to additional competitors, offer alternatives. For example, Newark airport lists 52 European destinations, New York JFK 39, Seoul Incheon 18 and Hong Kong 13, demonstrating that their networks also reach directly to secondary European cities.[30]

Before other airlines caught up by mimicking KLM's strategy, emphasising transfer traffic may have been a good strategy. But that is not today's world. Even by 2012, only about 27% of Amsterdam's long-haul connecting markets had no competing hub; 15% had one, 30% had two to four, and 27% had five or more.[31] Turkish Airlines and Gulf carriers have since expanded substantially, likely increasing KLM's exposure to competition further.[32] Simply put, in transfer markets KLM is at the whim of competitors near and far, whose capacity and pricing decisions neither KLM nor the Dutch government can influence. And some competitors - particularly those

[xi] See Appendix 1 (Methodological notes).

[xii] See Appendix 1 (Methodological notes).

based in the Persian Gulf - may have lower unit costs that, even with restructuring, KLM cannot hope to match. And with limited sharing of proprietary airline data, even KLM itself may not be able to determine exactly how well it is competing in these markets.

The contrast with competition for local passengers to and from Schiphol, where KLM enjoys a strong position, is striking. A review of recent Schiphol flight schedules showed that KLM and its SkyTeam partners face no or very limited competition on the majority of direct routes from Schiphol. For the cities to which KLM (including Transavia) offers any service, KLM and its SkyTeam partners supply every nonstop departure for 71% of long-haul city destinations and 55% of short/medium-haul city destinations. Their share falls below half on only 10% of such destinations in each category.[xiii] KLM has substantially more visibility into, and influence over, supply and pricing at home. Slot limitations at Schiphol also leave little room for growth or new entrants. The bottom line is that KLM has much more control over its own destiny when competing for local traffic than it does in transfer markets.

That stronger position likely drives better yields (also known as revenue per passenger-kilometre, or RPK) from local passengers than KLM can achieve from transfer passengers. The fact that airlines often achieve higher yields from local traffic than they do from transfer traffic has long been known in academic studies.[33] This has been discussed in the Schiphol context as well.[34] It's not hypothetical: other carriers are acting on this observation and benefiting. Icelandair attributed a recent 17% yield increase primarily to a shift towards higher-yielding local passengers and a decrease in transfer passengers; its quarterly operating margin rose from 12.7% to 18.4%.[35] Similarly, Iberia reduced transfer shares between 2019 and 2024 while its operating margin rose from 8.8% to 13.6%.[36] Other factors may have contributed, but these examples support the rationale for a stronger emphasis on local passengers.

That is not to say transfer traffic is undesirable. It’s a question of emphasis. An extra passenger filling an otherwise empty seat on an already planned flight adds revenue but almost no extra cost. But adding additional flights to gain transfer traffic brings substantial additional costs. This is the crux of the problem: If those seats are filled with lower-yielding passengers at comparable per-head costs, margin dilution is inevitable. Building a business model around a smaller, lower-yielding group of customers — less profitable at comparable costs — seems foolhardy. KLM has natural strengths in the local market and should instead emphasise those in its strategy.

Changes in local demand make this more pressing. Local traffic at Schiphol appears to show a durable retreat from earlier levels: There were 43.6 million local passenger movements in 2025, 4.8% below 2019.[37] Furthermore, local passenger volume appears to have flatlined in the first nine months of 2026 compared to the same period in 2025.[xiv] There may be external factors at play, both local and global. Amsterdam is seeking to reduce tourism, with a statutory ceiling of 20 million overnight stays and an indefinite hotel-bed freeze, while videoconferencing has reduced the need for some business travel.[38] Several other major European airports – Frankfurt, Münich, Paris-Charles de Gaulle - also remain below their earlier levels of local traffic, suggesting a broad, though moderate, industry-wide shift.[39] Although the figures quoted here are Schiphol-wide rather than KLM-specific, it’s clear that there are now fewer local passengers to compete for.

KLM management should plan for a “new normal” that recognises this. Against a smaller local passenger base, that means rationalising and right-sizing the transfer passenger complement as well. Keeping the same flight programme while trying to replace missing local demand with lower-yielding transfers is a roadmap to lower margins.

[xiii] See Appendix 1 (Methodological notes).

[xiv] Although the aircraft-movement limit went into effect during this period, if intrinsic local demand had increased, it seems likely that the mix of local and transfer passengers at Schiphol would have changed in favour of more local passengers and that load factors would have increased, but this does not appear to have occurred.

It is important to emphasise that such a change in focus represents potentially a few percentage points of change in traffic mix and volumes, not a wholesale change in operations. But the strategic turnabout is crucial: KLM should start with the proposition that its primary purpose is to serve Dutch residents, incoming visitors and businesses, not passengers who merely spend an hour or two making a connection at Schiphol. Transfer traffic then becomes a supporting mechanism rather than the central proposition.

KLM argues that any reduction in connectivity would damage the Dutch business climate. But this is a red herring. A schedule built primarily around connections has capacity to spare. In our schedule review, KLM (including Transavia) and its SkyTeam partners averaged at least six daily departures to ten cities and at least five to another 15, with London topping the list at 99 weekly flights. KLM (including Transavia) and SkyTeam supply every departure on nine of those 25 routes and more than half on all but two. Removing one daily departure from each of the ten cities with six or more flights would reduce total KLM Group and SkyTeam departures by just 2.3%, while still providing substantial choice to local passengers.[xv] KLM would be unlikely to lose many local passengers simply because they had five choices instead of six — particularly where it is the sole operator. Some low-volume routes earning poor returns might also be reconsidered.

It's hard to imagine such modest adjustments undermining Dutch-based international businesses. Real-world international comparisons reinforce this conclusion. IMD Business School's 2026 competitiveness ranking and PricewaterhouseCooper's business-climate assessment both place Denmark and Switzerland above the Netherlands.[40] Another comparison shows that foreign-controlled firms account for 21.4% of covered business-economy employment in Denmark and 27.7% in Ireland, against 15.6% in the Netherlands.[xvi] Yet Copenhagen, Zürich, and Dublin report 191, 206 and 190 destinations, respectively, against Schiphol's 287 passenger destinations.[41] Their success suggests that a strong international business climate does not require quite this much connectivity.

KLM's strategy may once have made sense for different reason: pursuing transfer volume may have helped it secure slots, constrain low-cost carrier (LCC) entry, and thus protect profitable local traffic. But with today's slot limits, using transfers to fill planes in order to fill slots is a dubious priority.[xvii] Dutch government proposals for movement limits even lower than today's may have been a blessing in disguise, but one that management seems to have missed. Lower slot limits would have led to a modest reduction in flights and available seats by both KLM and other airlines. This would have reduced KLM's exposure to competition and allowed it to rebalance its passenger mix in favour of local passengers, thereby likely boosting yield. Management, however, chose to fight proposed reductions in court and publicly.[42] Instead of this combative approach, it should instead recognise the benefits of public policy crafted to balance Dutch economic interests with local noise concerns and environmental impact reduction, and that these are important collective goods. KLM should begin with "What is good for the Netherlands?" and make its network serve that answer, rather than expect Dutch policy to serve the holy grail of passenger volumes.

[xv] See Appendix 1 (Methodological notes) for the calculation. Because these are all short/medium haul flights, the reduction in ASKs – and thus the demand for cabin and flight deck crew – would not decrease by anywhere near this amount. The impact on ground handling staff would be mixed, as certain ground handling operations scale with the number of passengers and others scale with the number of flights, but it would also be less than the quoted reduction in flights.

[xvi] See Appendix 1 (Methodological notes).

[xvii] For the decade up to 1 November 2025, Schiphol airport operated with an annual limit of 500,000 aircraft movements. Actual movement counts first came close to this level in 2017. After dropping with the COVID pandemic, traffic bounced back, reaching approximately 478,000 in during 2025. As of 1 November 2025, 478,000 became the hard annual limit, thus preventing growth from reaching earlier levels.

3.2.2 Product offerings and differentiation

A significant development in the airline industry in recent years has been increasing product differentiation: basic fares complemented by multiple levels of intermediate upgrades and premium services. Airlines leading on this approach, such as Delta Air Lines, United Airlines and British Airways' owner IAG, have built sustained profitability advantages using this strategy, with operating margins between approximately 8% and 15% in 2023–2025.[43] KLM, on the other hand, appears to be falling behind.

Differentiation combines two business strategies: meeting low-cost competition head-on while simultaneously earning more from passengers willing to pay for more. When LCCs first arrived, incumbents responded by imitating them with lower fares and by establishing separate brands or subsidiaries, either as new entrants or by acquiring smaller LCCs. But this approach was not sustainable alone. By and large, incumbents found success by simultaneously enhancing their premium offerings as well.[44]

Where incumbent network airlines have emphasised differentiation, they have beaten or neutralised LCC competition. Network carriers in the United States have largely won the contest with pure-play discounters, with major competitors ceasing operations (Spirit Airlines), having retrenched (Frontier Airlines), or adopting the same playbook (Southwest Airlines).[45] Government analysts identify key reasons: basic economy narrows the price gap, and larger aircraft accommodate budget and premium passengers together. The strategy has been so successful that United Airlines chief executive Scott Kirby, a leading proponent of differentiation, has concluded that the ultra-low-cost model is no longer "viable".[46]

Europe's independent low-cost airlines retain significant market share across much of the continent. Nevertheless, British Airways and Aer Lingus, which are the network carriers most exposed to low-cost competition, have demonstrated that differentiation works in Europe as well. Both have regained and sustained high levels of profitability after initial struggles with easyJet and Ryanair in their home markets. Notably, they operate diverse service offerings under their core network brands, rather than consigning budget services to an economy-only brand.[47]

KLM is a laggard on this strategy. On short- and medium-haul routes, it maintains a complicated mix of mainline, Cityhopper and Transavia services. Transavia, once a small component of the larger group, now provides 48% of the Dutch group's combined Europe/North Africa passenger volume (measured by RPK).[48] Most of its European routes from Schiphol have no KLM network service, suggesting a binary choice route-by-route.[xviii] Transavia's offerings remain no-frills: the carrier offers baggage, flexibility and legroom upgrades, but no business cabin, assured empty neighbour or included lounge access in Dutch airports even for loyalty status holders. The group therefore misses out on meaningful premium upselling on those services.[49] Cityhopper, more closely integrated with KLM's mainline, offers some premium services, but its small-plane seating is still less attractive than what some other airlines offer. All of its planes have rows of 2 seats, with no empty-neighbour seat nor single-seat row option.[50] In contrast, Iberia Express, which was established to offer connecting services at Iberia's mainline Madrid hub, operates larger planes that provide a business class with an empty middle seat.[51] Delta Airlines has a 1-2 seating arrangement with wider seats in premium cabins on all of its smaller planes, and United Airlines is progressing towards the same goal, with this arrangement already in place on its newer planes.[52]

With Schiphol now slot-constrained and competitor LCCs having a low market share, it is almost as if KLM remains fighting the prior war, which never even fully materialised in Amsterdam. Dutch Transavia itself is performing worse than the KLM itself, with its operating margin falling from approximately 8.5% in 2019 to 1% in 2025. [53] The path demonstrated by leading airlines suggests

[xviii] See Appendix 1 (Methodological notes).

improvements could be had through differentiation of Transavia's services or folding Transavia's Schiphol routes back into the mainline operation.

Owned LCCs still have a place in larger airline groups, but other European airline groups have generally positioned their LCCs to serve a distinct point-to-point (P2P) network rather than having them substitute economy-only services at the mainline hub for network carriers' own offerings. Examples include Vueling Airlines' 20 base-network, which has very little overlap with Iberia's Madrid hub and Eurowings' principal German markets, which lie outside Lufthansa's Frankfurt and Munich hubs.[54] Even Air France-KLM has moved in this direction in France, partitioning Air France and French Transavia's principal Paris operations between Charles de Gaulle and Orly, respectively.[55] In addition to Schiphol, KLM's Transavia operation also operates from bases at Eindhoven Airport, Rotterdam-Den Haag Airport and Brussels Airport, but our analysis shows that a majority of its flights are still to and from Amsterdam.

Nor is it only on European flights that KLM has not kept up. On long-haul, a broader range of cabin classes earns more from passengers willing to pay for space and service.[56] This is reflected in the share of seats devoted to premium options at other airlines. For example, United Airlines' new 787-9 design increases dedicated-premium seat share from 26.8% to 44.6%, and British Airways has 39.5% to 41.2%, whereas KLM's 787-9s come in at just 18.5%. Even KLM's newer 787-10's, with an average age of just 3.5 years, don't up the ante much, coming in at just 20.8%. And its first A350-900 design, delivered very recently, comes in at 18.1%, while British Airways has announced redesigns coming in at up to 48% premium seating.[57]

Another major proponent of differentiation, Delta Air Lines chief executive Ed Bastian, sees premium supply versus demand in the "early to mid innings".[58] Published materials from KLM and its parent Air France-KLM discuss a "premiumisation strategy", recognising "premiumisation as a clear trend amongst our customers in business and leisure travel". KLM also recognises that "while Premium cabins continued to perform strongly throughout the year, the Economy segment faced pressure from softer demand and increased competition." [59] But the numbers on the offerings still lag behind, as shown above. And the revenue numbers - though not necessarily exactly like-for-like due to different reporting - are telling. Whereas Delta Airlines reported more than 48% of its ticket revenue coming from premium product in 2025, we estimate that the combined Air France-KLM figure was less than 32%.[xix]

Without a clear differentiation strategy that extends options to all its travellers and is broad enough to meet demonstrated market demand, KLM risks falling further behind. This is not just a competition issue; even on routes where an airline has a dominant market share, enhanced premium options can result in higher revenues. Such a move would not only improve KLM's financial position but also benefit the Dutch flying public by giving them more choices.

3.3 Labour costs and internal equity

Labour is a significant component of the costs of running any airline, and KLM is no exception. KLM management indicates that "labour costs per seat-kilometre have risen by almost 40% since 2017".[60] Costs have risen, but with some peculiarities that are worth highlighting and raise questions about management choices.

Table 1 shows the growth of different cost components between 2019 and 2025, our preferred comparison years in this report.

[xix] See Appendix 1 (Methodological notes).

Table 1 KLM cost and cost growth, 2019 vs 2025

	2019	2025	% Growth
External expenses (selection)			
Fuel	2,286	2,546	11.4%
Landing fees and route charges	783	1,057	35.0%
Aircraft maintenance costs	882	1,363	54.5%
Total external expenses	6,116	7,815	27.8%
Employee compensation and benefits	3,187	4,124	29.4%
Total (including depreciation and other expenses)	10,200	12,759	25.1%

Source: Profundo analysis of KLM annual reports.

Total employee compensation costs rose 29.4% during this period, higher than the percentage increase in external expenses and total expenses. However, KLM's staffing during this time shows some interesting developments, as shown in Table 2.

Table 2 KLM FTE staffing and ASKs by year, 2017 - 2025

Year	Full-time equivalent staff (FTEs)			ASKs (million)
	Directly employed	Agency	Total	
2017	29,398	2,274	**31,672**	**135,173**
2018	29,820	2,592	**32,412**	**139,118**
2019	30,572	2,454	**33,026**	**141,708**
2020	29,968	772	**30,740**	**72,621**
2021	26,607	837	**27,444**	**92,547**
2022	27,424	1,561	**28,985**	**115,192**
2023	29,186	1,966	**31,152**	**125,089**
2024	30,464	2,105	**32,569**	**128,397**
2025	31,068	1,994	**33,062**	**134,735**

Source: Profundo analysis of KLM annual reports.

First, KLM reached a volume peak as measured by available seat kilometres (ASKs) in 2019 at 141.7 billion. In 2025, KLM's ASKs were only 134.7 billion. This represents a 4.9% decrease, but staff full-time equivalents (FTEs) were essentially equal in both years. Some operating costs, such as fuel, landing fees and many other external costs, are generally proportional to flight volume, whereas staff costs are more likely to be proportional to the number of staff. Therefore, it is not surprising that employee compensation costs grew faster from 2019 to 2025 than other costs; both were subject to inflation, but staff numbers were constant whereas traffic volumes declined.

Comparing ASKs and FTEs, this table suggests two possible interpretations: One interpretation is that KLM was understaffed in 2019 and is now adequately staffed, in which case the larger increase in labour costs relative to external costs over this period is reasonable. A second interpretation is that KLM was adequately staffed in 2019 and is now overstaffed, albeit modestly. In that case, one would expect that management would allow attrition to bring staff levels back into the previous range. In that case, it would seem reasonable to let that process play out before deciding that more drastic labour cost actions need to be taken.

Even more interesting is the change in staff composition during this time. Table 3 shows the number of directly employed staff in the three categories for which KLM provides a breakdown: ground staff (including ground handling, technical, maintenance, office and management employees), cabin crew, and flight deck crew.

Table 3 KLM direct-hire FTEs by job group, 2017, 2019 and 2025

Staff category	2017	2019	2025	Percent Change	
				2025 / 2017	*2025 / 2019*
Ground staff	17,986	18,583	18,393	+2.3%	-1.0%
Cabin crew	8,161	8,497	8,807	+7.9%	+3.6%
Flight deck crew (cockpit)	3,251	3,492	3,868	+19.0%	+10.8%
All staff	**29,398**	**30,572**	**31,068**	**+5.7%**	**+1.6%**

Source: Profundo analysis of KLM annual reports.

Table 3 shows significant growth in the number of pilots (flight deck crew): Between 2019 and 2025 the number of pilot FTEs grew 10.8%. But between 2017 and 2025, that period over which KLM management refers to large employment cost growth, the number of pilot FTEs grew by a remarkable 19.0%. In contrast, the number of cabin crew grew much more modestly. The ground staff contingent actually shrank by 1% between 2019 and 2025.

KLM does not provide a breakdown of personnel costs by employee group. Nonetheless, given that we know the total compensation costs, the composition of the staff by three broad groupings, and the terms of the collective agreements we can make a rough estimate of the average employment costs for each group of workers, which is presented in the Table 4. We do not represent this as being an exact representation of compensation levels, but we believe it to be a reasonable approximation on the basis of the information available to us. [xx]

Table 4 Estimated KLM compensation costs by staff category, 2025

Staff Category	FTEs (total & percent)	Base Salary (€)	Per-Capita Total Employment Cost (€)	Total Cost (€ million)	Percent of Total Cost
Ground staff	18,393 (55.6%)	50,700	91,260	1,678	40.7%
Cabin crew	8,807 (26.6%)	50,700	91,260	803	19.5%
Flight deck crew (cockpit)	3,868 (11.7%)	202,800	365,040	1,411	34.2%
Agency Staff	1,994 (6.0%)		115,847	231	5.6%
Total / Average	33,062		124,735	4,124	

Source: Profundo analysis of KLM annual reports and other data; see methodological note. Numbers may not add up due to rounding.

Table 4 shows that the average total cost of employment per FTE at KLM was €124,735 in 2025, but that this varied dramatically across the workforce. The average total employment cost for pilots was estimated to be €365,040, while the average total employment cost for all other non-agency workers was estimated to be €91,260. For base salaries, those estimates were €202,800 and €50,700, respectively.

Although pilots make up less than 12% of the total workforce, we estimate that they account for 34% of the company's total employment costs. On the other hand, ground staff represented approximately 55% of the workforce while accounting for 41% of total employment costs, and

[xx] See Appendix 1 (Methodological notes).

cabin crew represented approximately 27% of the workforce while accounting for 20% of employment costs, per our estimates.

We also derived estimates of compensation costs during 2017 in the same manner as for the above in order to make a quantitative estimate of how much each group of employees drove the increase in employment costs since that time. We estimate that 41.3% of the total increase in labour costs at KLM between 2017 and 2025 came from pilots, due to their disproportionate compensation levels and growth in number. We estimate that 18.9% of labour cost growth was related to cabin crew and 33.7% of labour cost growth was related to ground staff.

Media reports frequently state that KLM pilots are relatively well paid—ranking among the best-paid pilots in the world. A leaked document reported in the media earlier this year indicated that a KLM captain can cost up to €600,000 per year.[61] That is certainly not representative of an average pilot, but it does indicate that very high compensation levels are possible and is in line with our model.

At the other end of the spectrum, ground staff form a diverse group, ranging from ground handling personnel to management roles at the head office. Staff involved in passenger or baggage handling may well earn less than the average ground staff figure stated here.

KLM management has discussed reducing labour costs. Should this be necessary, the principle that "those with the broadest shoulders should bear the heaviest burdens" would suggest that much more can be gained – and at much less societal cost – by beginning with an examination of pilot staffing levels and compensation costs.

3.4 Potential reorganisation: the case of ground handling

KLM's scenario report references the potential for reorganisations, such as combining some functions with Air France at the parent company level, spinning off certain in-house functions into subsidiary companies (which could potentially later be sold off), and outsourcing functions directly to third-party contractors. Although the report discusses several functions that could be targeted in a reorganisation, the two most directly discussed are ground handling ("Ground Services" in the report's terminology) and engineering and maintenance (E&M). Ground handling is singled out in one scenario as a "first and most difficult step" towards "separation into a standalone operation", with the result that this would "relieve[] the organisation of its most fraught internal conflict."

KLM took a step in that direction with its November 2026 announcement that it intended to have "external partners" take over below-the-wing activities at KLM Cityhopper and baggage handling in Schiphol's East Hall, though the announcement provided little further detail.[62] But this is only a small portion of its full ground handling operation, and whatever mix of changes it envisions across the broader operation – perhaps combining a separation of part of the existing operation into a fully-owned subsidiary or spin-off with an outsourcing of the remainder of the work gradually (or suddenly) to a third-party contractor - the inevitable result is a distancing of the airlines within KLM Group from the ground handling function. The threshold question before taking such an action might be "what would be gained with this step and what might be lost with this step?"

3.4.1 Impact on quality

The first concern if the ground handling operation were further distanced from the KLM Group airline is one of quality. Ground handling is an integral part of the product KLM sells. Reliable baggage handling, orderly boarding and competent assistance all contribute to a passenger's experience. An efficient turnaround of a plane between one landing and the next takeoff requires a carefully orchestrated, well-executed sequence of activities that build on one another. These are more than just a collection of unrelated activities; one step gone wrong can delay the process and lead to flight delays. Punctuality depends on a smooth process and is a crucial measure by which customers judge their travel experience. Getting ground handling right is important to passengers' overall experiences.

As discussed earlier, leading airlines are earning more through better product differentiation and increased premium offerings, which elevates the importance of all-around quality. An in-house operation gives management direct control over its services, including coordination of the distinct activities. The connection between in-house control and outcomes is well-established in customer-facing industries. Studies from other industries also indicate that, as a general proposition, activities contributing more to competitive advantage are outsourced less, and the relationship between those activities and their performance is stronger when they are carried out internally.[63] On the flip side, there is concrete evidence from multiple industries that outsourcing of customer-facing services was associated with lower customer satisfaction and an increased burden on other internal employees.[64]

There is direct evidence from the airline industry that premium airlines prefer in-house handling and that airlines have switched from contracted to in-house services for quality and economic reasons. Delta Airlines and United Airlines, which lead in differentiation and premiumisation, maintain much of their ground handling operations in-house.[65] For United Airlines, this represents in part a conscious decision to bring some previously contracted services back in-house.[66] Closer to home, Lufthansa Airlines brought ground handling operations at its Münich hub in-house in 2025, tying that move specifically to efforts to improve operational stability.[67] Similarly, Virgin Australia took contracted baggage handling operations in-house, alongside in-house ramp handling, at several airports in 2024, framing this as "delivering value" to their customers and an "economically rational decision."[68] We know of several other examples in which airlines have, because of a need to improve quality of service, brought previously contracted ground handling services in-house.[69]

In its scenario report and its recent announcement of planned outsourcing of a portion of its ground handling operations, KLM appears to be consciously creating two classes of services within its operations. In one of the scenarios developed in its scenario report, KLM suggests that "the company's core consists of activities involving direct contact with passengers" and that "everything else" could be moved, possibly outside the KLM group.[70] In an announcement alongside its Air France-KLM's third-quarter results, KLM announced that "below-the-wing" activities of KLM Cityhopper and baggage handling in Schiphol's East Hall would be "take[n] over" by "external partners" who can do the work "more efficiently and at a lower cost."[71] The notion that only some services are worthwhile preserving in-house seems to imagine that the others are completely invisible to customers. Not only does the evidence from other airlines and industries above suggest this is not the case, but indeed apron and baggage handling services are literally on display for all to see through terminal windows and from aboard planes, and interactions with staff doing this work are common on jetways and at remote stands.

It seems counterintuitive that, when it has the potential to pursue higher revenues via increased premium service levels, KLM management would suggest strategies that undermine the prospect of success in such an endeavour, especially when such a move flies in the face of lessons learned at other major airlines.

3.4.2 Limited financial gain

Given KLM management's focus on cost issues, it is reasonable to imagine that the goal of any reorganisation impacting ground handling would be to reduce costs. But the opportunity seems limited.

For starters, the total size of the ground handling workforce is relatively limited. Our understanding is that the directly-hired ground handling workforce is approximately 4,250 FTEs.[72] Determining potential savings requires estimating how much per-FTE employment costs could be reduced.

For a staff-intensive service like ground handling, labour cost reduction is a large component of potential savings, but it is not the only factor to consider. Importantly, increases in some cost centres may offset savings in others and can even drive up total costs compared with an in-house operation.

Ground handling is a niche service and not widely studied by consultants or academics trying to quantify whether outsourcing delivers meaningful cost savings. Evidence from the adjacent, but much larger, third-party logistics industry suggests that cost savings are relatively modest and far from universal. According to a long-standing, multi-year longitudinal study, the percentage of clients indicating that outsourcing has "contributed to reducing overall…costs" has fluctuated over the years, but in the most recent version of that study that figure stood at just 52%.[73] In the last edition of the study in which respondents reported their degree of savings, the average cost reduction was just 9%.[74]

At Schiphol, the floor on labour costs in ground handling is provided by the sectoral ground handling collective agreement.[75] Based on our reading of this collective agreement, compared with the KLM ground personnel collective agreement, we believe total compensation for an equivalent position under the sectoral agreement is roughly 20% lower than under the current KLM collective agreement, mainly because of lower employer pension contributions. But even those potential savings are likely to be offset by additional management costs and are subject to changes in the terms of the collective agreement. Furthermore, labour costs are not the only costs purchased from a third-party provider, and non-labour costs may be harder to reduce.[xxi,76] We therefore believe a 10% reduction in overall costs, as reflected in the broader third-party logistics experience, is the most that could reasonably be achieved. A 10% reduction in costs would yield a maximum €40 million in possible savings, or a possible 0.3 percentage point contribution to an improved operating margin, if all ground handling operations were outsourced. Our estimate of cost savings from outsourcing the portion of ground handling operations referenced in KLM's November 2026 announcement would, on a proportional basis, be less than €10 million per year.

3.4.3 Impact on Schiphol ground handling market

The Dutch government and Schiphol Airport are nearing the final stages of a multi-year effort to restructure the market for ground handling services at Schiphol. The changes, which cover baggage and apron handling for commercial passenger flights, are intended to improve service quality, safety and working conditions. These reforms have three complementary elements: First, Schiphol's License to Operate, in force since 2023, sets minimum standards for safety, training, working conditions, sustainability and coordination.[77] Second, a ministerial decision from 2024 limits the number of companies providing these services to other airlines to three.[78] Third, through a competitive bidding process, Schiphol awarded concessions to KLM and two ground handling specialist companies in September 2026. The new concessions and three-provider restriction are due to become operational on 28 March 2027.[79] All airlines retain the right to handle their own flights, subject to applicable operating requirements.[80] In addition, bargaining between the passenger and baggage handling employers' association (*Werkgeversvereniging Passagiers- en Bagageafhandeling Luchtvaart*, WPBL) and FNV resulted in a new sectoral agreement beginning in 2022, which sets employment conditions for covered passenger, baggage and apron handling staff at Dutch airports.[81]

Against this background, the possibility of KLM reorganising its ground handling with significant subcontracting raises three concerns about the functioning of the new market.

The first concern is the balance of power within the market. A market with many small to mid-size purchasers, none dominant, and three suppliers bound by common service and workforce requirements can provide a strong mechanism for maintaining supplier standards. Given KLM's significant size at Schiphol, any additional subcontracting by KLM on top of the group's current arrangements for Transavia could disrupt this balance.[xxii,82] Although the government and Schiphol have formal authority to set market rules, KLM could gain considerable influence over the

[xxi] The referenced study estimates staff accounted for 62% of ground handling contractor costs

[xxii] The group already combines these roles through its Transavia subsidiary, which has used Viggo for handling at Schiphol since 2021. Further outsourcing would increase the scale and importance of those external relationships.

commercial conditions suppliers face. For example, a handler dependent on KLM for a large part of its business could face pressure to accept KLM's preferred prices, staffing assumptions and operating arrangements. The greater the supplier's dependence on KLM, the greater the risk of compromising the financial room needed to support high standards.

The second concern arises from KLM's position on both sides of the handling market: it buys handling services while its own ground handling business competes to sell those services to other airlines, a situation economists describe as partial vertical integration. Businesses active on both sides of the market might gain information unavailable to those acting only as purchasers or suppliers, giving them a competitive edge over other parties. A purchaser could also force contract terms that harm its competitors.[83]

Regarding information flow, there are two directions of concern. As a purchaser, KLM could gain insight into a supplier's offers, capacity and operating methods that could help its own handling business compete against that supplier. As a handler, it would receive operational information from airlines competing with its airline business. In both cases, this information could give it an additional advantage over competitors that are either only purchasers or suppliers. In some similar situations, regulators have stepped in to require information barriers to address these sorts of problems.[84] This does not mean the issue has reached, or would reach, that level of concern at Schiphol, but it illustrates the potential for significant impact. Any expansion of KLM's role as a purchaser of ground handling services would make effective separation of information and commercial decision-making more important.

Regarding contract terms, a large purchaser such as KLM could extract terms from contractors that would put competing airlines at a disadvantage. For example, a "most favoured nation" clause guaranteeing KLM terms at least as favourable as those offered to other airlines could discourage a handler from offering a smaller airline a discount, because doing so would also reduce revenue on KLM's much larger purchases. In addition, extensive capacity reservations or service-priority commitments could similarly leave competitors paying more or with fewer practical alternatives.[85] KLM's influence over a service its competitors need could then become a competitive disadvantage for other carriers.

The third concern is that subcontracting could become a route around the coordinated framework. The License to Operate contemplates subcontracting by ground handling service providers (GHSPs), which under the terms of the LtO include self-handling airlines, while stating that "the GHSP is responsible to assure that the sub-contractor complies with the terms and conditions of this LtO."[86] The potential loophole would arise if an airline were allowed to retain self-handling status while contracting an unselected company to perform restricted services, relying on its own continuing responsibility under the License to Operate.[87] This possibility was raised during consultation: at least one respondent warned that self-handling combined with outsourcing could allow airlines to evade market regulation and called for a prohibition on subcontracting regulated handling work. It is unclear whether the government would permit exploiting this potential loophole. But it is clear that a situation in which an airline or concession holder retained nominal responsibility while transferring regulated work to operators not selected or bound directly by concession requirements would undermine the intended market regulation, with the potential for three concession holders on paper while the work was dispersed among additional operators in reality. Although it is not clear what route KLM intends to follow in working with "external partners" for Cityhopper's below-the-wing activities and East Hall baggage handling, the possibility that KLM—or any airline—could use subcontracting to bypass the framework is a concern. KLM was reported in April 2024 to describe the reduction in handlers as "an important, positive step". It should therefore clearly disavow any use of subcontracting to bypass the framework and lobby to close any such loophole. The alternative would be difficult to reconcile with its stated support.[88]

3.5 Long-term sustainability

The "best KLM for the Netherlands" as defined in Section 3.1 includes operating sustainably. The term sustainable can, and should, be interpreted broadly. For the purposes of this section, we focus on reducing the use of carbon-based fuels, which has both climate impacts and impacts on workers at the airport.

3.5.1 Flying operations: network, fuels and planes

KLM's climate impact is, not surprisingly, dominated by flying. In 2025, KLM Group reported 10.35 million tonnes of direct CO_2 emissions from flight operations, compared with 22,000 tonnes from ground operations.[89] KLM is an enormous emitter: for comparison, its flight emissions were equivalent to roughly 9% of the Netherlands' total CO_2 emissions that year.[90] The most effective action any airline could take to reduce its climate impact would be to stop flying, but that is unlikely to happen.

However, where a business rationale supports reducing flying, the climate benefit provides an additional impetus to follow that course. The discussion of KLM's network and the potential commercial benefits of further flight restrictions at Schiphol in 3.2.1 is a key example of a path KLM could choose that would have both sustainability and business benefits.

Using lower-carbon fuels and more efficient planes can also reduce an airline's climate impact. KLM is active on both fronts, but the net impact of its efforts is still small.

KLM has been an early and substantial buyer of so-called sustainable aviation fuels (SAFs), which supplied 4.6% of KLM Group's fuel in 2025. Its parent, Air France–KLM, describes itself as one of the world's three largest SAF users.[91] But SAFs are not a magic recipe to erase a carbon footprint. Their benefit must be measured across the full life cycle, accounting for carbon previously absorbed or captured and emissions from producing, transporting, and burning the fuel.[92] KLM states that its SAF delivers lifecycle CO_2 reductions of at least 65%, and in some cases up to 90%, compared with fossil kerosene. Its reported reduction in 2025 was 566,000 tonnes, approximately a 4% reduction in fuel-related emissions compared with an all-fossil fuel mix.[93] To pursue a robust sustainability agenda, KLM will need a much greater share of SAF and must ensure that it delivers high lifecycle reductions and adds to low-carbon fuel supply, rather than diverting materials already used for other low-carbon fuels.[94]

KLM deserves credit for helping develop SAF supply. It is an investor and principal buyer for SkyNRG's Delfzijl plant, expected to produce 100,000 tonnes annually from mid-2028. SkyNRG projects approximately 80% lifecycle emissions savings initially, improving as production uses cleaner energy.[95] But even the entire planned output would equal only about 3% of KLM Group's current annual fuel use, so much more work is needed. KLM's annual report gives an ambition of up to 10% SAF in 2030, but more is necessary.[96]

KLM has also been moving towards more efficient planes, replacing older aircraft across its fleet. The share of new-generation aircraft increased from 24.9% of its fleet in 2024 to 33.2% in 2025. The per-seat efficiency gains are significant: KLM reports that its A321neo uses 21% less fuel per seat than the Boeing 737, and the A350 uses approximately 25% less fuel than comparable previous-generation aircraft. But the crucial sustainability issue is lower total emissions. Relative to 2024, KLM's fuel-related emissions intensity improved by 1.2% in 2025, while its direct flight emissions fell by only 0.1%. Meanwhile, passenger capacity on KLM's network grew by 3.8%, measured in available seat-kilometres, and KLM Group's total fuel consumption increased by 2.6%. More capacity and more fuel use mean that efficiency gains have not translated into substantial absolute emissions reductions.[97]

KLM should combine commercially justified reductions in flying with fleet replacement and additional supplies of verified low-carbon fuel, judging progress by reductions in total emissions.

3.5.2 Integrating air and rail services

Integrating rail and air services, with rail segments replacing short feeder flights, carries the promise of improving traveller experience and reducing the climate impact of travel. A seamless process in which passengers book their train and flight together as a single itinerary, with a reserved seat and rebooking if a connection is missed, and priority airport services to make the transfer easier make this proposition much more attractive than ad-hoc separate booking of two different modes of transit.[98]

Airlines and airports have worked together to make this a reality in some places. At Schiphol, KLM's current flight-replacement pilot began in July 2022.[99] Its current Air&Rail offer combines flights with Eurostar journeys from Brussels-Midi and Antwerp-Central.[100] But the KLM/Schiphol offering is small compared with some other similar programmes in Europe. Lufthansa connects Frankfurt with 27 rail stations and recorded about 500,000 rail users in 2024.[101] Air France had 41 itineraries via Paris Charles de Gaulle and Orly, with about 252,000 customers across its two rail products in 2024.[102]

The Dutch partners are exploring a wider network, focusing on Brussels, Paris, London, Düsseldorf, Frankfurt and Berlin. Some German services could stop at Schiphol from 2029, while broader scenarios extend to 2040.[103] If implemented successfully, better transfer arrangements at up to 13 cities are projected to allow 607,000 passengers to avoid connecting flight segments annually in 2030 and 761,000 in 2040, corresponding to a reduction of about 5,100 annual flight movements by 2040, assuming 150 passengers per flight. However, this is only about 1% of Schiphol's annual flight movements, and these would be short-haul flights, so the net emissions-reduction percentages would be even lower.[104]

Even though integrated rail and air services offer a modest amount of climate benefit, KLM should take steps to make this a reality. Namely, KLM should expand protected rail bookings, offer competitive fares on these connecting itineraries and commit to flight-replacement targets. To achieve this, cooperation of other parties is necessary. Schiphol should improve transfers, and NS, ProRail and international operators should provide suitable airport stops and schedules. But the need for cooperation runs both ways, and KLM needs to do its part. Although KLM called integrated baggage handling necessary in 2022, and this is desirable, the airline should not make it a prerequisite for expansion but rather a step implemented along the way if necessary; Frankfurt operates at scale while passengers carry their own bags.[105] Government must also ensure that the flights that are no longer needed due to rail services are not replaced with other flights; slots and permitted airport capacity should be proportionally reduced, and KLM would need to play a significant role in leading such cooperation.[106]

4

Conclusion and Recommendations

4.1 Conclusions

Decisions about KLM's future need a clear foundation. KLM's recently commissioned scenario report signals management's apparent willingness to consider significant changes, making further discussion and strategy development essential before consequential decisions are taken. KLM's profitability has declined, but the airline remains profitable and able to invest, while several pressures cited by management offer only a partial explanation for its weaker performance. KLM can improve returns by adapting capacity to demand, giving greater weight to passengers travelling to and from the Netherlands, and offering services that better reflect what passengers value. Labour decisions also require a fair assessment of where costs have grown, while any proposed separation of ground handling must weigh limited potential savings against the importance of reliable service.

4.2 Recommendations

These responsibilities align with and can even support a sound commercial strategy. Our specific recommendations are as follows:

Management must address how it matches capacity to long-term changes in demand and industry competition. Recent developments in airport fees, fuel prices and geopolitical disruption create pressures, but do not adequately explain KLM's weaker performance relative to competitors. Its declining seat occupancy alongside lower profitability points to shortcomings in adapting the flight programme to market conditions.

KLM should build its network around passengers travelling to and from the Netherlands. These passengers account for nearly two-thirds of KLM Group's customers, with evidence suggesting they are more profitable than transfer passengers. Transfer traffic remains valuable when it supports profitable services, but maintaining or adding flights primarily to attract lower-paying connecting passengers risks diluting margins. Modest reductions in flight frequencies could improve returns while preserving substantial connectivity.

KLM should earn more from its services through better product differentiation. Leading competitors combine competitive basic fares with a wider range of paid upgrades and premium options, while KLM's offerings remain limited across parts of its network. Expanding these choices, including reconsidering Transavia's offering and role at Schiphol, could increase revenue within existing airport capacity.

Labour decisions must reflect where costs have grown and what restructuring would achieve. The KLM workforce is diverse, ranging from modestly paid ground handling staff to highly paid pilots. The growth of the pilot contingent over the last decade has driven higher labour costs, with this group accounting for about 41% of labour-cost growth since 2017, despite representing only 12% of the workforce. Any planning for labour cost savings should therefore begin with scrutiny of pilot staffing and compensation, with greater contributions expected from those best able to bear them. Separating or outsourcing ground handling risks weakening service quality for estimated savings that would improve margins by only a few tenths of a percentage point at best.

KLM must act more proactively to reduce its emissions. Fleet renewal is underway, and lower-carbon fuels are already part of the fuel mix. But the benefits of both remain limited, and

improvements risk being undercut by increased flying. Where possible, KLM should pair these investments with commercially justified flight reductions and expand reliable, jointly booked rail connections to replace short feeder flights.

Working through these recommendations with employees and other stakeholders would help identify which changes are most likely to simultaneously strengthen KLM and benefit Dutch society and help identify path forward to achieve that goal.

Appendix 1 Methodological Notes

Operating Margin

Data on operating margins is taken from consolidated group and/or airline annual reports. Year refers to the fiscal year ending in the calendar year referenced. The operating margin presented here is an IFRS-conforming EBIT (earnings before interest and tax) margin adjusted to remove one-time or exceptional events that do not reflect ongoing operations. This adjusted EBIT is a standard measure in the aviation industry and is presented by many of the airlines and/or groups directly. Where reporting does not include such a measure directly, one has been calculated from other disclosures in the reports. Where the entity named herein is equivalent to the full consolidated reporting boundary in a consolidated report, the measure is taken from data on the Consolidated Income Statement and Notes; where the entity listed is reported as an operating segment within broader consolidated reporting, the segment reporting is used; in the case of Lufthansa Group airlines (Lufthansa, SWISS, Austrian Airlines, and Brussels Airlines) the individual airlines are not distinct operating segments, but reporting discloses the airline-level measures. In contrast to other airlines, Lufthansa Group generally reports an adjusted EBIT that includes gain or loss from equity investment. This gain (loss) is subtracted from the reported figure to achieve a comparable adjusted figure for 2025. Lufthansa reporting for 2019 did not permit this, but the total gain across all Lufthansa Group network airlines was not large enough in that year to be a concern. In general, individual airlines are singled out in our measures. But reporting boundaries are not limited to airlines in all cases, and in some cases, other group components are included. In some cases, smaller airlines are consolidated (Edelweiss Air as part of SWISS), maintenance subsidiaries are consolidated (e.g., part of KLM Group); other variations are possible. We do not claim our presentation is an exact like-for-like comparison, but we believe it to be a reasonable comparison given the limits of available reporting. We chose to report on KLM Group as a whole, rather than break out KLM network and Transavia separately, because the public discussion KLM has initiated pertains to the entire KLM Group, not just the mainline KLM airline. The mainline KLM airline is by far the largest single component within the group. Separate operating margins are available for KLM, Transavia, and its maintenance division in KLM's reporting.

Cash Flow Needs for Aircraft Acquisition

KLM Group does not report a schedule of future purchase commitments, but both its parent, Air France-KLM, and Air France Group do, allowing KLM Group's aircraft purchase commitments to be deduced. The amounts over the coming years are consistent with 2025's expenditures, totalling approximately €5 billion over the four-year period 2027-2030 (amount as of the end of 2025).[107] However, this does not necessarily reflect the amount of net cash outflow over that period.

First, the acquisition of new aircraft is often paired with the disposal (sale) of old aircraft, which generates cash if the aircraft have residual market value. This can be an outright sale or a sale-leaseback arrangement. In 2025, KLM recorded €366 million in proceeds from aircraft disposals, which offset a non-negligible portion of its gross aircraft purchase expenditures of €1.22 billion. This offset is not guaranteed in every situation, and KLM showed only minimal proceeds from aircraft disposals in 2024.[108] But it is common in the industry.

Second, financing can reduce the amount that must be funded from existing cash and operating cash generation during that period. Aircraft purchases can be - and usually are - financed by bank loans, bond financing, or finance lease arrangements. In the case of loans or bonds, cash outflows for the purchases are offset by inflows from the financing. That borrowing is repaid over time, but repayment terms can be structured (via initial formulation or refinancing) to align more closely with the aircraft's use over its lifetime, which KLM specifies as between 20 and 25 years, thereby linking cash outflows for the aircraft to the opportunity to generate earnings from its deployment.[109] Alternatively, aircraft purchases can be financed by finance leases, arrangements under which the airline is entitled to, and expects to, become the legal owner of the aircraft at the end of the lease term. The most common lease term for finance leases in Europe is 12 years, and there may be a (nominal or significant) payment required at the end of the lease term; in either

case, this still represents an extended payment period, though accelerated relative to an aircraft's expected useful life.[110]

Financing appears to be available. Air France-KLM, which accesses bond financing on behalf of the group entities, has demonstrated ongoing access to the bond market, raising €1.15 billion through two offerings during 2026 at issuance yields of 4.03% and 4.32%, at least one of which was substantially oversubscribed.[111] The parent group has also indicated an expectation to use finance leases in the future.[112] Therefore, it is reasonable to expect that even though recent cash flow from operations roughly offsets aircraft purchase commitments in the coming years, the actual amount of cash needed for these acquisitions during that period may be lower.[113]

KLM does, however, have other non-operating cash needs over this period, primarily related to the financing of previous aircraft acquisitions. As of the end of 2025, scheduled payments on existing lease obligations over the period 2027-2030 totalled €2.3 billion. (N.B. This includes IFRS 16 leases for aircraft, property and other equipment, together with aircraft finance leases, and includes principal and interest components.)[114] However, given the reasonable levels of cash flow from operations in recent years and the likelihood that a significant amount of new aircraft acquisitions will be financed, headroom for planned new aircraft acquisition alongside these existing cash outlays does not seem likely to create significant strain on KLM during this period.

Return on Invested Capital and Weighted Average Cost of Capital

Return on invested capital (ROIC) was calculated using the data from KLM's annual reports. ROIC equals operating earnings after normalised tax divided by average invested capital. Average invested capital is defined as total equity, including non-controlling interests, plus reported net debt, averaged across the opening and closing year-end balances. Reported net debt includes lease financing and deducts the financial assets specified in KLM's net-debt reconciliation. Operating earnings were €853 million in 2019 and €416 million in 2025, to which Dutch corporate tax rates of 25.0% and 25.8%, respectively, were applied. Opening balances were taken from the comparative figures in each report, including restatements. This method yields ROIC of 16.3% for 2019 and 8.0% for 2025.

The after-tax WACC of 6.9% is reported in Note 21 of Air France–KLM's consolidated financial statements. This provides a reasonable benchmark for KLM because it reflects the group's cost of debt and equity. As an unlisted subsidiary, KLM's standalone market cost of equity is not observable. Air France–KLM itself applies the same WACC across its business units.

Airport Catchment Areas

This determination of catchment area populations uses the European Commission's GHS-POP population dataset, which provides modelled 2020 residential populations on a 1 km grid.[115] For each city, it sums grid cells whose centres lie within a 100 km geographic radius of its principal airport. Screening allows crossings within Schengen and fixed road or rail links across water, while excluding external Schengen crossings, ferry-only islands and disconnected opposite shores. This approximates an accessible catchment; it does not calculate actual road distances or travel times.

The comparison included all metropolitan areas with airports hosting major network carriers across the EU, UK and EFTA using the same population dataset, year and calculation method throughout. This measures surrounding population only and does not attempt to reflect airport usage or customer preference patterns. Catchment areas overlap.

The top airports are London Heathrow (22.0 million), Brussels Airport (14.1 million), Paris-Charles de Gaulle Airport (14.0 million), and Amsterdam Schiphol Airport (12.2 million).

The catchment areas for smaller hubs are as follows: Zurich are 8.6 million, Madrid 8.2 million and Barcelona 7.2 million. Distinct sources gives transfer shares at these airports: Amsterdam 36.6%,[116] Zurich's 28.6%,[117] Madrid 34% and Barcelona about 10%.[118]

KLM Group Local/Transfer Passenger Share

The calculation of KLM Group's local and transfer passenger share comes from its 2023 annual report,[119] which reports KLM's mainline operations as supplying 30.3 total − 18.7 transfer segments ≈ 11.6 million local journeys and 18.7 transfer segments / 2 = 9.35 million connecting journeys to adjust for double-counting in KLM's reported statistics whereby an individual making a journey with two connecting segments is counted twice. KLM's Transavia operations at Schiphol are estimated at 4.76 million (see below), giving a total local journey estimate of 16.36 million. Therefore the proportion of local journeys is estimated at 16.36 / (16.36 + 9.35) ≈ 63.6% and the proportion of transfer journeys is 9.35 / (16.36 + 9.35) ≈ 36.4%.

Transavia Flight Distribution

The calculation of Transavia flight distribution among its base airports uses data from EUROCONTROL/OPDI Flight List v0.0.2 and KLM's annual reports.[120] The flight lists are derived from OpenSky ADS-B observations. Records contain aircraft and callsign identifiers, first and last observation times, and inferred departure and destination airports. Dutch Transavia flights were identified by TRA-prefixed callsigns, supplemented by numeric HV-prefixed identifiers; exact duplicate records were removed. Each flight was assigned to Amsterdam (EHAM), Eindhoven (EHEH), Rotterdam (EHRD) or Brussels (EBBR) where either endpoint matched. Flights between two listed airports were assigned to the departure airport; records matching neither endpoint remained unassigned. For passenger allocation, Amsterdam's share of observed departures plus arrivals across the five airports was applied to Transavia Netherlands' reported passenger totals. Results are subject to incomplete ADS-B coverage and airport identification, and passenger allocations match flight allocations. This is intended to be an estimate rather than an exact representation of flight or passenger distribution.

The analysis was repeated for 2023 and 2025 for different purposes in this report. The flight-list observations allocate 53.4% of assigned 2023 base flight activity to AMS for both years. This is the percentage excluding flights that could not be assigned to a base. Applied to Transavia Netherlands' 8.9 million passengers in 2023 this results in an estimate of 4.76 million Transavia passengers at AMS in that year. For 2025, the estimate is 5.44 million out of Transavia's 10.2 million passengers.

The base-assignment gap, flights that cannot be assigned to a listed Transavia base, is relatively limited: 4,666 / 58,061 observations, or 8.0%, in 2023 and 4,193 / 64,767 (6.5%) in 2025. A single known base endpoint makes the remaining records usable even if the other is missing.

Premium Revenue Shares

Delta provides numbers separately for ticker revenue from premium products and economy cabin in its annual reports.[121] We did not find such reporting for KLM alone. Air France-KLM reports 36.1% in its presentation of the 2025 annual report, which we interpret as pertaining to the network airlines only.[122] Including revenues from both the Dutch and French Transavia operations in the denominator brings this figure down to approximately 31.5%. The Delta and Air France-KLM may include slightly different components in the premium figure, with economy cabin extra legroom included for Delta but not for Air France-KLM, though this could not be determined conclusively and we estimate the revenue differential from such seats to be likely be less than the gap reported herein.

KLM, Transavia and SkyTeam Shares at Schiphol

This calculation uses scheduled-departure listings for flights listed on Schiphol's website for the period 2026-11-02 to 2026-11-08, inclusive.[123] KLM (including Transavia) and its SkyTeam partners supply all flights on 42 out of 59 (71.2%) of long-haul city routes where KLM (including Transavia) is present, and 63 out of 115 (54.8%) short/medium-haul routes where KLM (including Transavia) is present. Its share is below half on 6 (10.2%) and 12 (10.4%) for long-haul and short/medium-haul routes, respectively. These are flight shares, not seat or passenger shares.

In this period, KLM (including Transavia) and its SkyTeam partners were the carriers on 2,988 of 4,241 AMS scheduled departures. The ten cities averaging at least six daily flights from Schiphol are London

(99 weekly departures), Paris CDG (83), Copenhagen (73), Stockholm (58), Madrid (48), Oslo (47), Barcelona (45), Berlin (42), Geneva (42) and Prague (42). Removing one departure per city per day gives 10 × 7 = 70, or 2.34% of KLM/Transavia/SkyTeam departures for the week (1.65% of all AMS departures). Applying the same cut to all 25 cities averaging at least five gives 25 × 7 = 175, or 5.86% (4.13% of all AMS departures). Among the 25 cities, London and Milan are the only ones below 50% KLM/Transavia/SkyTeam flight share.

Out of 116 KLM and Transavia short/medium-haul destination airports identified from this set of flights, only 9 showed service by both KLM and Transavia; the others were all only served by one of these two carriers (plus possibly non-KLM/Transavia carriers).

Employment by Foreign-Owned Businesses

The calculation uses data from Eurostat's *Foreign-controlled enterprises: inward FATS* data set.[124] Figures refer to 2024 employment in industry, construction and market services, including finance: NACE B–S excluding public administration (O) and membership organisations (S94). Foreign-controlled employment is all-control employment less domestically controlled employment, divided by the corresponding all-control total. These are shares of the covered business economy, not the national workforce, headquarters jobs alone or new jobs created. Denmark and Ireland also show faster 2021–2024 growth in foreign-controlled employment (20.2% and 17.7%) than the Netherlands (13.8%), but acquisitions and ownership changes can affect these stocks.

Employment Cost Estimates

The employment cost estimates for the three staff categories are derived through a model with the following inputs: a single reference salary level, ratios relating that reference salary level to base salary levels for each job category, a multiplier common across all job categories relating the base salary level to total compensation costs, FTE counts for each job category, and the total employment cost for the company. Based on an inspection of the relevant collective labour agreements, a reasonable multiplier between the base salary level and total compensation cost was set at 1.8. The ratios of the base salary levels to the reference salary level for both ground staff and cabin crew were set to 1.0, effectively setting the base salaries for those two categories equal, again based on an inspection of the relevant collective labour agreements. The ratio of the base salary level for pilots to the reference salary level for pilots was set to 4.0, again based on an inspection of the relevant collective labour agreements. The selection of equivalent average compensation levels for ground staff and cabin crew, and of pilots at four times the ground staff and cabin crew levels, is consistent (nearly exactly matching) with data provided by three network airlines for an EC-commissioned study several years ago.[125] Using total employment costs and FTE counts from the company's financial statements, the base salary level was iteratively fitted so the predicted costs matched the reported costs. For 2025, this level was €50,700. For 2017, this level was €39,675.

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Radarweg 505
1043 NZ Amsterdam
The Netherlands
+31-20-8208320
profundo@profundo.nl
www.profundo.nl