



Fachhochschule für
Wirtschaft Berlin
Berlin School of Economics

Financial Performance of Selected Major European Airports

Coskun Sagol, Berlin School of Economics

ABSTRACT

The globalization and deregulation trends in the airline industry and privatization attempts in the airport sector force airport operators to look more closely at costs and revenues. Airport operators have come under pressure to act more like profit-oriented businesses in the increasingly competitive aviation environment. Since assessing the financial performance of airports is essential, this paper assesses the financial performance of 13 major European airports for the years between 2002 and 2005. We do so in terms of some commonly used financial ratios with two basic kinds of comparative analysis: trend analysis and comparisons with other companies in the industry.

A quick check of financial ratios gives us a first but fundamentally reliable snapshot of the airport company while an extended ratio analysis which is carried out for the pertinent areas of financial management - asset management, debt management, liquidity, profitability and growth- can be used to make inferences about the airport company's financial condition and its operations by different users like creditors, stockholders, airport managers, potential investors, government regulators, etc.

How can an airport company succeed to be profitable? The airport companies can increase their revenue through higher airport charges, attracting more international traffic or increasing commercial activities at the airports. However aeronautical revenue generation ability of the airport companies is influenced by price regulation systems. Therefore, airport companies should develop non-aeronautical activities at their facilities as far as possible. But this is not enough to become a profitable company on itself. The airport company should also minimize costs to get higher profits.

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Prof. Dr. Hans-Martin Niemeier
Hochschule Bremen
Werderstr. 73
28199 Bremen

Prof. Dr. Jürgen Müller
FHW Berlin
Badensche Str. 50-51
10825 Berlin

Prof. Dr. Hansjochen Ehmer
Internationale Fachhochschule Bad Honnef
Mühlheimer Str. 38
53604 Bad Honnef