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**MANAGEMENT REPORT**
**THE BOARD OF DIRECTORS**
**«OFC AVIATION FUEL SERVICES S.A.»**
**FOR THE THIRTEENTH YEAR 01.01.2011 – 31.12.2011**
**TO**
**THE ANNUAL SHAREHOLDERS' GENERAL ASSEMBLY**

Spata, 14/03/2012

Ladies and Gentlemen Shareholders,

In accordance with the provisions of Codified Law 2190/20, article 43, par.3 we are proud to submit for approval the Board's Management Report for the thirteenth year, from 1/1/2011 to 31/12/2011 and the attached financial statements for the same period.

## A. COMPANY TURNOVER FOR THE YEAR 2011

The estimated volume of fuel for 2011 amounted to 505.000 $m^3$ whereas the actual volume was eventually 531.034,28 $m^3$, showing a positive deviation by 5.16%. Total revenues of the Company based on the Statement of Comprehensive Income on December 31, 2011 amounted to 10.201.234,78 € and collectively came from:

a. the amount of 7.241.802,25 € regarding the charge for Throughput Fee,

b. the amount of 2.692.343,92 € regarding the Airport Fee, which is collected from customers and is thereby attributed unchanged to A.I.A. and

c. the amount of 215.971,57 € regarding revenue deriving from services provided to Third Parties

d. the amount of 51.117,04 € regarding other revenue deriving from interest on bank deposits.

The total costs realized by the end of the year amounted to 4.613.244,38 €, compared to the budgeted 5.074.940 €. It is noted that the above costs do not include the Airport Fee (mentioned above in point –b-) which was reimbursed to AIA.

It should be stressed that the decreased costs, in relation to the budgeted ones, are mainly due to the decreased interest of the Company's bond loan as well as to the savings on operating costs.

The budgeted net profits for the year 2011 amounted to 1.329.640 € and the realized net profits after taxes were 2.319.397,49 €.

Based on the above, profits before taxes for the year 2011 amounted to 2.913.465,46€. After deducting income tax and the addition of previous years' profits, retained earnings are 7.460.405,96 €.

## B. FIXED ASSETS

Within the year 2011 the fixed assets of the Company increased by 31.411,37 €, whereas the project of transforming island No.6 from a receipt to a loading bridgers island is in progress, having a budget of 88.000 €, which amount is going to be capitalized within the current year.

## C. PROFITS DISTRIBUTION - DIVIDENDS

The proposed dividend, as per the current contract with A.I.A., is 1.840.579,04 €, which after the retaining of tax for dividend distribution (25%),it is formed to 1.380.434,28 € and which is suggested to be finally distributed to the Shareholders.

## D . BOND LOAN

The balance of the bond loan due on 31/12/2011 amounted to 11.733.306 €.

## E. OPERATIONAL RESULTS FOR THE YEAR 2011

The main points are the following:

### 1. QUALITY – Quality of Operation Services Offered

### 1.1 Fuel Quality (Based on JIG)

Aircraft fuelling meeting all JIG requirements.

### 1.2 Contractual Obligations

Satisfaction of all contractual obligations and inspection requirements.

### 1.3 Budget Implementation

Operation & Maintenance costs totalled 190.268 €, compared to 309.924 € of the budget, which means that a decrease of 119.656 € has occurred, equal to 38.6%.

The main projects executed were:

1. Island No.6 reconstruction to accommodate truck loading.
2. Upgrading of Hydrant Pit Valves to meet EI1584 3rd Edition requirements.
3. Upgrade of the new OFC Training Center.
4. Installation of solar panels complex on OFC buildings for hot water production.
5. Installation of a new UPS for the Automation System.
6. Installation of an impressed current Cathodic Protection System for the underground piping of the fire fighting system at Tank Farm.
7. Development of an Aviation Fuel Contingency Plan.
8. EFSO (Emergency Fuel Shut Off) System upgrade awarding.
9. Enrichment of Automation System with more safeguards.

### 1.4 Management Systems (ISO 9001, ISO 14001, OHSAS 18001)

In June 2011 TÜV AUSTRIA HELLAS carried out an inspection for the annual inspection/audit of the above Management Systems in both fields of application, i.e. Tank Farm and Consultancy Services, with excellent results.

### 1.5 Training

The annual training program was executed at an 115% level.

### 1.6 Employee rewards

As per Management Systems provsions, OFC awarded two employees with the 2011 Best Employee Award and the 2011 Safety Award to.

## 2. SAFETY, HEALTH, ENVIRONMENT

Main achievements:

**2.1** No occurrence of any human accident.

**2.2** Successful execution of a wide-scale annual fire safety exercise on 6/4/2011 based on the exercise plan developed by AIA's Fire Department.

**2.3** Inspection by AIA's Health & Safety Department (Aviation Safety Management System and Corporate Health and Safety audit) on 7/6/11 with null findings and special mention made on the very high level of safety management.

**2.4** A Safety Day by the title "DO THE RIGHT THING" was organized and materialized for the first time for all staff members, using training material provided by the company "SHELL & MOH AVIATION".

**2.5** Development of new Security procedures and OFC certification by AIA as a Known Procurement Supplier of the Athens International Airport within the airport apron as per the new requirements of EKAPA (National Security Regulation of Civil Aviation), as published in the Government Gazette issues 1485B'/2011 and 1580B'/2011.

**2.6** The results of the analyses of underground and over ground water were within the limits of the respective legislation.

**2.7** Installation of the first 2 "monitoring wells" for detecting underground pollution in the area of VV8

**2.8** Environmental inspection by the respective AIA department with very good results.

**2.9** OFC's participation in the annual Environmental Day organized by the respective AIA ddepartment with the participation of all operating companies and presentation of the $CO_2$ footprint of the Company.

## 3. FUEL STOCK MANAGEMENT

The fuel inventory audit, conducted by the Authorities (Customs and Chemistry Lab) resulted in a surplus of 146,2 $m^3$ , i.e. 0,028% which shows a very good stock management. The surplus stock has been proportionately allocated to the Fuel Suppliers.

## 4. FUEL RECEPTION THROUGH PIPELINE (AAFPC – HELPE)

All the monthly meetings of the Trilateral Pipeline Operation Committee took place and OFC proposals were promoted aiming at the continuous fuel quality improvement and the safe operation.

More specifically:

4.1 Upgrading of AAFPC's Automation System

4.2 Installation of a new Double Block and Bleed Valve at OFC area.

4.3 Reconstruction of the second Jet A-1 Tank at HELPE Aspropyrgos Refineries with an inverted cone bottom configuration and installation of new JIG requirements.

## 5. INSPECTIONS

Five international inspections were carried out:

**5.1** **JIG,** where OFC received the 4th certificate of Excellence (Operations) with a special mention to the fact that **OFC is the only company worldwide to have received this Excellence Award since it was initiated by JIG**.

**5.2** **IFQP (IATA), US Airways, Air China & Gulf Air**. Excellent results with null findings.

## F. PENDING COMPANY LITIGATIONS AND PENDING COMPANY CASES

There are pending litigations of third parties against the company totaling 879.918,84 €. Following the decision by No. 2104/2011 of the Athens Administrative Court, which rejected the Company's appeal for VAT refund by an amount of 51.189 €, the pending company cases against third parties, are formed to a total of 1.570.820 €.

## G. FINANCIAL RISK MANAGEMENT

a. Capital Risk Management

The Company manages its capital so as to ensure that it remains viable. Under the current Concession Agreement existing between the Company and AIA, the share capital of the Company is, on one hand, fully ensured and saved up progressively in a dedicated bank account, so as to be attributed unchanged to the Company's shareholders at the Concession's expiry date and, on the other hand, the Company's annual returns in the form of dividends are also ensured, provided that the Company meets its contractual obligations towards AIA.

b. Financial Risk Management

The company does not engage in financial instruments transactions, including financial derivatives, for speculative purposes. On the contrary, it ensures the maximum possible return on cash, through deposit rates at zero risk.

c. Credit Risk

The credit risk of the company concerns mainly receivables form customers and other receivables and it is considerably limited because:

- Cash is deposited in National Bank of Greece which is considered as one of the most reliable Greek banks.
- The Company has a significant concentration of its receivables/assets, a good percentage of which regards a limited number of customers.
- The Company has signed contracts defining transactions with customers, according to which collection of receivables is realized simultaneously with the completion of services provided per month.
- The Company receives Letters of Guarantee from its customers, equal to at least double their monthly debt.

d. Liquidity Risk

There is no liquidity risk because of the cash balance available in the Company's bank accounts.

## H. KEY FINANCIAL RATIOS (Compared to last year)

| | | 2011 | 2010 |
|---|---|---|---|
| 1. | $\frac{\text{Current Assets}}{\text{Total Assets}}$ | 32,49% | 28,43% |
| 2. | $\frac{\text{Tangible Fixed Assets}}{\text{Total Assets}}$ | 67,51% | 71,49% |

The above mentioned rations show the proportion of capital that has been allocated to these two categories.

| | | | |
|---|---|---|---|
| 3. | $\frac{\text{Equity}}{TotalLiabi\,lities}$ | 116,32% | 98,82% |
| 4. | $\frac{TotalLiabilities}{\text{Total Liabilities and Equity}}$ | 46,23% | 50,30% |
| 5. | $\frac{Equity}{TotalLiabilitiesandEquity}$ | 53,77% | 49,70% |
| 6. | $\frac{CurrentAssets}{Short-term\_liabilities}$ | 335,19% | 298,93% |

It shows the general Company liquidity that is the percent by which the short term assets can cover the short term liabilities.

| | | | |
|---|---|---|---|
| 7. | $\frac{Cash}{Short - term\_liabilities}$ | 313,65% | 290,41% |

Shows the special liquidity of the Company. It determines whether the maturing liabilities are covered at the given time (31.12.11) by company cash.

***Return on Equity Ratios:***

| | | | |
|---|---|---|---|
| 8. | $\frac{Net\_income\_before\_tax}{Equity}$ | 19,41% | 18,69% |
| 9. | $\frac{Gross\_income}{Sales\_inventory \& services}$ | 39,21% | 36,10% |

*10. Net profit margin ratio:*

| | | |
|---|---|---|
| $\frac{Net\_profits}{Sales\_inventory \& services}$ | 29,33% | 27,12% |

The above mentioned ratios show the gross and net profit margin of the company. The higher the ratios the better, in terms of profit, is the company's financial position.

***MANAGEMENT POLICY RATIOS***

*11. Debtors ratio:*

$$\frac{Trade\_receivables}{Sales\_on\_credit} x360$$

18,07 days (2011) 4,60 days (2010)

*12. Creditors ratio:*

$$\frac{Trade\_payables}{Purchases\_on\_credit} x360$$

27,28 (2011) 29,36 (2010)

The above ratios show the credit policy of the Company to its customers and suppliers.

## I. ANTICIPATED COURSE OF THE COMPANY IN 2012

For the current year, a reduction in fuel volume that will be transported via the facility has been forecasted, which is not expected to exceed 500.000 $m^3$ , whereas in 2011 the fuel volume transported was 531.034,28 $m^3$.

This decrease in fuel volume is mainly due to the reduced volatile schedule presented by AIA in the current year which, as is natural, significantly effects fuel consumption. This has as a result the formation of the Throughput Fee initially to 14,50€/$m^3$ for the year 2012, with a potential increase during the course of the year, provided the forecast for 500.000 $m^3$ is not verified.

Finally, it should be stressed that the above mentioned reduction in fuel volumes at Athens International Airport where the Company is active, will not affect the profitability for the year 2012, as company revenue is fully assured through the increase of Throughput Fee provided for as appropriate.

By authorization of the Board of Directors of "OFC Aviation Fuel Service S.A."

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|---|---|---|
| Vassilios Tsiatouras<br>Chairman | Nikolaos Kontaxis<br>Managing Director | Petros Katros<br>Finance Manager |