



ofc Aviation Fuel Services S.A.

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**MANAGEMENT REPORT
THE BOARD OF DIRECTORS
« OFC AVIATION FUEL SERVICES S.A. »
FOR THE TWENTIETH YEAR 01.01.2018 – 31.12.2018
TO
THE ANNUAL GENERAL ASSEMBLY OF SHAREHOLDERS**

Spata, 28/3/2019

Ladies and Gentlemen Shareholders,

In accordance with the provisions of Codified Law 2190/20, article 43^α, par.3, we are proud to submit for approval the Management Report of the Board of Directors and the attached financial statements for the twentieth (20th) year, for the period 1.1.2018 to 31.12.2018.

A. COMPANY TURNOVER FOR THE YEAR 2018

The estimated fuel volume for 2018 was 680.000 m³, whereas the actual fuel volume amounted to 736.031,17 m³, noting an increase by 8,24 % compared to the estimated one. The total Company revenue, as per the Statement of Comprehensive Income on 31 December 2018 amounted to 12.168.777,09 € and collectively came from:

- a. The amount of 6.256.268,60 € regarding the charge of Throughput Fee,
- b. The amount of 3.731.680,22 € regarding the Airport Fee which is collected from customers and is thereby attributed unchanged to AIA,
- c. The amount of 88.520,58 € regarding revenue deriving from services provided to 3rd parties,
- d. The amount of 2.074.070,54 € regarding other revenue and revenue from provisions not yet used of previous years,
- e. The amount of 18.237,15 € regarding interest on bank deposits.

The total expenses realized for the year, including depreciations, amounted to 4.944.867.76€. €. It is noted that the above mentioned expenses do not include the amount of 3.731.680,22€ regarding the Airport Fee (mentioned above in point –b-) which is attributed unchanged to AIA.

Actual profits before taxes for the year 2018 amounted to 3.492.229,11 €.

Based on the above, the total comprehensive income for the year 2018 after taxes, amounted to 2.463.500,81 €.

Registered and conformed with:

ISO 9001 – Quality Management System

ISO 14001- Environmental Management System

OHSAS 18001-Occupational Health & Safety Management System

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B. FIXED ASSETS

Within the year 2018, expenditures on fixed equipment were effected which amount to 160.727,58€, regarding fixed assets improvements and additions.

C. DISTRIBUTION OF PROFITS - DIVIDENDS

The proposed dividend for distribution, according to the current agreements with AIA, comes to 1.477.712,19 €, which is suggested to be finally distributed to the Shareholders.

D. BOND LOAN

The Company repaid the Bond Loan in 2018.

E. OPERATIONAL RESULTS FOR THE YEAR 2018

1. Quality of Operation Services

Implementation of all objectives for 2018.

The main accomplishments were:

- a. Implementation of all inspections' recommendations/observations.
- b. Conversion of fuel pit lids so as to lay flat at 180° (JIG requirement). The project has been completed.
- c. Inspection of the fire detection and fire protection systems by AIA's Technical Manager with nil findings
- d. Repair of the TK-1 Floating Suction base by Contractor with the participation of OFC Technical personnel.
- e. Supply of new smoke/fire sensors (IR sensors) and replacement of 50% of old ones.
- f. Update and review of the existing Fuel Shortage Contingency Plan with the involvement of all Stakeholders of the Supply Chain (Refineries to Athens International Airport).
- g. Implementation of the Energy Management legislative requirement.
- h. Revision of 117 Work Instructions and Documentation Records, of which 27 are new.

1.1 Fuel Quality (JIG)

Uninterrupted aircraft fueling meeting all JIG requirements.

1.2 Execution of Operation & Maintenance Budget

Operation and Maintenance actual costs for 2018 amounted to 361.428€ compared to 496.000€ of the annual budget, i.e. reduced by 27,13%. The significant reduction is mainly due to the avoidance of unexpected equipment failures, as a result of the implementation of a rigorous preventive maintenance schedule as well as the execution of numerous technical projects undertaken by OFC Technical personnel.



1.3 **Training**

The annual training program was executed by 105,9%.

The distribution of 598 Training hours was:

- a. Management Systems (ISO 9001, ISO 14001 and OHSAS 18001): 18%
- b. Health-Safety-Environment issues, etc.: 30%
- c. Operation and fuel quality safety: 21%
- d. PLC/SCADA: 8%
- e. Maintenance and Technical issues.: 23%

2 **SAFETY, HEALTH, ENVIRONMENT**

Major accomplishments:

2.1 No personnel or other human accident.

2.2 A limited fuel leakage (less than 20 litres) at Fuel Pit No.B03, Stand B34. Corrective measures were taken.

2.3 **Fire Exercises**

2.3.1. On March 15, 2018 an **unannounced fire exercise** was performed with a successful outcome.

2.3.2. Execution of the **annual large scale fire exercise** on 26/4/2018 with the participation of all Stakeholders (AIA Fire brigade, AIA, Greek Police, EKAV – the National Centre of ER, CAA, etc.) and a significant number of observers coming from the Fire Corps Administration, the Fire Academy, neighboring Fire Departments, the Hellenic Army General Staff (HAGS), the Hellenic Air-Force and Greek Navy Helicopters' base, the airport community, Fuel Suppliers etc.

It was for the first time that the fire exercise entailed, apart from the usual fire/explosion in a Tank with a human injury (OFC personnel), also a second injured person located at the 1st floor of the Offices Building where a "live volunteer" was used for the rescue. The exercise was very successful.

2.3.3. On December 12, 2018 another **unannounced fire exercise** was performed with a successful outcome.

2.4 **Safety Days**

On 3/5/2018 the 1st semester Safety Day was organized for OFC staff using audio visual material provided by "SHELL & MOH AVIATION" Company. This year's logo was "Our Human Nature may influence Safety". The visual material and the overall organization of the Safety Day had significant results in the further improvement of personnel safety awareness.

On 3/10/2018 the 2nd semester Safety Day was organized for OFC staff and the logo was "GOAL ZERO" whereas at the same time the very good results of the selected OFC Personnel Safety Culture Improvement Program (ICSI) were presented further enhancing the participants' awareness on relevant issues.



2.5 ICSI programme implementation

An external specialized agency was commissioned to implement a 6-month program to further upgrade OFC Personnel Safety culture with guidance from an expert Safety Advisor. The results were particularly encouraging and presented during the 2nd semester Safety Day.

2.6 OFC participation in International University Survey on Safety Performance

OFC participated voluntarily in the Safety Metrics program of the Amsterdam University of Applied Sciences, submitting completed questionnaires by each employee on the operation and maintenance of facilities related to the Safety, Health and Environment Management System.

Compared to other Companies participating in the Survey, OFC's results showed a very high level of implementing the HSSE Management System.

2.7 Business Risk Assessment (BRA) implementation as per JIG.

2.8 Participation in the 3rd Annual Conference "Targeted trainings for enhancing the protection of Critical Infrastructures", held by KEMEA (Center for Security Studies) on 12 December 2018.

2.9 29 Safety walks, 53 STOPs for safety and 25 improvement suggestions were recorded (unsafe conditions, actions, near misses etc.)

ENVIRONMENTAL MANAGEMENT

2.10 Ensuring analysis results of surface and ground water, as well as waste are within the limits of the respective legislation.

3 EXTERNAL INSPECTIONS

3.1 Management Systems (annual) ISO 9001, ISO 14001 & OHSAS 18001 on 5/7/2018 and 12/7/2018 by a certified body, with nil findings.

3.2 OFC Fire Safety Systems by an AIA inspector on 1/11/2018 with nil findings.

3.3 JIG, on behalf of Shell Aviation, on 17/10/2018 with nil findings and excellent results. OFC is still the only company worldwide with 11 consecutive excellence awards.

3.4 Environmental, by AIA's relevant inspector on 10/12/2018 with very good results.

4 FUEL STOCK MANAGEMENT

The State Authorities (Customs and the General Chemical State Laboratory) conducted 2 Fuel Inventory audits which resulted in a total surplus equal to 95.172 lt , i.e. 0,013% on the fuel volume transferred to aircrafts in 2018, presenting a very efficient stock management within the contractual limits of the Fuel Supplier Agreement and also complying with JIG Standards.



5 ADDITIONAL RESULTS AND SERVICES:

5.1 Provision of Training Services

- a. Two IFQP Seminars:
 - May 14-18, 2018, (16 participants, 5 days)
 - September 10-14, 2018 (16 participants, 5 days)
- b. Fire Academy: December 18, 2018 (31 Fire Academy Cadets)

5.2 Participations and Technical Presentations at Conferences/Committees and OFC Awards

5.2.1 JIG MTF

- a. OFC was presented with the new international SPA Award (Sustained Performance Award) for achieving excellent results in inspections for the past 3 years (2015, 2016 & 2017) as well as top performance results in HSSE and is still the only company worldwide to have received the highest level of JIG awards since 2008.

JIG also presented the company with a special recognition award for OFC's significant support towards JIG's goals.

- b. MTF Seminar in London, 6-8/11/2018 with a presentation of JIG's HSSE Committee achievements, as well as, PIT VALVES Operation matters.

5.2.2 JIG WORKSHOP

OFC participation in the Site Managers Workshop in Berlin (25-26/10/2018) and presentation of JIG inspection findings.

- 5.2.3 Participation in IATA Fuel Forum (Technical Fuel Group) in London (29-31/5/2018) and presentation of all topics regarding HSSE. Additionally, the achievements of JIG HSSE Committee were presented in the venue.

- 5.2.4 OFC's active participation in 2 JIG Committees:
 - Common Processes and Best Industry Practices
 - HSSE

- 5.2.5 OFC's active participation in 2 AIA Committees and more specifically in the Athens International Airport Safety Committee and the Emergency Response Committee.

F. PENDING COMPANY LITIGATIONS AND PENDING COMPANY CASES

There are no pending claims of third parties against the Company, which may be expected to incur financial burdens in the year 2018, and therefore the Company's management has decided to reverse the already established provision for litigation.



G. FINANCIAL RISK MANAGEMENT

The Company's Management has thoroughly evaluated the impacts in managing financial risk that may result due to the general situation of the Greek business environment. Generally as reported below in the management of individual risks, it does not consider that any negative developments in the Greek Economy will considerably influence the smooth operation of the Company.

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, on one hand, the share capital of the Company is fully ensured and is gradually saved up in a dedicated bank account, in order 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, which up to date is fully achieved.

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 from customers and other receivables and is considerably limited because:

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

d. Liquidity Risk

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



H. **KEY FINANCIAL RATIOS (Compared to previous year)**

		2018	2017
1.	$\frac{\text{Current Assets}}{\text{Total Assets}}$	66,65 %	59,65 %
2.	$\frac{\text{Tangible Fixed Assets}}{\text{Total Assets}}$	33,35%	40,35 %

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

3.	$\frac{\text{Equity}}{\text{Total_Liabilities}}$	1.187,45 %	304,57 %
4.	$\frac{\text{Total_Liabilities}}{\text{Total_Liabilities and_Equity}}$	7,77 %	24,72 %
5.	$\frac{\text{Equity}}{\text{Total_Liabilities_and_Equity}}$	92,23 %	75,28 %
6.	$\frac{\text{CurrentA_Assets}}{\text{Short – Term_Liabilities}}$	1.068,35 %	255,01 %

Depicts the general Company liquidity, i.e. the percentage by which current assets can cover for short term liabilities.

7.	$\frac{\text{Cash}}{\text{Short – term_Liabilities}}$	1.037,94 %	249,53 %
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*Depicts the special liquidity of the Company.
It determines whether the maturing liabilities are covered at a given time (31.12.18) by Company Cash.*

RETURN ON EQUITY RATIOS:

8.	$\frac{\text{Net_Income_before_tax}}{\text{Equity}}$	21,35 %	12,38 %
9.	$\frac{\text{Gross_Income}}{\text{Sales(Inventory \& Services)}}$	27,11 %	31,15 %
10.	<u>Net Profit margin ratio:</u>		
	$\frac{\text{Net_Profits}}{\text{Sales(Inventory \& Sales)}}$	34,96 %	19,63 %

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



MANAGEMENT POLICY RATIOS:

11. Debtors' ratio:

$$\frac{\text{Trade_Receivables}}{\text{Sales_on_credit(Inventory_ \& _ Services)}} \times 360 \quad 0,75 \text{ days (2018)} \quad 0,20 \text{ days (2017)}$$

12. Creditors' ratio:

$$\frac{\text{Trade_Payables}}{\text{Purchases_on_credit(Inventory_ \& _ Services)}} \times 360 \quad 46,89 \text{ days (2018)} \quad 50,18 \text{ days (2017)}$$

The above mentioned ratios depict Company credit policy towards customers and suppliers.

I. ANTICIPATED COURSE OF THE COMPANY IN 2019

For the current year, there has been a forecast for fuel volume to be handled through the facility of approximately 760.000 m³, while the fuel volume transferred in 2018 was 736.031 m³.

The forecast is primarily based on data supplied by AIA depicting a further increase in flight numbers for the year 2019. To confirm this forecast, during the first two months of the current year, the budgeted increase in fuel volume has already been established as compared to the same period last year. This leads to the conclusion that - barring unforeseen incidents - the total volume for 2019 will be achieved and will exceed the forecasted one.

Based on the above forecasts, the Throughput Fee was reduced to 7,00€/m³ as of 1/1/2019 whereas if a greater increase in fuel volumes occurs during the year, a further reduction of the TpF will be achieved, with effect from early year 2020.

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

**CHAIRMAN
OF THE BOARD**

**MANAGING
DIRECTOR**

**FINANCIAL
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