



# ofc Aviation Fuel Services S.A.

Athens International Airport "El. Venizelos"

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**MANAGEMENT REPORT  
THE BOARD OF DIRECTORS  
« OFC AVIATION FUEL SERVICES S.A. »  
FOR THE EIGHTEENTH YEAR 01.01.2016 – 31.12.2016  
TO  
THE ANNUAL GENERAL ASSEMBLY OF SHAREHOLDERS**

Spata, 28/2/2017

Ladies and Gentlemen Shareholders,

In accordance with the provisions of Codified Law 2190/20, article 43<sup>o</sup>, par.3, we are proud to submit for approval the Management Report of the Board of Directors and the attached financial statements for the eighteenth (18<sup>th</sup>) year, for the period 1.1.2016 to 31.12.2016.

## **A. COMPANY TURNOVER FOR THE YEAR 2016**

The estimated fuel volume for 2016 was 560.000 m<sup>3</sup>, whereas the actual fuel volume amounted to 582.070 m<sup>3</sup>, noting an increase by 3,94% compared to the estimated one. The total Company revenue, as per the Statement of Comprehensive Income on 31 December 2016 amounted to 9.362.526,12 € and collectively came from:

- a. The amount of 6.288.043,50 € regarding the charge of Throughput Fee,
- b. The amount of 2.951.095,92 € regarding the Airport Fee which is collected from customers and is thereby attributed unchanged to AIA,
- c. The amount of 79.965,22 € regarding revenue deriving from services provided to 3<sup>rd</sup> parties,
- d. The amount of 43.421,51 € regarding other revenue and interest on bank deposits.

The total expenses realized for the year, including depreciations, as well as provisions for unforeseen risks, amounted to 4.506.282,40 €. It is noted that the above mentioned expenses do not include the amount of 2.951.095,92€ regarding the Airport Fee (mentioned above in point –b–) which is attributed unchanged to AIA.

Actual profits before taxes for the year 2016 amounted to 1.905.147,80 € compared to the estimated 2.110.000 €.

Based on the above, the total comprehensive income for the year 2016 after taxes, amounted to 1.339.083,52€.

Following the deduction of income tax and the addition of previous years' profits, retained earnings total 7.481.771,63 €.

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## **B. FIXED ASSETS**

Within the year 2016, expenditures on fixed equipment were effected which sum to 36.078,20 €, regarding fixed assets improvements and additions.

## **C. DISTRIBUTION OF PROFITS - DIVIDENDS**

The proposed dividend for distribution, according to the current agreements with AIA, totals 1.444.160,00 €, which is suggested to be finally distributed to the Shareholders.

## **D. BOND LOAN**

The balance of the Bond Loan on 31/12/2016 is 3.352.389.00 €.

## **E. OPERATIONAL RESULTS FOR THE YEAR 2016**

### **1. Quality of Operation Services**

Implementation of all objectives for 2016.

The main accomplishments were:

- a. Implementation of all inspections' recommendations.
- b. Obtaining Fuel Suppliers' Certificate of Conformity according to the new EI/JIG 1530 Standard which replaced JIG 3 (new JIG requirement).
- c. Pipeline PIGGING conducted in co-operation with AAFPC/HELPE and conversion of OFC's two (2) inlet filters so as to operate in parallel and serially to clean fuel coming from PIGGING and AAFPC COMPRESSOR installation.
- d. Internal inspection and cleaning of 4 main OFC Tanks.
- e. ESD System replacement by one of new technology, pilot installation in Area 21B.
- f. Replacement due to physical deterioration of all metal pipelines and equipment of the air-conditioning system installed in the offices building.
- g. Replacement of OFC telephone exchange by new technology equipment featuring advanced operations.
- h. SCADA equipment enrichment with the legislation requirements on fuel Inflows-Outflows.
- i. DEADMAN SWITCHES installation in all OFC offloading islands and Area 21B (new JIG requirement).
- j. Construction of new access-way for fire brigade vehicles to Tank No 3 area.
- k. Revision of 112 Work Instructions and Documentation Records, of which 18 are new.

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## **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 2016 amounted to 267.196 € compared to 344.900€ of the annual budget. The reduction by 22,5% (77.704 €) in expenses is due to the fact that no equipment faults were observed, as a result of the systematic preventive maintenance. It is also due to the participation of OFC Technical staff in projects, like the installation of a new ESD System, a Deadman system in the Loading Islands (and Area 21B\_Apron), new Obstruction Lights, the replacement of old generation light-bulbs throughout the Offices' Building with new technology LED lights, etc.

## **1.3 Training**

The annual training program was executed by 100%.

Training hours for 2016 totaled 524, with the following breakdown:

- a. Operation and fuel quality safety: 57%
- b. Facility Maintenance: 22%
- c. Health-Safety-Environment issues, etc.: 21%

## **2 SAFETY, HEALTH, ENVIRONMENT**

Major accomplishments:

- 2.1** No personnel or other human accident.
- 2.2** A limited fuel leakage (aprox. 20m<sup>2</sup> area) round Fuel Pit No.D21 due to a sealing flange failure which was immediately fixed, without further consequences.
- 2.3** Execution of the annual large scale fire exercise on 29/3/2016 designed by AIA Fire Brigade; monitored by AIA and entailed explosion followed by fire in Tank No 1. All relevant stakeholders participated in the Fire Exercise: AIA Fire Brigade, Greek Police, EKAV (National Centre of Emergency Rescue), Civil Aviation Authority, Control Tower and AIA.

It was for the first time that:

- Representatives of Civil Protection Department (State), Ministry of Employment as well as Eastern Attica Prefecture participated as observers.
- The newly-constructed gate with direct access from the Apron, right next to AIA's Gate 13A was used having as a result the drastic reduction of Fire brigade vehicles' access time (2015:7-8 mins 2016: 4,5 mins).
- The newly-constructed fire brigade vehicles' access-way to Tank No 3 was used, according to a previous recommendation by AIA Fire Department.
- A new type of stretcher with better access to rough territories was used.

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- 2.4** On 18/4/2016 the Annual Safety Day was organized for OFC staff using audio visual material provided by "SHELL & MOH AVIATION" Company. This year's logo was "Achieving Goal Zero, because we care". The visual material and the overall organization of the Safety Day had significant results in the further improvement of personnel safety awareness.
- 2.5** Ensured that underground and aboveground water analysis results, as well as waste, were measured to be within the limits of the respective laws.

### **3 INSPECTIONS**

Three (4) inspections took place:

- a) Joint Inspection Group (JIG) with excellent results and the award to OFC of the 9<sup>th</sup> consecutive Certificate of Excellence for Operations which constitutes a unique distinction worldwide.
- b) Inspection by AIA's competent department of OFC's Fire Extinguishing System with very good results.
- c) Environmental inspection conducted by AIA, with very good results.
- d) DLA Pre-Award audit, conducted by "Aurora" with zero findings.

### **4 FUEL STOCK MANAGEMENT**

The Fuel Inventory audits conducted by the State Authorities (Customs and the General Chemical State Laboratory) resulted in a surplus equal to 91,5 m<sup>3</sup>, i.e. 0,016% on the fuel volume transferred to aircrafts in 2016, which presents a very efficient stock management within the contractual limits of the Fuel Supplier Agreement, also complying with JIG Standards.

### **5 ADDITIONAL RESULTS AND SERVICES:**

#### **5.1 Provision of Consultancy Services**

- 5.1.1** Provision of technical services to AAFPC, to ensure that JIG requirements are met in the Pipeline Receiving Station located in OFC facilities.
- 5.1.2** Maintenance of JET A-1 installations located in AIA's area 21B.

#### **5.2 Participations and Technical Presentations at Conferences/Committees**

- 5.2.1** IATA Fuel group Committee, 3 presentations (Fuel Shortage Contingency, Safety Matters and Particle Counting).
- 5.2.2** JIG Technical Forum, 2 presentations (Emergency Plans and Incident Investigation).
- 5.2.3** JIG Workshop, 1 presentation (Emergency Plans).
- 5.2.4** Election of 2 OFC Representatives and their participation in 2 JIG Committees (Common Processes/Best Practices and HSSE).

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## **6 MANAGEMENT SYSTEMS**

The accredited certification body TÜV Austria Hellas conducted the annual inspection of OFC's Management Systems ISO 9001, ISO 14001 and OHSAS 18001, with excellent results.

### **F. PENDING COMPANY LITIGATIONS AND PENDING COMPANY CASES**

Following No. 5206/2014 Decision of the First Instance Court of Athens, the Company has a call to pay 768.081,37 € plus statutory interest to a supplier, for a case dating back to the construction period of the fuel hydrant facility. The Company has appealed against the decision of the First Instance Court of Athens, which is going to be discussed in Court on 2/3/2017 after an adjournment of the hearing requested by the opposite party on 3/3/2016.

Additionally, following No. 1573/2015 Decision of the Athens Court of Appeal, legal action against the Company amounting 223.730,32 € was dismissed, for which the opposite party has filed a further appeal which was determined for 8/11/2016. On 8/11/2016 a request for adjournment was filed by the counter party and the new hearing was determined on 25/4/2017. The relevant amount is presented in contingent liabilities in the Company's financial statements.

### **G. FINANCIAL RISK MANAGEMENT**

The Company's Management has thoroughly evaluated the impacts in managing financial risk that may result because 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:

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- 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. There are no arrears. The company easily fulfils its obligations to banks and suppliers.

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

	<b>2016</b>	<b>2015</b>
1. $\frac{\text{Current Assets}}{\text{Total Assets}}$	54 %	50,28 %
2. $\frac{\text{Tangible Fixed Assets}}{\text{Total Assets}}$	46 %	49,72 %

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

3. $\frac{\text{Equity}}{\text{Total \_ Liabilities}}$	241,5%	185,62 %
4. $\frac{\text{Total \_ Liabilities}}{\text{Total \_ Liabilities and \_ Equity}}$	29,3%	35,01 %
5. $\frac{\text{Equity}}{\text{Total \_ Liabilities \_ and \_ Equity}}$	70,7%	64,99 %
6. $\frac{\text{Current A \_ Assets}}{\text{Short – Term \_ Liabilities}}$	261,6%	248,67 %

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

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7.	$\frac{\text{Cash}}{\text{Short - term Liabilities}}$	249,1%	242,44 %
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*Depicts the special liquidity of the Company.  
It determines whether the maturing liabilities are covered at a given time (31.12.16) by Company Cash.*

**RETURN ON EQUITY RATIOS:**

8.	$\frac{\text{Net Income before tax}}{\text{Equity}}$	12,3%	18,99 %
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9.	$\frac{\text{Gross Income}}{\text{Sales(Inventory & Services)}}$	30,9%	39,17 %
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10. Net Profit margin ratio:

	$\frac{\text{Net Profits}}{\text{Sales(Inventory & Sales)}}$	20,6%	29,65 %
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*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:

	$\frac{\text{Trade Receivables}}{\text{Sales on credit(Inventory & Services)}} \times 360$	0,84 days (2016)	6,48 days (2015)
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12. Creditors' ratio:

	$\frac{\text{Trade Payables}}{\text{Purchases on credit(Inventory & Services)}} \times 360$	40,43 days (2016)	27,13 days (2015)
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*The above mentioned ratios depict Company credit policy towards customers and suppliers.*

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## **I. ANTICIPATED COURSE OF THE COMPANY IN 2017**

For the current year, there has been a forecast for fuel volume to be handled through the facility of approximately 590.000 m<sup>3</sup>, while the fuel volume transferred in 2016 was 582.070 m<sup>3</sup>.

The forecast is primarily based on data supplied by AIA for an increase in flight numbers, especially during the summer months, whereas during the first two months of the current year a stable trend in fuel consumption has been observed compared to the respective period of last year. Therefore, a slight increase in fuel volumes is expected for the current year.

Finally, it is also worth mentioning that the Throughput Fee remains at the same level, having been reduced to 9,90 €/m as of July 1, 2016. Subject to an increase in fuel volumes in 2017 exceeding the forecasted volumes, a further decrease of the TpF will be considered as of 2018.

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

**CHAIRMAN  
OF THE BOARD**

**VASILIOS TSIATOURAS  
ID No.: AI 100209**

**MANAGING  
DIRECTOR**

**NIKOLAOS KONTAXIS  
ID No.: AB 594320**

**FINANCIAL  
MANAGER**

**PETROS KATROS  
ID No.: Σ 124630  
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A' CLASS**

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