

# Annual Report

2019



ROYAL JORDANIAN

الملكية الأردنية





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**His Majesty  
King Abdullah II bin Al-Hussein**



# **His Royal Highness Crown Prince Al Hussein bin Abdullah II**



# Our Vision, Mission and Values

## Vision:

To be the airline of choice, connecting Jordan and the Levant with the world.

## Mission:

To ensure our customers always recommend our airline because we consistently provide:

- The highest levels of safety, security and reliability.
- A seamless travel experience with exceptional customer care.
- Value for money through maintaining cost efficiency.

To ensure our people are motivated and work productively as a team, because we offer:

- A healthy and stimulating work environment with open dialogue and participation.
- Competitive employment benefits and rewards.
- Opportunities for training and career development.
- Energetic and decisive leadership.

To ensure our shareholders invest in the company because we deliver:

- An attractive return on investment.
- Sustainable and profitable growth.
- The highest levels of corporate integrity and responsibility.

To ensure Jordan will be proud of us because we:

- Represent the best of Jordanian hospitality and culture.
- Promote Jordan as a destination and a gateway to the Middle East, for both business and leisure travelers.
- Support local communities and charities.

## Values:

- We strive for excellence and those who succeed in our company will be team players.
- We enjoy working and succeeding through effective communication and believe we can achieve more by working together as one team.
- We respect people's opinions and learn from our differences.

## Objective:

- We make decisions based on solid facts and robust business cases, not on emotions or opinions.
- We always provide data to make our point and convince our colleagues.



## **Reliable:**

- We constantly endeavor to provide customers with their needs.
- We guarantee strict compliance with the company's internal policies and external regulatory requirements.

## **Committed:**

- We are dedicated to delivering the best to our stakeholders.
- We set and achieve high-performance standards.
- We take responsibility for our actions and our work.
- We listen and respond to both our internal and external customers' needs.

## **Caring:**

- We are always understanding and helpful towards our customers.
- We always try to be supportive and accommodating to our colleagues.
- We aim to deliver standards to others that we wish for ourselves.

## **Trustworthy:**

- We are always honest and transparent with our customers, partners and employees.
- We nurture trust and respect in our working environments, and promote an atmosphere of open communication.

# Board of Directors

**H.E. ENG. Said Sameeh Darwazah**

Chairman of the Board, representing Government Investment Management Company

**H.E. ENG. Basem Khalil al-Salem**

Vice Chairman, representing Government Investment Management Company

**H.E. Mr. Omar Zuhair Malhas, (from 01/09/2019)**

Member, representing Government Investment Management Company

**H.E. Dr. Abdelhakim Shibli**

Member, representing Government Investment Management Company

**H.E. Mr. Nasser Sultan Shraideh, (resigned 12/02/2019)**

Member, representing Government Investment Management Company

**H.E. Mr. Sami Kamel Dawud, (from 12/02/2019 to 09/05/2019)**

Member, representing Government Investment Management Company

**H.E. Captain Suleiman Reda Obeidat (resigned 29/07/2019)**

Member, representing Government Investment Management Company



**H.E. Mr. Malek Salameh Habashneh (from 01/09/2019)**

Member, representing Government Investment Management Company

**H.E. Mr. Nizar Houry**

Member, representing Mint Trading Middle East Limited

**H.E. Mr. Imad Jamal Al-Qudah (resigned 10/07/ 2019)**

Member, representing Social Security Corporation

**H.E. Mr. Saeed Abdullah Shanan (from 10/07/2019 to 09/10/2019)**

Member, representing Social Security Corporation

**H.E. Mr. Saoud Ahmad Nsairat (From 09/10/2019)**

Member, representing Social Security Corporation

**H.E. Mr. "Mohammad Ali" Issam Bdair**

Member

**H.E. Mr. Michael Nabeeh Nazzal**

Member

**Auditors**

Ernst & Young

**Legal Advisor**

Sanad Law Group in association with Eversheds Sutherland (International) LLP



# Chairman's Speech For the Annual Report 2019

Dear shareholders,

On behalf of my fellow Board Members, I wish to extend my appreciation to all of you who own shares in Royal Jordanian Airline, the National Carrier of Jordan. We value the importance you attach to investing in this national company that is one of Jordan's main economic pillars and that plays a significant role in connecting Jordan to the world.

Dear shareholders,

RJ is continuing its stride to implement the turnaround plan toward profitability that started in the second half of 2017. We have been seeing its positive impact over the past two years, including on the operational and financial performance, and appreciate that good results happened despite the challenges the company has been facing, including the outbreak of COVID-19 on a global scale in 2020, which will undoubtedly affect the ongoing concern of the airline in the current year.

At the same time, for over a year now, new competitors -- low cost carriers -- have taken a slice of the Jordanian market. That had a negative impact on RJ's share of local and European markets. Yet, we see the company's 2019 operational and financial results as a significant achievement and a good point from where the company can start reaping net income and reducing the losses it incurred over the past 10 years, and that had a clear impact on the company's key operational and financial indicators.

Dear shareholders,

One of the features of the turnaround plan was to enhance the commercial performance and our customers' confidence also grew significantly, due to the company's services and fares; the result was a seat load factor that grew to 74.2% from 73.8% in 2018, quite an important jump if compared to past years when the load factor was around 65%.

In 2019, RJ transported 3.3 million passengers, almost 38,000 more than in 2018. This increase, although modest, is an indication that the airline maintained a steady operational performance despite competition, particularly from Europe. This enabled the airline to achieve JD661 million in operational revenues, at the same level as in 2018.

The airline's plan includes enhancing revenues and cutting costs. RJ reduced the operating cost by 5%, getting it down from JD576 million in 2018 to JD547 million in 2019, thus registering JD10.4 million net profits after tax. In 2018, it posted a net loss of JD5.9 million, which makes it a 277% growth rate. The company's gross profit amounted to JD113 million, a 30% increase over 2018, when the company's profit stood at JD88 million. It is important to mentioning here that the fuel bill that RJ paid went down by 8%, which helped the airline cut operational expenses and achieve positive results.

Dear shareholders,

In addition to these satisfactory results, 2019 was successful and distinguished in terms of improved



operational and financial key performance indicators, especially with regard to ancillary revenue that is detailed in the CEO speech published in this report. Let me congratulate the CEO, his management team and our employees on behalf of the Board for a job well done.

We are keen to see Royal Jordanian prosper and continue on the path that puts it in the position that befits it. We want to see its financial situation improve in a manner that guarantees its growth and development, to the satisfaction of its shareholders whose aspirations we respect and cherish.

We are proud of what we achieved in 2019, not only financially, but also in terms of awards. The airline closed 2019 with an excellent record, according to the airline safety and product review website AirlineRatings.com; it was listed as one of the top 20 safest airlines in the world, selected from a pool of 405 different airlines that were monitored. RJ also ranked fourth in terms of on-time performance among all Arab carriers, and was awarded Fastest Growing Airline – Thin Route Award at one of the European airports, among others.

Dear shareholders,

Regarding RJ's fleet, future plans entail the modernization of the fleet of medium- and short-haul aircraft over the next five years, by introducing 17 new aircraft; 15 of the currently operating planes will be gradually replaced with new ones.

As for the airline network, the operational plan for 2020 does not stipulate opening new stations; instead, the company is currently focusing on enhancing the level of connectivity on its network, which covers 45 regional and global destinations, of which some were suspended for security reasons.

We are concerned with providing more flexibility between the network's sectors to align the seat capacity and the stations with flight frequencies in a manner that suits passengers' demands during different seasons. RJ is ready to resume the currently suspended flights as soon as that proves financially and logistically viable.

Dear shareholders,

Regarding RJ's capital increase, all January 2019 procedures related to the first part of the second phase, which involves a JD50 million increase in paid capital, were completed. Thus, the subscribed and paid capital became JD196,405,342 of 274,610,470 shares, at a total shares discount of 78,205,128. After concluding this part of the capital increase process, RJ's capital increased by JD150 million of the planned JD200 million.

Dear shareholders,

Due to the COVID-19 pandemic, 2020 proved to be a year of enormous challenges to all airlines worldwide, RJ included. There has been a sharp decline in demand on air travel because of the pandemic; in RJ's case, this has been compounded by the temporary closure of Jordan's airports and the suspension of all RJ flights. Despite this setback, the airline is positive that once the crisis abates, it will be back in business and work hard to make up for the lost time and perform even better than before to maintain its established competitive edge in the region.

I would like to reiterate my thanks and appreciation to all of you, and assure you that Royal Jordanian continues to advance toward a brighter future through the determination of its staff and management, buttressed by its customers' trust, until its lofty aspirations become a reality. We want our competitiveness to get stronger and our product to improve, for RJ to continue to contribute to the national economy, be an employer of choice and represent Jordan's gateway to the entire world.

RJ will remain our source of pride under the leadership and guidance of His Majesty King Abdullah II, may God bless him!

**Chairman of the Board of Directors**  
**ENG. Said S. Darwazah**

# President/CEOs' Speech for the Annual Report 2019

Dear shareholders,

On behalf of the Executive Management team, I would like to thank each and every one of you for the interest with which you follow RJ's performance and progress. We hereby serve the Jordanian economy, and particularly support tourism and trade with the world, whether in terms of passengers or air freight.

Esteemed shareholders,

In 2019, we continued our focused work as a team, management and employees together, and under the Board of Directors' guidance continued to over-achieve the targeted operational and financial performance indicators. We were successful in implementing the pillars of the turnaround plan the company launched in the second half of 2017, making them a reality through our relentless efforts and hard work. Thus, we realized a record load factor in terms of sales and significantly improved unit costs in operations.

I wish to express satisfaction with our success in closing 2019 with a JD10.4 million net income after tax, especially knowing that in 2018, we had posted a net loss of JD5.9 million; that made it a whopping 277% growth rate. This profit was achieved despite the negative impact of implementing the International Accounting Standard 16 by JD5.9 million.

Our focus in 2019 was on improving the overall performance of the company and on reducing costs by enhancing productivity. We also attracted many new customers and recorded an increase in the number of passengers of about 38K over 2018. RJ transported 3.3 million passengers on its scheduled flights, increasing the seat load factor to 74.2% in 2019 against 73.8% in 2018.



Dear shareholders,

We are proud to have achieved a record seat load factor in the face of fierce competition from low-cost airlines that have been operating regular flights to Amman and Aqaba, and of the significant competition posed by other government-owned airlines operating in the Middle East. RJ was able to maintain its competitive edge in the market and register a great increase in the number of passengers.

Other commercial and operational key performance indicators also witnessed an increase during 2019, while the Cost per Available Seat-Kilometer (CASK) went down by 2% and operating costs down by 5%. The ancillary revenues went up by 40%, the frequent flyer program (Royal Club) revenue was up by 46% and online sales revenue by 5%. Also, the airline saw an increase of JD1.6 million in excess baggage revenues. As a result, the net operating profit jumped from JD16.6 million in 2018 to JD45.5 million in 2019, making it a remarkable 174% growth.

Dear shareholders,

Our success last year and our ability to record net

profits is due to the outstanding commercial and operational performance and the efforts made to reduce operating expenses. As a result of the growing seat load factors, the company's operating revenue during 2019 reached JD661 million, which is on the same level as in 2018.

Meanwhile, RJ reduced the operating cost from JD576 million in 2018 to JD547 million in 2019; this was affected by 8% less in the fuel bill paid by the company.

During last year, we also took several measures that contributed to improving the financial performance of the company, such as reviewing some agreements and improving the terms of their contracts, especially those concerned with aircraft leasing, ground handling and logistics services offered at a global level.

In 2019, RJ started using advanced electronic systems in order to keep abreast of modern advances and the expansion of air transport industry services, such as migration to Amadeus Altéa Departure Control System (DCS), "SkyConnect" app, which is the wireless in-flight entertainment (IFE) system, Skywise, a new centralized platform that stores and analyzes data from different operational sections, in addition to introducing new online services for passengers that help make their travel smoother and stress free, introducing new cargo equipment, and many other services.

Dear shareholders,

In 2020, our company, like most in the global air transport industry, will be facing a considerable challenge from the spread of COVID-19; RJ will, like most other airlines, be negatively affected by the significant decrease in demand on travel, the temporary lockdown of Jordan airports and the suspension of operations on all of our routes. However, once this cloud has passed, we will continue to work on improving the company's performance and enhance its competitiveness. We will exert utmost efforts to streamline all the phases of a journey because we believe that our customers deserve to be treated as guests, befitting from the reputation of the National Carrier of Jordan, which, like the country, is reputed for its people's exceptional traits like generosity and hospitality, kindness and warm welcoming.

With the Board of Directors' support and our customers' and staff's loyalty, we will build on the success attained in 2019 and work hard to overcome all difficulties. We will continue to carry out the turnaround plan with its four pillars: attaining sustainable profitability, being a consumer champion, an employer of choice and, ultimately, position RJ as the number one airline in the Levant.

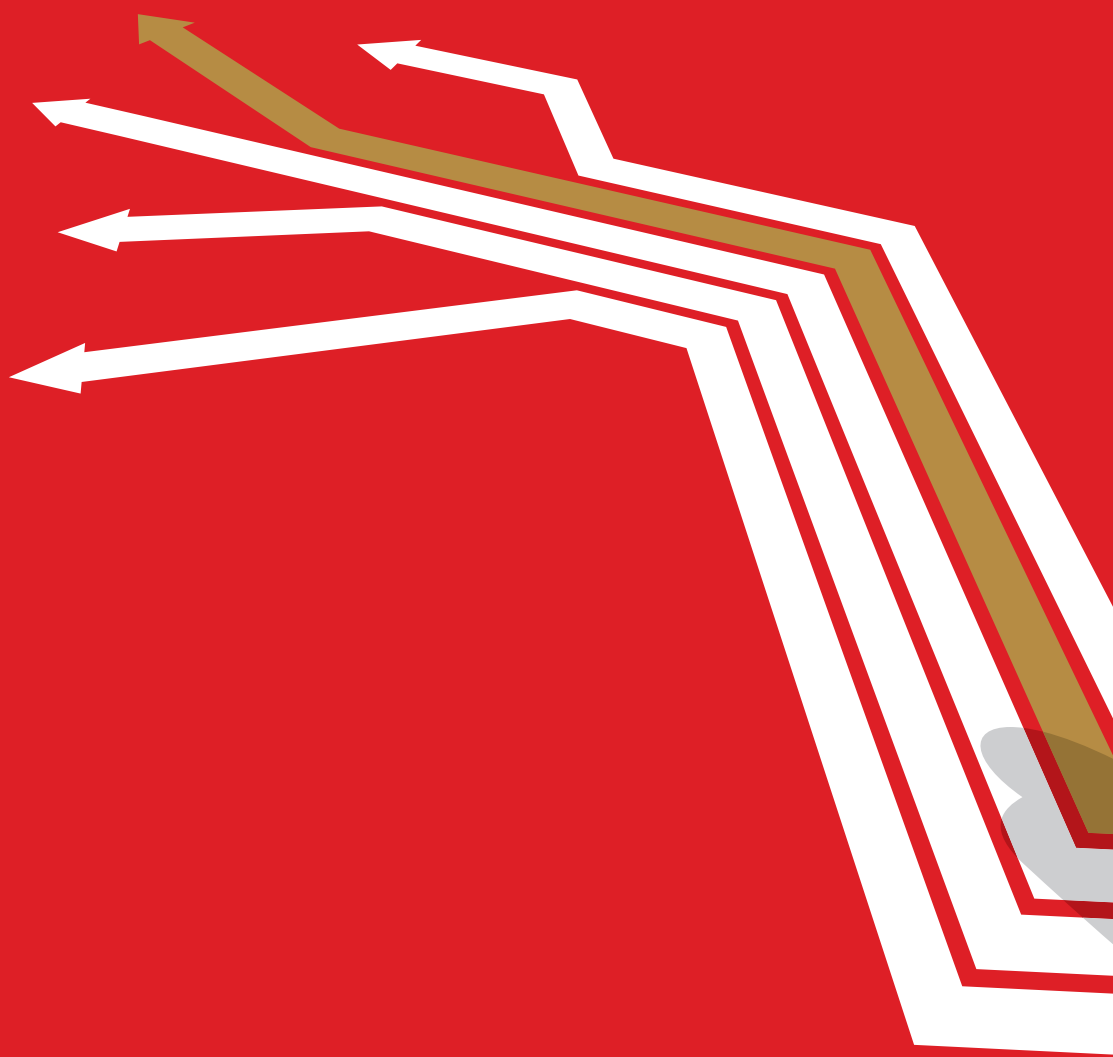
Dear shareholders,

I wish, again, to thank all the shareholders, particularly the major shareholder in RJ's capital, the Jordanian Government, which extends its support and fully understands the strategic significance of this national company.

I wish to extend my thanks to the Chairman and the Board of Directors for lending their continuous support to RJ's management in its quest to reach the set goals.

I also want to thank all the colleagues from the RJ family for their fruitful performance during last year and their team spirit. They have been endeavoring to serve the company and its passengers in the best possible way so that Royal Jordanian can maintain its role as the national air carrier of Jordan under the guidance of His Majesty King Abdullah II.

**President/CEO**  
**Stefan Pichler**







# Board of Directors Report

## Company's Objectives and Main Activities

RJ Group works towards achieving the objectives for which it was founded, important among which are: carrying out regular and chartered air transportation of passengers, mail and freight within the Kingdom and abroad, in addition to providing aircraft handling services.

## RJ's Geographical Locations and Number of Employees:

Royal Jordanian's headquarters is located in Amman. Operations and flights take off from Queen Alia International Airport (QAIA). There are sales offices in 35 cities around the world and general sales agents in 46 other cities.

The company operates through its employees, who numbered 3,802 in RJ as recorded on 31/12/2019. 303 of these employees work at the outstations abroad, 32 in Royal Tours and 184 in Tikram.

## Capital Investment

The consolidated value of property and equipment amounted to JD 408 million in 2019 compared to JD 562 million in 2018, with a decrease of JD 154 million, as a result of the implementation of IFRS (16), where an amount of JD 182 million in 2019 was reclassified to right-of-use assets, and after deducting the consolidated accumulated depreciation, the net assets reached JD 106.8 million in 2019 compared to JD 266.8 million in 2018.

## Subsidiaries:

### Royal Wings

Royal Wings was established in Jordan in 1975 as a limited liability company. It has no branches and it is wholly owned by RJ. With the implementation of the company's strategy in November of 2005, regional services operated by RW have been transferred to RJ, the parent company. Royal Wings became the main operator of chartered flights. It also acts as an agent for chartered flights (i.e. it arranges alternative chartered aircraft when its aircraft is not available).

It also leases its aircraft to the mother company when necessary. RW operates new routes to destinations that are not currently served by RJ.

In October 2009, Royal Wings acquired 80% of Royal Jordanian Tourism and Travel Company (Royal Tours) shares.

Royal Wings' headquarters was moved in 2017 to Royal Jordanian's head office. It has 90 staff members. Its capital amounts to JD 5 million and it owns one Airbus (A320).

In December 2018, Royal Wings transferred the owned shares in Royal Jordanian Tourism and Travel Company (Royal Tours) to Royal Jordanian Airlines.

The Board of Directors of the parent company decided at its meeting on September 26<sup>th</sup>, 2018, to suspend the company's activities and liquidate it unless it is sold to a third party.

### Royal Tours

Royal Tours was established in 1979 with the aim of providing complementary services to RJ's services, to help RJ market its flights to tourist attractions around the world. Royal Tours books tickets and arranges trips to tourist groups for various tourism sites and countries in the region and worldwide, always looking for new

options for tourists.

Today, Royal Tours is the company of choice for the stopover program “Zuwar” besides its responsibility for the execution of the Ministry of Tourism plans through the “City Tour” program.

## **Tikram**

“Tikram” company was established in 2014 as a joint venture investment between Royal Jordanian Airlines and Worldwide Flight Services “WFS”. In March 2017, “Tikram” became fully owned by RJ with a capital of JD 764,804. Tikram’s launch comes in line with RJ’s strategy to expand vertically by identifying new and attractive business opportunities associated with air travel.

Tikram is the exclusive meet and greet service provider at QAIA. Its diverse, state-of-the-art services include: immigration and security fast-track, porter services and luggage wrapping, hosting passengers in the departure lounge (RJ’s Crown Lounge) and oriental-style arrival lounge, limousine service to transport travellers from anywhere in the Kingdom to the airport and vice versa, and an in-terminal shuttle service; in addition to the Aqaba Lounge service for welcoming VIP visitors.

Tikram’s 24/7 counters serve VIPs, families and groups, including airlines, hotel guests, corporate entities, travel agencies and tour operators, as well as embassy staff.

RJ has chosen to call this company “Tikram” which means “with pleasure” in Arabic; it symbolizes the true hospitality and warmth Jordan is known for around the world.

It should be mentioned that a renewal agreement was signed with the AIG (Airport International Group), through which the concession rate of AIG was reduced to 20% of Tikram’s gross revenues for the first year, 21% for the second year, and 22% for the third year, along with 20% of the company’s annual profits value; considering that the concession rate was 40% as per the previous agreement expired by July 2017.

In addition to the abovementioned, the annual rent cost was waived through returning the “Visitors Hall” area located in the “Passenger Terminal” and the warehouse located in the same building. It was agreed with AIG to exempt Tikram from the rent’s value of offices and remaining used spaces at QAIA, which resulted in saving JD 132 thousand annually, with the aim of reducing the company’s annual expenses.

# Members of the Board of Directors and Their Biographical Information

Board Member	Position	Board Member Since	Nationality	Qualifications
H.E. Eng. Said Samih Darwazah	Chairman, Rep Government Investment Management Co.	20.6.2016	Jordanian	MA Business Administration
H.E. Eng. Basem Khalil Al-Salem	Vice Chairman, Rep Government Investment Management Co.	17.4.2016	Jordanian	BSc. Chemical Engineering
H.E. Mr. Omar Zuhair Malhas	Member, Rep Government Investment Management Co.	1.9.2019	Jordanian	MA Business Administration
H.E. Mr. Saoud Ahmad Nsairat	Member, Rep Social Security Corporation	9.10.2019	Jordanian	MA Management and Military Sciences
H.E. Dr. Abdelhakim Shibli	Member, Rep Government Investment Management Co.	8.5.2018	Jordanian	PhD Economics
H.E. Mr. Malek Salameh Habashneh	Member, Rep Government Investment Management Co.	1.9.2019	Jordanian	MA Management and Military Sciences
H.E. Mr. "Mohammad Ali" Issam Bdair	Member	27.3.2008	Jordanian	MA Engineering Management
H.E. Mr. Michael Nabeeh Nazzal	Member	14.4.2016	Jordanian	BSc. Hotel Management
H.E. Mr. Nizar Khoury	Member, Rep Mint Trading Middle East Ltd.	29.08.2018	Lebanese	BA Economics

# The following is biographical information about the board members' business experiences:

## **H.E. Eng. Said Samih Darwazah | Chairman of the Board**

Mr. Said Darwazah has chaired the Royal Jordanian Board of Directors since June 21, 2016, after he was appointed as a representative of the Government Investment Management Company in RJ's Board of Directors on June 20<sup>th</sup>, 2016.

Mr. Darwazah is currently the Executive Chairman of Hikma Pharmaceuticals PLC. Between 2003 and 2006, he was Jordan's Minister of Health. He is also the Chairman of the Board of the Queen Rania Foundation, which focuses primarily on providing youth with learning opportunities and equipping them with the necessary tools for success such as, ICT in education and online learning opportunities.

Mr. Darwazah is a board member of the Central Bank of Jordan and a member of the Board of Trustees at Babson College in the USA, and the American University of Beirut (AUB), where he also co-founded the Samih Darwazah Center for Innovation Management and Entrepreneurship.

Mr. Darwazah has a B.Sc. degree in industrial engineering from Purdue University in the USA and an MBA from INSEAD, France.

## **H.E. Eng. Bassem Khalil Al-Salem | Vice Chairman**

Mr. Al-Salem currently serves as the Chairman of the Board of Capital Bank which he co-founded in 1995. Al-Salem's role as a chairman provides diverse experience in creating business value strategically, operationally and financially.

He also currently serves as the Chairman of the Board of Trustees of King's Academy in Jordan. Prior to that, he founded and managed a number of companies in Jordan, mainly in the industrial sector. Mr. Al-Salem has an extensive record of public service that spans over 12 years starting as a Member of the Board of the Central Bank of Jordan in 2000 and as the Minister of Labor, Minister of Finance and a Senator in the Upper House of the Jordanian Parliament.

Today, Mr. Al-Salem continues to serve on the boards of several organizations in the private and public sectors such as the Queen Rania Foundation and University of Jordan. He holds a Bachelor's degree in Chemical Engineering from Imperial College, UK

## **H.E. Mr. Omar Zuhair Malhas | Member**

Mr. Malhas was appointed as Minister of Finance from 2015 to 2018.

Mr. Malhas has a diverse banking experience of more than thirty years with distinguished accomplishments in all fields of work, where he began his career in 1984 at the Housing Bank for Trade and Finance and worked as a deputy general manager for Doha Bank in 1999, and chief director at the American Alliance Capital Corporation - Bahrain Office in 2000; and Director of the Treasury and Investment Department of the Housing Bank for Trade and Finance in 2002. He was the head of the banking group in the Housing Bank for Trade and Finance in 2009 until he was appointed as the General Manager of the bank from 2010 to 2015.

Mr. Malhas holds an MBA degree in International Financial and Banking from the University of Birmingham, UK; and a Bachelor of Business Administration in Economics from the University of Louisiana in the USA.

### **H.E. Dr. Abdelhakim Shibli | Member**

Dr. Abdelhakim Shibli was born on February 6<sup>th</sup>, 1966. He holds a Ph.D. in Economics specializing in macroeconomics and fiscal policy, from Leeds University Business School, UK. He is married and has three children (two boys and one daughter).

Dr. Shibli started his professional career at the Central Bank of Jordan as an economist between 1991-2004. In 2002, he also worked as a part-time lecturer in the Faculty of Business Administration at the University of Jordan, Department of Economics. Dr. Shibli then moved to the Ministry of Planning and International Cooperation between 2004 - 2007 as an economic advisor to oversee a comprehensive risk analysis system that anticipates future economic risk and recommends mitigation policies. He was seconded to work at the Prime Ministry for the period 2007 to 2010, as an economist at the Millennium Challenge Unit, then moved to the Ministry of Finance to chair the Directorate of Studies and Economic Policies between 2010-2018.

Dr. Shibli's appointment as the Secretary General of the Ministry of Finance was upon the Royal Decree on 30/04/2018. Before that, he took part in several governmental committees, worked as part of the core economic team at the Ministry of Finance and the IMF program, the World Bank and the Arab Monetary Fund. He worked in the economic and financial policy formulation and the implementation of important national and international programs such as the Economic and Social Reform initiative, the Financial Reform Program, the Modernization of Financial Management and the Revision Program with the IMF.

Dr. Shibli represented the Ministry of Finance in several institutions and companies in which the Government of Jordan have shares as a board member and member at official committees.

### **H.E. Mr. Malek Salameh Habashneh | Member**

Mr. Habashneh holds a Bachelor's and Master's degree in Administrative and Military Sciences, and participated in several courses in the UK and USA.

He joined the Royal Jordanian Air Force in 1974 as a fighter pilot and has held various positions as a flight instructor in the UK and Iraq.

Mr. Habashneh worked in leadership positions during his service in the Royal Jordanian Air Force, including: the commander of an airbase, an assistant military attaché in UK, a director of training in the Royal Air Force, a director of operations at the Royal Air Force and an assistant commander of the Air Force for operations and training. He took over the position of Commander of the Royal Jordanian Air Force from 2010 until 2013.

### **H.E. Mr. Saoud Ahmad Nsairat | Member**

Based on the educational background and his experience in managing different businesses, Mr. Nsairat was able to employ his experience as Minister of Transport in several governments from 25/10/2004 to 22/11/2007, to issue the new aviation law through the Jordanian parliament, and supervised the expansion of Queen Alia International Airport, where he was the owner of the idea and head of the project steering committee from 2005 until the referral of the project and the start of the expansion implementation in 2007.

During his professional career, Mr. Nsairat held several positions, the most important of which were: the Commander of the Royal Air Force (1999 - 2002), the Chairman of the Board of Civil Aviation Authority (1999 - 2004), and Chairman of the Board of Directors of the Land Transport Regulatory Authority (1999 - 2004), the Maritime Authority (2004 - 2007), the Jordanian Hejaz Railway (2004 - 2007) and the Aqaba Railway Corporation (2004 - 2007). He was also a member of the Board of Directors of Royal Jordanian Airlines (1999 -2004), the Chairman of the Board of Directors of Dead Sea Development Company (2009 -2010), Chairman of the Board of Directors of Integrated Multi Transport Company since 2014 to date, and Chairman of the Board of Directors of the King Abdullah II Center for Design and Development (2018 - 2019).

Mr. Nsairat holds a Master's degree in Administrative and Military Sciences and has been honored by serving for 36 years in the Royal Air Force (1968 - 2002) and from 2002 - 2004 he has worked in the leadership of the army as Vice Chairman for the Joints Chief of Staff of the Armed Forces and was retired with the rank of Lieutenant General.

### **H.E. Mr. Mohammad Ali Bdeir | Member**

With a background in management, Mr. Bdeir was appointed to be a part of Royal Jordanian's Board of Directors in 2008. He is the current General Manager of Best Dimension Investment Co., and a Board Member of the General Mining Co., and a former board member of Jordan Investment Board. He received a BS in Industrial Engineering from Purdue University (USA) and an MS in Engineering Management from the American University of Beirut.

### **H.E. Mr. Michael Nazzal | Member**

Mr. Nazzal was a member of the 25<sup>th</sup> House of Senate and the Director of Food Services at Royal Jordanian from 1980 until 1982. He is the Chairman of the Dead Sea Hotels since 1990, Chairman of the MINA Hotels since 1990, Chairman of the Jordan Hotel Association since 1988 and Chairman of the Federation of Tourism Associations from 2004 until this day. Mr. Nazzal is the Vice Chairman and a Board Member of the Jordan Tourism Board since 2004, and the founder and member of the Jordanian Applied University Board of Trustees since 1996.

### **H.E. Mr. Nizar Fahim Khoury | Member**

Mr. Khoury worked at Middle East Airlines from 1974 until his retirement in August 2017. He began working at the Planning and Economics Department of the airline and moved to the Commercial Department and was appointed Vice President Commercial, managing the following departments: Sales and Distribution, Revenue Management, Marketing, Customer Service, Loyalty Programs, Commercial Agreements and Civil Aviation. Mr. Khoury holds a BA in Economics from the American University of Beirut and has completed course requirements of the MA Economics at the American University of Beirut.

### **H.E. Mr. Nasser Sultan Shraideh | Member**

Mr. Shraideh is an economist with over twenty seven years of work experience with various ministries and public sector institutions, international NGOs, and United Nations agencies. This has afforded him a substantive knowledge and professional experience in areas of international cooperation, economic and trade policy development, tourism development, investment promotion, private sector development, small and micro-finance, community development and institutional capacity building.

In June 2016, Mr. Shraideh was appointed as the Chief Commissioner of Aqaba Special Economic Zone Authority and serves as the Chairman of the Board of Aqaba Development Corporation, Aqaba Container Terminal Company, Aqaba Airport Company, Aqaba Company for Ports Operation and Management. Prior to this posting, Mr. Shraideh has served as the Chairman of the Board for the Jordanian Free Zones Company, Minister of Environment and served as Chief Commissioner of the Petra Development & Tourism Region Authority, Secretary General of the Ministry of Planning and International Cooperation and assumed a Director position for a number of departments, including: the EU-Jordan Association Unit, the Aid Coordination Unit, the Bilateral Cooperation Department and the International Cooperation Department.

Mr. Shraideh was born in Irbid, Jordan, on June 5<sup>th</sup>, 1967, and obtained both his Bachelor's and Master's Degrees in Economics from Yarmouk University, where he graduated with 'Honors' in 1988 and 1994, respectively.

### **H.E. Mr. Sami Kamel Dawud | Member**

Mr. Dawud was appointed as a member of the Board of Directors of Royal Jordanian on February 12<sup>th</sup>, 2019, representing the Government Investment Management Co. He has been the Cabinet Secretary General since 2016. Mr. Dawud also occupied several positions, including: the Cabinet Secretary, Advisor at the Cabinet and Secretary General Assistant / Operations Management Affairs at the Cabinet.

He was previously the Chairman of the Arab Potash Company, the National Petroleum Company and a Board Member at these two companies.

Mr. Dawud also served as a member of the Board of Directors of Jordan Airports Company, was Vice Chairman

and a Board Member of Jordan Free & Development Zones Group and is currently a member of the Supreme Council of Civil Defense.

### **H.E. Mr. Imad Al-Qudah | Member**

Mr. Qudah holds BA in Administration from Yarmouk University, Jordan. He also holds an MBA from Sul Russ University (SRSU), Texas. He joined the Central Bank of Jordan as a trader in 1989 and climbed up the ladder to be a Portfolio Manager in the foreign investments department.

In 2002, Mr. Qudah joined the Social Security Investment Fund (previously known as the Social Security Investment Unit) as Treasury Manager till 2008. During that period, he held the position of an Acting CEO of the Investment Unit throughout the period of 2005 – 2006.

Mr. Qudah is currently the Manager of the Public Equity Portfolio and an Acting Manager of Private Equity Portfolio.

He represented the Social Security Investment Fund in a number of companies' Board of Directors such as, Daman for Investments, Jordan Post Company, Jordan Kuwait Bank and Jordan Dubai Islamic Bank.

### **H.E. Capt. Suleiman Obeidat | Member**

Captain Suleiman Obeidat has more than 40 years of experience in aviation. He started his flying career as a transport pilot with Royal Jordanian Air Force, then joined Royal Jordanian as a line captain. In December 2004, Captain Obeidat was appointed as Director General of the Jordan Civil Aviation Authority. In 2007, he became Chief Commissioner of the Jordan Civil Aviation Regulatory Commission (CARC).

At CARC, he was responsible for restructuring the civil aviation authority and implementing the air transport liberalization policy. Prior to joining the Civil Aviation Authority, Captain Obeidat held different key management positions both in the Air Force and at Royal Jordanian. He was a commander of the Royal Squadron and commander of the Air Lift Wing. At Royal Jordanian, Captain Obeidat occupied the position of Vice President of Flight Operations and Deputy President/Chief Technical Officer. On October 26<sup>th</sup>, 2015, Captain Suleiman Obeidat was elected by The Royal Jordanian Board of Directors to be a board member and the President/CEO of Royal Jordanian.

### **H.E. Mr. Saeed Shanani | Member**

Currently, Mr. Shanani is the Director of Operations and Administrative Affairs in the Social Security Investment Fund, and he worked as head of the Investment Promotion Unit in the Income Tax Department (1994 - 2003), and financial manager in the field of auditing in the private sector (1992 - 1994) and in the banking sector outside Jordan (1989 - 1991). He holds a certified mentor certificate for the King Abdullah II Award for Excellence in Government Performance and Transparency in 2008.

Mr. Shanani previously served as a member of the Board of Directors of: Jordan Petroleum Refinery, Union Bank, Jordan Phosphate Mines Company, Arab Bank, Vice Chairman and a Board Member of the South of Dead Sea Development Company, Duty Free Shops Corporation, Jordan Cement Company - Lafarge and others. He holds a Master's degree in Finance from the University of Jordan (1998), a Bachelor's degree in Accounting from the University of Jordan (1989) and a Certified Project Manager Certificate (CPM) from the International Association of Project and Program Management (IAPPM), USA.



# Members of the Board of Directors Who Resigned During 2019

Board Member	Position	Member Until	Nationality	Qualifications
H.E. Mr. Sami Kamel Dawud (1)	Member, Rep Government Investment Management Co.	09/05/2019	Jordanian	MA Business Administration
H.E. Mr. Nasser Sultan Shraideh	Member, Rep Government Investment Management Co.	12/02/2019	Jordanian	MA Economics
H.E. Capt. Suleiman Obeidat	Member, Rep Government Investment Management Co.	29/07/2019	Jordanian	BA Military Sciences
H.E. Mr. Saeed Shanan (2)	Member, Rep Social Security Corporation	09/10/2019	Jordanian	MA Finance
H.E. Mr. Imad Al-Qudah	Member, Rep Social Security Corporation	10/07/2019	Jordanian	MA Business Administration

(1) Appointed on 12/2/2019.

(2) Appointed on 10/7/2019.

## Senior Executive Management

Brief resumes of the members of the senior executive management team:

Name	Position	Date Appointed	Date of Birth	Qualifications	Specialty	Graduation
Mr. Stefan Pichler	President/CEO	01.06.2017	07.11.1957	MA	Economics & Law	1995
Mr. Feras Qarrain	Executive Vice President/Finance & Resources	07.10.2019	14.11.1969	BA	Accounting	1991
Ms. Basma Majali	Vice President/Commercial	01.09.2019	29.04.1966	MBA	Aviation Management	2002
Captain Ghassan Obeidat	Vice President/Operations	01.09.2019	13.04.1976	Diploma	Commercial Pilot	1996
Ms. Amal Hattar	Vice President/Finance	01.09.2019	20.08.1980	BA	Accounting	2002
Ms. Suha Al Arda	Vice President/Treasury	01.09.2019	26.02.1979	MBA	Finance	2007
Dr. Fawzi Mulki	Vice President/Services & Product	01.09.2019	27.03.1981	PhD	Informatics	2009

## Senior Management Business Experiences in Brief:

### Mr. Stefan Pichler

- Mr. Pichler was appointed as President/CEO of RJ in June 2017.
- He was the CEO of the Airberlin group from February 2015 until he joined RJ.
- Led Fiji Airways as Managing Director and CEO in September 2013.
- Was the CEO of Jazeera Airways K.S.C during June 2009 - August 2013.
- Since 2004, Stefan was part of Richard Branson's senior management team. He was responsible for Virgin Blue's transformation from a low-cost carrier to a "new world" network airline and served as their Chief Commercial Officer.
- Was the CEO of the German tourism group "Thomas Cook AG".
- Pichler joined Lufthansa in 1989 as the Marketing & Sales Manager for France, then was appointed as Managing Director of Lufthansa France in 1991. Additional roles included: his appointments as Managing Director for Germany in 1995, the Executive Vice President of Worldwide Sales & Marketing in 1996 and as a Member of Lufthansa's Executive Board in 1997.
- Holds a Master's degree in both Economics and Law from Augsburg University.

### Mr. Feras Qarrain

- Mr. Qarrain was appointed as the Executive Vice President/Finance & Resources in October 2019.
- He occupied the position of Chief Financial Officer at Royal Jordanian from October 2015 until June 2018.
- Former Deputy GM for Finance in several companies: Abdali Investment and Development, Al-Rajihi Cement Holding and Zara Holding. Former GM in Al-Rajihi Cement Holding.
- Former Chief Auditor in Ernst & Young and in Arthur Anderson.
- Holds a Bachelor's degree in Accounting from the University of Jordan.
- He is a CPA (Certified Public Accountant).

### Ms. Basma Majali

- Ms. Basma was appointed as Vice President/ Commercial in September 2019.
- She assumed the position of "Head of Network Management & Alliances" since December 2012.
- She joined the Network Management & Alliances Department in 2002 and escalated in her career ever since.
- Has more than 25 years of experience with RJ.
- Ms. Basma holds an MBA in Aviation Management from Maastricht School of Management.

### Captain Ghassan Obeidat

- Captain Ghassan was appointed as Vice President/Operations in September 2019.
- He assumed the position of "Head of Flight Operations" since May 2015 and "Head of Crew Training & Standards" in May 2013.
- He was assigned as the Project Manager for the "Boeing 787 fleet" project. In 2014 the first aircraft was introduced successfully to RJ fleet.
- He assumed managerial roles in the Flight Operations department, in addition to his main duty as Captain for RJ's fleets.
- Has more than 20 years of experience with RJ.

### **Ms. Amal Hattar**

- Ms. Amal was appointed as Vice President/Finance in September 2019.
- She assumed the position of “Head of Revenue Accounting & Outstations” since January 2013.
- She was appointed as Management Accounts Director in January 2012.
- She joined the Finance Department in 2004 and escalated in her career ever since.
- Has more than 15 years of experience with RJ.
- Ms. Amal holds a Bachelor’s degree in Accounting from the University of Jordan.

### **Ms. Suha Al Arda**

- Ms. Suha was appointed as Vice President/Treasury & Management Accounts in September 2019.
- She assumed the position of “Head of Treasury” since January 2016.
- She joined the Finance Department in 2007 as a Financial Analyst and escalated in her career ever since.
- Has more than 12 years of experience with RJ.
- Ms. Suha holds an MBA – Finance from New York Institute of Technology.

### **Dr. Fawzi Mulki**

- Dr. Mulki was appointed as Vice President/Services & Product in September 2019.
- He assumed the position of “Head of Airport & Cargo Services” since June 2017 and the position of “Executive Assistant to the CEO” for the Strategy Management Office in November 2015.
- He joined RJ as “Director Business Development” in September 2012.
- He assumed several positions in the Royal Hashemite Court, the Ministry of Information and Communications Technology and Arab Potash.
- Dr. Mulki holds a PhD in Informatics - Information, Government and Democratic Societies from the State University of New York.

## **Members of the Senior Executive Management team who left the company during 2019:**

<b>Name</b>	<b>Position</b>	<b>Nationality</b>	<b>Qualifications</b>	<b>Specialty</b>
Mr. Marwan Marji (until 31.10.2019)	Vice President/CFO	Jordanian	BA	Accounting

# Major Shareholders

Shareholder	Geographical Location	No. of Shares at 31.12.2018	%	No. of Shares at 31.12.2019	%
Government Investment Management Co.	Jordan	188,243,117	76.4	225,265,260	82.03
Social Security Corporation	Jordan	14,640,534	5.9	14,640,534	5.33
Mint Trading Middle East Ltd.	UK	22,518,838	9.14	13,701,823	4.99

## RJ's Competitive Position

RJ is the national carrier of Jordan. It operated regular flights from Jordan to 52 destinations around the world in 2019 as follows:

**Levant:** Beirut, Cairo, Aqaba, Sulaymaniyah, Baghdad, Basra, Erbil, Tel Aviv and Najaf, with a commitment to restart operating to Damascus, Aleppo and Mosul as soon as security conditions allow.

**Arabian Gulf:** Abu Dhabi, Dammam, Doha, Dubai, Jeddah, Kuwait, Riyadh and Medina. RJ will resume operation to Sana'a and Aden as soon as conditions allow.

**Africa:** Khartoum\*, Tunis and Algiers, with a commitment to resume operation to Misurata, Tripoli and Benghazi as soon as security conditions allow.

**Europe:** Amsterdam, Athens, Barcelona, Berlin, Copenhagen, Frankfurt, Geneva, Istanbul, Larnaca, London, Madrid, Moscow, Munich, Paris, Rome, Vienna and Zurich.

**Fareast:** Bangkok, Hong Kong, and Kuala Lumpur.

**North America:** New York, Chicago, Detroit, and Montreal.

\*Operation to Khartoum got suspended end of February 2019.

RJ faces direct competition from other airlines on 23 destinations out of 52. Also, the airline always monitors markets and market developments to grab any opportunity of opening new markets or increasing weekly frequencies to the current routes.

On April 1<sup>st</sup>, 2007, Royal Jordanian joined the **oneworld** airline alliance which gathers a group of international, giant airlines. RJ was chosen to join this alliance because of the excellent reputation it enjoys and the competitive services it provides for its passengers on all its trips. At that time, RJ was the first Arab airline to join this global alliance, with the advantage that being a member in this alliance offers RJ's passengers easy access to around 1,000 cities around the world which are served by the alliance members. Besides RJ, the following carriers are members of the **oneworld** alliance: American Airlines, British Airways, Cathay Pacific, Iberia, Finnair, Japan Airlines, Qantas, Malaysia Airlines, Siberia Airlines (S7), Qatar Airways, LATAM in South America and SriLankan Airlines.

Moreover, RJ has entered in commercial agreements with a number of international airlines to operate on a codeshare basis, whereby RJ is the marketing carrier that puts its code on other airlines' flights. These

codeshare agreements are developed to expand the airline's network by reaching points where RJ does not operate directly. This includes non-stop flights that serve RJ's passengers from Amman to each of Abu Dhabi, Bucharest, Bahrain, Beirut, Casablanca, Doha, Istanbul, Muscat and Rome.

## Government Protection and Privileges

- There is no governmental protection or concessions (privileges) enjoyed by the company or any of its products pursuant to the laws and regulations or otherwise.
- There are no patents or concession rights obtained by the company.

## Suppliers and customers

The company deals with a wide group of local and foreign suppliers who provide various goods and services. The company does not depend on particular suppliers, whether local or international, who provide 10% or more of the company's purchases, with the exception of aircraft fuel supply from Jordan Petroleum Refinery until 31/10/2018 and Jordan Marketing Fueling company from the date 01/11/2018.

On the other hand, the company deals with a wide range of clients, local and foreign, and provides them with flight services. RJ does not depend on particular clients, whether local or foreign, who constitute 10% or more of its total sales.

## Effect of Decisions Taken by the Government or International Organizations or Others Which Have Material Effect on the Work or the Products of the Company or Its Competitive Power:

### The Comprehensive Agreement With the European Union:

- Jordan's government concluded a Comprehensive Agreement with the European Union on 15/12/2010 which mainly provides for unrestricted open spaces between the Kingdom of Jordan and the states of the Union according to the third and fourth freedoms alongside the Kingdom adopting legislations similar to European legislations in the field of civil aviation and air transport. This agreement subjects Royal Jordanian Airlines to unbalanced competition with European airlines which enjoy flexibility in flight operations from any point in Europe to Jordan which Royal Jordanian will not be able to do, and also due to the lack of suitable time slots in major European cities, most importantly Heathrow Airport in London.
- The Council of Ministers resolved in its session held on 27/03/2019 to approve exempting the contracts of purchase, sale, lease and finance of aircraft and their engines and the contracts associated therewith, which were or are being concluded by Royal Jordanian and companies of a special purpose (established with a view

to those aircrafts and engines to be acquired and rented by Royal Jordanian in accordance with financing lease contracts) prior to 31/12/2020, from General Sales Tax and Income Tax due based on the provisions of Article (12/b/1) of the Income Tax Law Number (34) of 2014 amounting to (10%) and from the stamp duties due upon them, and exemption of the aircrafts subject of those contracts from all taxes, fees and charges including the sales tax and any customs duties arising from importing them to the Kingdom or registering them in the national aircraft register.

- The Council of Ministers resolved in its session held on 28/12/2017 to approve the allocation of the tax amount due upon Ryanair which is considered to be the biggest low-cost airline in Europe, in return for offering promotion of the Hashemite Kingdom of Jordan on the website of the company and to encourage and incentivize it to operate flights from and to the Kingdom by means of concluding an agreement between the Jordan Tourism Board and a company that provides marketing services for Ryanair, on condition that Ryanair does not have an air route identical to one of the routes of Royal Jordanian.

## Application of International Quality Standards

Among the basic responsibilities of the Corporate Quality Management Department in RJ, is to ensure effective and efficient implementation of the quality management system within Royal Jordanian's operational departments. Part of that is applying its internal quality assurance program, which aims to provide confidence that quality/safety requirements and standards are being fulfilled.

RJ's Quality Assurance program is comprised of administrative and procedural activities implemented in the quality system so that internal/external requirements for goals and activities are continuously monitored. It is the systematic measurement, comparison with a standard, monitoring of processes and an associated feedback loop that confers error prevention.

RJ's Quality Assurance program provides close monitoring of our compliance with RJ's stated operational standards and procedures, which inevitably conform to the standard specifications of CARC and to the international specifications and instructions issued by:

CARC	Civil Aviation Regulatory Commission
IATA	International Air Transport Association
ISAGO	IOSA Safety Audit for Ground Operations
IOSA	IATA Operational Safety Audit
EASA	European Aviation Safety Agency
SAFA	Safety Assessment of Foreign Aircraft
F.A.A	Federal Aviation Administration (U.S.A.)
C.A.R.	Canadian Aviation Regulations
oneworld	An international alliance of airlines

After studying general requirements and safety requirements, we prepare an internal and external audit/inspection program, approved by RJ's higher management that includes all external service providers, suppliers, internal processes within operational and maintenance departments, ending with final service provided to our customers.

During this audit/inspection program, we examine and evaluate manuals, records, documents, standard processes and procedures, inputs and outputs to make sure they comply with national and international standards, rules and regulations using checklists created by quality auditors.

Also, the Corporate Quality Department is centralizing the overall systems and procedures documentation

function across the board to ensure effectiveness, consistency and compliance with Royal Jordanian's internal regulations, in addition to the regulations of national and international regulatory bodies and authorities; by resolving conflicts in the common procedures identified in RJ's operational manuals.

Moreover, in order to enhance and boost auditors' performance within the company, we have held audit courses and workshops in accordance with audit scope and requirements.

#### **In addition to all mentioned above, our trained and qualified teams do the following:**

- Plan to improve the quality of the company through designing an annual, monthly and daily program for checking the work in accordance with accredited specifications.
- Control the daily fieldwork, especially in operational departments.
- Make sure of the quality and safety of work, workers and equipment.
- Supervise staff training courses, making sure they comply with approved quality.
- Follow up on the proposed amendments, help in proposing solutions for the problems through analyzing root causes and follow up on the corrective measures with relevant departments.
- Coordinate holding training courses in internal and external audits.
- Prepare to hold periodic meetings with all those concerned in all RJ's departments, for discussing recommendations and assignments, before and after internal and external audits.
- Prepare periodic reports on the section's tasks and submit the same to senior management.

#### **Main Achievements of the Corporate Quality Department in 2019:**

- Maintaining quality certificates earned by Royal Jordanian.
- Keeping the SAFA ratio to a low cumulative level.
- Smooth transfer of CAMO QA section and joining the Corporate Quality Management Department.
- Standardizing work procedures followed by different departments within the company.
- Adopting the Q-Pulse system as an electronic mean to record all internal audits and inspections, which eliminates bureaucracy, improves analysis and enhances automatic documentation.
- Inspection checklist updates and manual revisions.

#### **Corporate Quality Main Goals for the Year 2020:**

- Following up continuous improvements and implementation of work processes and procedures through organized internal and external audits.
- Expanding Internal Audit and Inspection Program scope, to include CAMO Audits/Inspections, Product Audit and FAMO Audits.
- Producing a new issue of CQM Internal Procedures Manual (IPM), which includes detailed quality procedures for CQM processes, functions and tasks.
- Satisfying our stakeholders' requirements and needs (Board of Directors, President/CEO, CARC, etc.) through performing quality checks to insure RJ's internal set policies and procedures are met.
- Preservation of external certification earned by RJ, such as AOC, IOSA and ISAGO.
- Producing a controlled or coordinated system that ensures a standardized documentation product throughout the organization. All documents conform to a corporate standard, thus ensuring wide consistency in documentation philosophy, format and presentation of content.

Board of  
Headed by  
H.E Said

**Audit Committee**

**Internal Audit  
Executive Assistant  
Mr. Abdullah Qadadeh**

**President  
Mr. Stefa**

**Corporate Safety (SMS)  
Director  
Captain Nuwar AlShare**

**Corporate Quality  
Management  
Director  
Captain Carol Alrabadi**

**National Distribution  
Director  
Mr. Mohammad Azzaizeh**

**Media & Communication  
& CSR Executive  
Assistant  
Mr. Basel Kilani**

**Corporate Security  
Executive Assistant  
Mr. Akram Jama'at**

**Frequent Flyer  
Executive Assistant  
Ms. Yola Issac**

**Legal Affairs  
Executive Assistant**

**Engineering  
& Maintenance  
Head of Department  
Mr. Rami Alhussini**

**Human Resources  
Head of Department  
Mrs. Heba Hadidi (Acting)**

**Oper  
Vice Pr  
Captain Gha**

**Crew T  
& Sta  
Head of D  
Captain Zai**

**Flight O  
Chief Pilo  
Mahmou**

**Inflight  
Dire  
Mr. Om**

**Operatio  
Center  
Mr. Radi R**



# Royal Jordanian's corporate structure

Directors  
/ Chairman  
Darwazah

nt / CEO  
an Pichler

Operations  
President  
Assan Obeidat

Training  
Standards  
Department  
d Kalbouneh

Operations  
Units Captain  
d Shurafa

Services  
Director  
ar Slibi

ns Control  
Director  
adi (Acting)

Services & Product  
Vice President  
Mr. Fawzi Mulki

Airport Services  
Head of Department  
Mr. Omar Masri (Acting)

Product Development  
Director  
Akef Alradaideh

Cargo Operations  
Director

Commercial  
Vice President  
Mrs. Basma Majali

Revenue Management  
Head of Department  
Mr. Mohannad Khraisheh

Network Management  
& Alliances  
Head of Department

Cargo Commercial  
Head of Department  
Mr. Nael Atiyat

Sales  
Head of Department  
Mr. Mohammad Khrais

Marketing  
Director

Finance & Resources  
Executive Vice President  
Mr. Feras Qarrain

Finance  
Vice President  
Ms. Amal Hattar

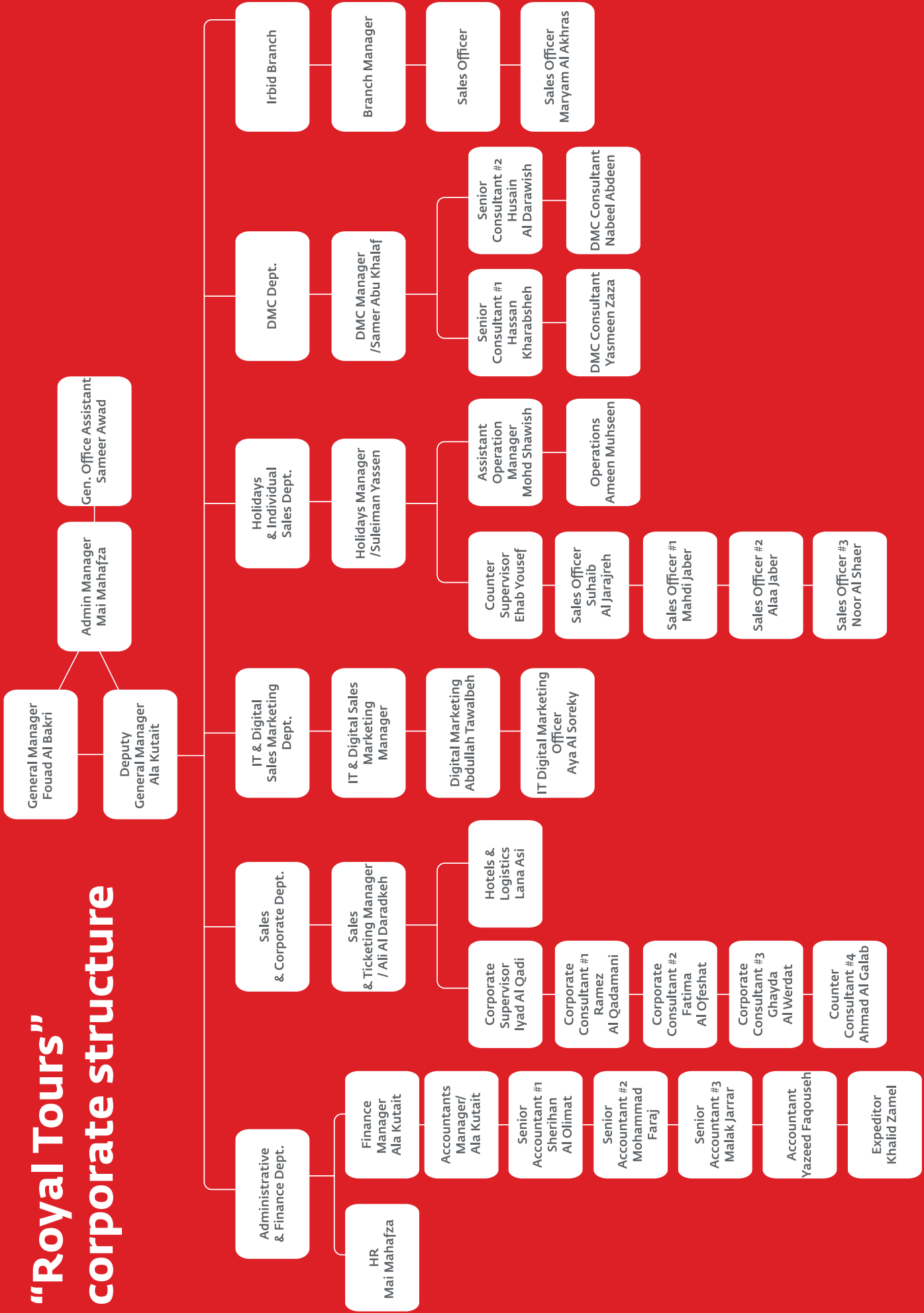
Treasury  
& Management Accounts  
Vice President  
Ms. Suha Alarda

Information Technology  
Head of Department  
Mr. Ashraf Ayoub

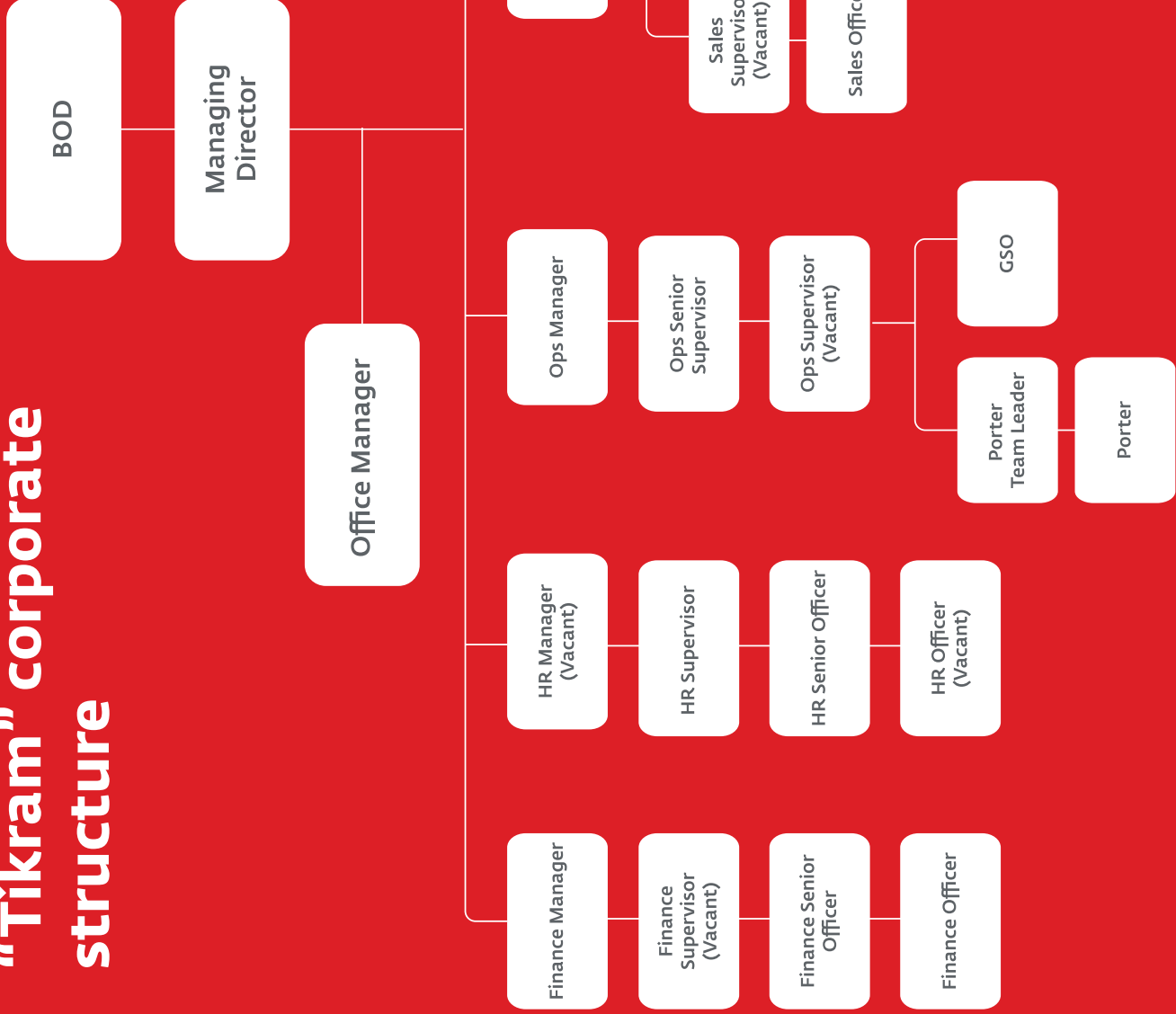
Procurement & Logistics  
Head of Department  
Mr. Khaled Hijazi

Asset Management  
& Cost Control  
Head of Department  
Mr. Mohammed Maaytah

# “Royal Tours” corporate structure



# “Tikram” corporate structure



# Staff Numbers and Academic Qualifications

Below is a table of the staff numbers and their qualifications in the parent and subsidiary companies at end of 2019:

Academic Qualifications	Royal Jordanian	Royal Tours	Tikram	Total
PhD	3	0	0	3
MA	86	0	1	87
BA	1607	25	59	1691
Diploma	591	2	4	597
High School	*564	4	11	579
Below High School	951	1	109	1061
<b>Total</b>	<b>3802</b>	<b>32</b>	<b>184</b>	<b>4018</b>

RJ's number includes 303 employees working in outstations.

\*Number includes 47 students hired during summer and winter seasons.

## Staff Training Programs

The company is committed to various training programs required by different aviation bodies, in addition to courses held for pilots, flight attendants and engineering and maintenance staff. These courses aim to improve the staff's level of efficiency and maintain standards of safety for RJ's passengers and aircraft. In 2019, the company provided training for the staff through 688 courses in which 6,266 participants from different departments took part to improve their managerial, technical and computer skills. There were also courses in marketing, sales and passenger services.

Details of Courses and Numbers of Staff Who Attended:

Course Title	No. of Courses	No. of Participants
Marketing, Sales, Passenger Services	41	352
Technical Courses	619	5724
Managerial Courses	13	173
Computer, IT Courses	15	17
<b>Total</b>	<b>688</b>	<b>6266</b>

# Risks to the Company

The company deals with various types of risks within a comprehensive framework of risk management in accordance with the best international standards, traditions and practices. Risk management is carried out in cooperation between the Board of Directors and the Executive Management. The Board of Directors ensures that the Executive Management implements an efficient and effective system for internal control. The CEO, being at the top of the executive management, is responsible for risk management and the practices related thereto. The Chief Financial Officer is responsible for identifying financial risk, controlling, maintaining the quality of financial information and making sure that accurate financial statements are being disclosed. The rest of the Executive Management shall identify risks in their departments and work on managing these risks within an institutional framework that defines duties and authorities of each one of them.

Risks which could have a substantial effect on the company during the coming year may be summarized as follows:

## External Risks:

### Geographical Location Risks

Most of RJ's operations take place within the borders of Jordan. All of its flights depart from Amman. As such, the geographical location of the Kingdom constitutes a big challenge to the company especially in these days when political and economic tensions are taking place in some neighboring Arab countries. The company has to adapt its operations to these difficult challenges which burden the company and its business.

### Market Risks

Competition among airlines has intensified in the Arab region lately, particularly with the emergence of low cost airlines which constituted a big challenge for most airlines, large and small. In order to meet this type of competition, the company prepared short and long-term strategies to limit the effect of these types of airlines on the company's market share, through improving the standard of services provided, raising the levels of passengers' satisfaction, simplifying travel procedures, providing more travel choices and benefiting from its membership in the "oneworld" alliance.

The world still suffers from the effect of the global economic crisis which has directly affected the performance of the air transport industry and reduced the volume of air traffic. In this context, the company initiated certain procedures such as opening new and promising markets, intensifying marketing activities on various routes, in addition to controlling expenses without affecting the quality of services provided to passengers.

### Credit Risks

The company follows a clear credit policy when dealing with its sales agents around the globe. This policy entails providing bank guarantees by the agents in favor of the company. At present and in light of the existing economic circumstances, the company is following up on the agents' performance to protect its rights and avoid unforeseen situations that could affect any of the agents and could adversely affect the company's operations.

### Fluctuation of Fuel Prices

The cost of fuel constitutes a large and escalating part of the company's operations expenses. It amounted to 28% of the total operational expenses by 31/12/2019. As such, any material change in the price of crude oil and subsequently the price of jet fuel could affect the operational results of the company substantially. In this field, RJ has taken big steps to deal with the rising fuel prices through imposing fuel surcharge on tickets, focusing on increasing passenger numbers, managing revenue and maximizing the yield. This is in addition to entering into fuel hedging contracts being the international best practice for air carriers in this field.

### **Fluctuations of Interest Rates**

The company is exposed to interest rate fluctuations through entering into lease contracts and medium and long-term loans to finance expansion projects. Prior to inviting bids for facilities from banks, the company examines the risks of interest rate fluctuations and their effect on its operations. The company then determines the interest rates that suit its objectives and future aspirations. The international interest rate in London and New York banks (LIBOR) was adopted as the basis for pricing all the company's existing loans.

As part of the risk policy, the company examines interest rates of major currencies and their future expectations, in addition to the possibility of entering into interest rate swaps to reduce the risk of fluctuations and subsequently the cost of borrowing.

### **Fluctuations of Exchange Rates**

The company is exposed to changes in the rates of exchange between the Jordanian Dinar and other currencies. Most of the company's revenue comes from ticket sales abroad in the local currency of each country. In order to reduce the effect of fluctuating exchange rates of foreign currencies on the company's operations, the company reconciles the revenues and the expenditure of each currency separately. Any surplus will be converted to JD or USD depending on the needs of the company, within a clear policy based on market studies and trends. Next to the USD, Euro and Sterling form the major part of the company's revenue, in addition to the JD which does not constitute any risk since its rate of exchange is tied to the USD.

## **Internal Risks**

### **Electronic Systems Risks**

In light of the great and accelerating development in the field of electronic systems, we face a new kind of risk that could adversely affect the electronic systems used in the company's operations. These systems should be continuously updated to ensure their efficiency and ability to keep up with new requirements, especially in the field of aviation. The company has achieved a lot in this direction through the introduction of advanced and efficient electronic systems. A special team in the company follows up on the performance of these systems to ensure their continuous safety, efficiency and quality of output.

### **Purchasing Risks**

In its daily operations, the company purchases several types of raw materials and spare parts which are necessary for the nature of the airline's business. Any delay in supplying the company with these materials or spare parts might lead to the interruption in the flow of operations and expose it to big losses. To avoid such situations, the company updates the purchasing mechanism continuously and maintains good relations with all suppliers in Jordan and abroad. As a result of the above, the company entered into a number of insurance contracts to limit the risks that could affect its performance.

# Financial Effect of Non-Recurring Operations

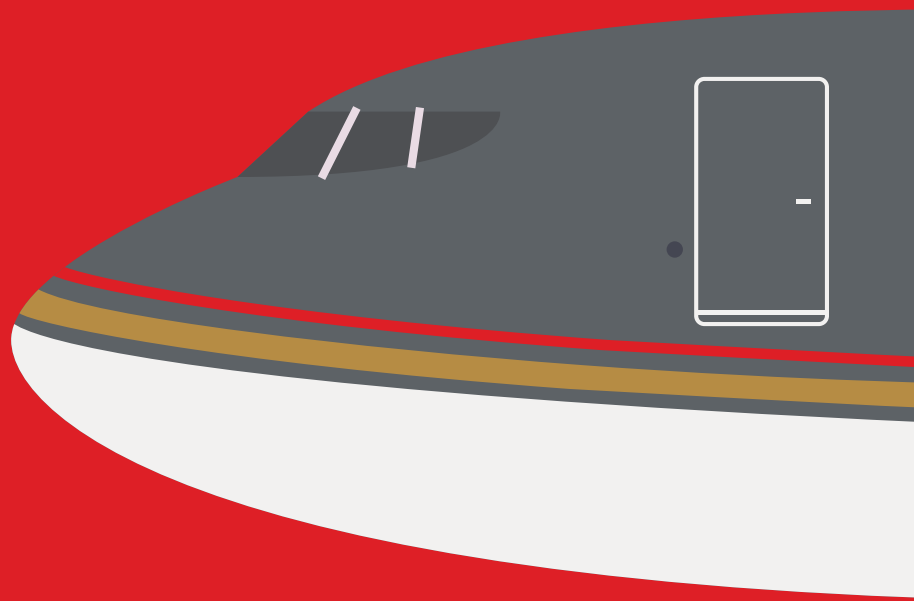
RJ's operations are recurring operations. There is no financial effect on operations of non-recurring nature which happened during the financial year and is not included in the company's main activity.

## Timetable of Realized Profit or Loss

Description	YEAR				
	2019	2018	2017	2016	2015
Realized Profit/Loss (JD'ooo)	10,383	(5,857)	274	(24,571)	16,033
Dividends	-	-	-	-	-
Shareholders' Equity (JD'ooo)	126,732	116,478	100,335	75,111	49,708
Share Price at the End of the Year	0.36	0.37	0.44	0.44	1.14







# RJ's Achievements During 2019

Royal Jordanian performed well financially, commercially and operationally in 2019, as it continued to implement the five-year turnaround plan it launched in the second half of 2017. The plan is based on four main pillars: attaining sustainable profitability, being a "Consumer Champion", being an "Employer of Choice" and, ultimately, position RJ as the number one airline in the Levant.

This strategy started to yield positive results, such as reductions in losses, revenue growth, increase in the number of passengers and in seat factor, increased ancillary revenues from extra travel services, loyalty program (Royal Club) and "Tikram" for airport services, which belongs to RJ and helped the company record net profits in 2019.

RJ continued to implement plans and programs that will further improve the company's air and ground services; and enhance its position regionally and globally.

In addition to its role as a long-standing national carrier, the company plays an important role in effectively contributing to Jordan's progress. It is one of the main pillars of the national economy and a good contributor to the gross domestic product.

The airline enjoys a distinguished regional and global reputation due to its safe operations, and skilled and trained Jordanian staff. Its fleet of aircraft serves a network that spans across four continents.

## - Route Network:

RJ is pursuing a business strategy that focuses on increasing revenues by providing more flexibility on its network segments in order to match seat capacity to destinations and flight frequencies, with a focus on the number of passengers flying during different seasons of the year. The company continuously revisits its route network to improve its connectivity and strengthen its operational position. As part of this period review of performance, RJ has suspended flights to eight destinations for security reasons, which are: Damascus, Aleppo, Sana'a, Aden, Tripoli, Benghazi, Misurata and Mosul.

## - Codeshare Agreements:

In 2019, Royal Jordanian and Etihad Airways started a new codeshare partnership which gives customers greater access to key leisure and business destinations in Asia, Australia, Europe, North Africa and Canada. The partnership sees RJ place its "RJ" code on Etihad Airways flights from Amman to Abu Dhabi and vice versa, and from the UAE's capital on to Brisbane and Seoul. In the future, RJ will place its code on Etihad flights from Abu Dhabi to: Ahmedabad, Bangalore, Calicut, Cochin, Delhi, Chennai, Mumbai, Hyderabad, Trivandrum, Manila, Beijing and Shanghai. In turn, Etihad Airways places its "EY" code on Royal Jordanian flights from Abu Dhabi via Amman to Larnaca and Berlin, while Algiers, Tunis, Vienna and Montreal will be added to the agreement soon.

RJ expanded its codeshare agreement with Malaysia Airlines (MH) to reach Guangzhou, China. As a result, RJ puts its marketing code on Malaysia Airlines flights between Kuala Lumpur and Guangzhou, sold in connection with RJ's Amman-Kuala Lumpur flights. The codeshare agreement with Malaysia Airlines has been in effect since 2010. Under this codeshare agreement, RJ also books MH flights for passengers wishing to fly to Penang, Sydney, Melbourne and Singapore. In the same context, Royal Jordanian expanded two of its existing codeshare agreements with Turkish Airlines and Qatar Airways.

The expansion of the codeshare agreement with Turkish Airlines added four new cities in Turkey to RJ's list of destinations: Dalaman, Antalya, Gaziantep and Izmir. During peak seasons, Dalaman and Antalya flights are operated directly from Amman, with RJ's marketing code on Turkish Airlines flights. RJ has also been selling seats to Milan, Sofia, Sarajevo and Budapest via Istanbul on board Turkish Airlines flights.

Meanwhile, the expanded codeshare partnership with Qatar Airways has added Nairobi to RJ's route network. RJ now puts its marketing code on QR-operated flights on the sector Doha-Nairobi, with tickets sold in connection with Amman-Doha flights. Under the agreement with Qatar Airways, RJ has been selling

seats to Muscat, Karachi, Lahore, Dhaka, Singapore, Perth, Colombo and Johannesburg via Doha on board QR flights.

RJ and Royal Air Maroc started a codeshare agreement whereby RJ markets Royal Air Maroc flights, putting RJ's carrier code on flights between Casablanca and Amman. RJ does not operate flights to Morocco. The agreement with Royal Air Maroc enhances cooperation between the two flag carriers and improves passenger traffic.

RJ is keen to serve and expand its route network, and provide customers with various services that go beyond air transport. To this end, RJ signed a bimodal partnership agreement with SNCF's (French National Railway Company) TGV AIR, whereby Royal Jordanian passengers benefit from pre and post transportation services by TGV from Paris-Charles de Gaulle airport to 19 French cities and the Belgian capital, Brussels. This railway service offers passengers the opportunity to travel to destinations covered by TGV based on a single, combined, TGV and RJ ticket.

RJ has another partnership with CarTrawler, the world's leading car hire aggregator, whereby customers now have access - through [www.rj.com](http://www.rj.com) and the airline's mobile app - to CarTrawler's global network of car-hire solutions.

RJ has various other agreements with international and Arab carriers: American Airlines, British Airways, Iberia, Etihad Airways, Siberia Airlines, Malaysia Airlines, Oman Air, Middle East Airlines, Alitalia, Tarom, Tunis Air, Turkish Airlines, Qatar Airways, Gulf Air, Royal Air Maroc, as well as with SNCF Mobilites and CarTrawler.

### **- Fleet Modernization:**

As part of its 5-year turnaround plan, the company plans to increase its fleet of aircraft and operate a single type of aircraft in all narrow-body fleet, currently acquired from two aircraft manufacturers, considerably reducing expenses on maintenance, spare parts and training. RJ plans to introduce 18 new aircraft, replacing the 15 in operation and adding three. Additionally, the airline is considering adding more economy class seats by cutting down the number of Crown Class seats in its narrow-body planes, therefore increasing the earning capacity, while keeping the comfortable pitch of seats in both classes.

The Dreamliners enhanced RJ's regional and international competitiveness, since acquiring them was a step that helped push the national carrier of Jordan forward in terms of inflight services and route network.

### **- Continuous Sales Promotions:**

In 2019, RJ adopted an approach that enhanced communication with the public through the implementation of a series of sales promotions that helped travelers plan for traveling in advance while purchasing discounted tickets.

The low prices Royal Jordanian offered in the Jordanian, Arab and international market on a continuous basis contributed to changing the concept of travel among the public and helped those wishing to visit relatives and friends during different holiday seasons. Tourism also became active, while businessmen and students traffic increased as well.

In 2019, the Commercial Department ran 18 sales promotions on all RJ's sales channels, including: sales offices, the contact center, their website, the mobile app and through the travel agents worldwide. Some of the offers were only available through [rj.com](http://rj.com) and the mobile app.

These sales campaigns were held on different national or company occasions, offering customers exceptional fares as the airline partook in the festivities celebrated by the Jordanian and international public. Such occasions included: Jordan's Independence Day, the Holy Month of Ramadan, RJ's Anniversary, New Year, summer and autumn seasons, Mother's Day, and RJ's famous "Happy Friday", whereby offers are promoted every Friday.

RJ used different media channels to promote these campaigns, including: social media platforms, newspapers, websites, radio and TV stations, and billboards.

## **- Engineering and Maintenance:**

Royal Jordanian is keen to maintain the airworthiness of its fleet, which reduces the cost otherwise incurred on spare parts and maintenance, and enhances the competitive advantage of the company. We take pride in the qualified technical teams, in the competency and expertise demonstrated by the Engineering and Maintenance Department employees.

## **- Agreement with Hawker Pacific:**

Royal Jordanian entrusted Hawker Pacific Aerospace, a subsidiary of Lufthansa Technik AG, with landing gear services for the airline's regional aircraft fleet of Embraer E-Jets. The three-year contract covers landing gear overhauls for one Embraer E-195 and two E-175s, and supports RJ with landing gear spares on a loan and exchange basis.

The owner of Hawker Pacific Aerospace, Lufthansa Technik, already has a decades-long business relationship with Royal Jordanian, whereby in addition to the new contract, landing gear services and a Total Component Support (TCS®) to the airline's Airbus A320 fleet.

## **- Maintenance services to Avion Express ACMI:**

RJ commenced its 2-year partnership with Avion Express aircraft-leasing and ACMI operator by providing maintenance and logistics services to its A320 aircraft based at Queen Alia International Airport. Avion Express is a Lithuanian narrow-body ACMI (Aircraft, Complete crew, Maintenance and Insurance) and leasing operator that provides charter and aircraft wet lease services.

## **● IT Systems**

In 2019, RJ started using advanced electronic systems in order to keep abreast of modern advances and the expansion of air transport industry services. By making use of the latest solutions, RJ stays on par with the accredited technical systems and global aviation sector. The IT systems include innovative solutions that improve operational processes and provide excellent services to airports and passengers on board:

## **- Migration to Amadeus Altéa Departure Control System (DCS)**

In March 2019, RJ successfully accomplished the migration to Amadeus Altéa Departure Control System (DCS) at all its stations, in Amman and worldwide. Amadeus Altéa DCS automates key airport processes, from passenger check-in to departure, streamlining the customer experience at all stages of travel. Migration to this system creates compatibility between DCS and reservation, as RJ also uses the Amadeus Reservation system, helping the airline get the maximum benefit from using systems from the same provider and enhancing productivity.

## **- "Sky Connect" Application**

RJ is offering passengers the wireless in-flight entertainment (IFE) system onboard its four Airbus A319, six A320 and two A321 aircraft, giving them the possibility to watch movies and TV shows on their personal devices. This new IFE service, which is provided by Bluebox Aviation Systems, is deployed on the Bluebox Wow portable wireless IFE system; the solution provides wireless content streamed to passengers' personal devices on both Crown and Economy classes. To be able to view a wide range of films, TV programs, games, airline info and audio, passengers need to download the "Sky Connect" app on their personal devices from Apple Store or Google Play prior to their flight departure. This enables them to stream IFE content provided by RJ for free on their personal devices. While RJ provides this service on its A321s, A320s and A319s, the fleet of Boeing 787s will still be equipped with the seatback in-flight entertainment system, with the Audio-Video On Demand (AVOD) available to each passenger in both classes.

## - Implementing Skywise centralized platform

Skywise is a new centralized platform that stores and analyzes data from different operational departments. RJ has completed the initial phase of Skywise induction, which is a highly secure suite of aviation-centered data analysis offered by Airbus and powered by Palantir technologies. The system provides automation and collaboration tools to assist airline professionals in improving fleet reliability, optimizing aircraft performance and supporting corporate safety flight monitoring and investigation functions.

## - "Time to Think" online service

Royal Jordanian launched a flexible service called "Time to Think", through which potential travelers have 48 hours to purchase their ticket online at the chosen price, even if the price changes during the waiting period.

The new online service offers travelers an extension on the time limit during which they may purchase a ticket, enabling them to keep unpaid bookings after making a reservation through RJ website and mobile app. That way, passengers can retain their seats and have the guarantee that the ticket fare does not undergo changes.

This service is available for flights departing no less than three days ahead, and is valid for 24 or 48 hours, depending on the destination and the flight date.

This service is available against a small fee and is valid for direct RJ flights with no other carriers connections. It is available all year round, except during the sales promo periods.

## - 'myID Travel' - the new self-ticketing system for RJ's staff

The new and automated staff travel system "myID Travel" enables the staff and their eligible family members to issue themselves and manage free and discounted tickets automatically, anytime and anywhere on RJ's and other carriers' networks, on the RJ staff and RJ ex-staff websites.

It gives all RJ active and former employees across the world the possibility and flexibility to manage their bookings themselves by changing flights, canceling bookings, or requesting a refund for their issued tickets. The system also enables RJ employees to issue their discounted tickets on international airlines with which RJ signed Zonal Employee Discount (ZED) agreements.

## ● Improved Passenger Services

### - eFawateercom service:

RJ customers may now book and pay for their tickets and travel products through this payment service, an option added to RJ website and mobile app that makes it easier for them to make purchases directly from the eFawateercom wallet. eFawateercom enables clients to pay securely online, 24/7. Via eFawateercom, users pay online easily, directly from their bank accounts, without using a credit card.

### - Mastercard holders now have access to Crown Lounge

Royal Jordanian and Mastercard have reached an agreement to grant holders of its: World, World Elite, Titanium and Platinum consumer and commercial branded credit and debit cards (issued in certain countries) lounge services. As a result, RJ grants cardholders access to the Crown Lounge facilities at Queen Alia International Airport prior to their flight departure, irrespective of the airline they are using.



### - Improved passenger meals

In 2019, RJ introduced new meal options to Crown and Economy class travelers, including a new selection of appetizers, hot meals and desserts. The improvement in passenger meals, including international dishes to suit different tastes, further enriches their flight experience. The improved food and beverage selection, in cooperation with dnata-Jordan, is offered on all RJ flights.

## ● **Royal Club – RJ's Frequent Flyer Program**

Royal Club distinguishes itself through the rich rewards and benefits granted its members, increasing their loyalty while also attracting new customers.

The online experience of Royal Club members is now enhanced, as they can purchase, transfer, gift and donate miles to King Hussein Cancer Centre on RJ's website.

In 2019, the program gave its members the opportunity to redeem their miles for commercial products via the new online store ([royalclubrewards.rj.com](http://royalclubrewards.rj.com)) where the customized global rewards catalogue consists of over 700 products and internationally recognized premium brands. By redeeming their miles in the e-store, Royal Club members are not only able to spend their miles, but also enjoy a more accessible combination of miles and cash-making rewards.

Staying active in the program has become simpler and can be achieved through various means: earning miles through flight activities with RJ or any of its **oneworld** partners, earning miles through everyday activities with any of RJ's numerous non-airline partners, redeeming miles for an award ticket, cabin upgrade, excess baggage, etc.

Today, Royal Club has more than 430,000 members, and the number is growing. The program's network of selective non-airline local and international partners offers members additional means of earning miles through everyday activities. This network includes banks and financial institutions, hotels, car rentals, lifestyle and retailers. In contrast, the co-branded Visa Card with Arab Bank, co-branded MasterCard with Jordan Kuwait Bank (Fly & Plus) in Jordan and co-branded MasterCard with Bank of Palestine (Amyali), offer members the chance to double their earnings every time they use their co-branded cards at RJ or at any of its non-airline partners' outlets and shops.

Royal Club reached a number of commercial agreements to better serve loyal customers. They are:

### - **Partnership agreement with Tikram for Meet & Greet services**

The Royal Club Program and Tikram for Airport Services reached a new partnership agreement through which Royal Club members departing, arriving or transiting at Queen Alia International Airport can enjoy an enhanced airport experience by purchasing any of Tikram Meet and Greet services, which come at convenient prices, and at the same time earn Royal Club award miles.

### - **Partnership with the Dead Sea Spa Resort**

In an agreement with the Dead Sea Spa Resort, five award miles are credited to the members of the Royal Club for each Jordanian dinar (JD 1) spent to purchase night stays and other services directly from the Dead Sea Spa Resort.

### - **RJ staff membership in Royal Club**

RJ staff currently working or retired can become members of the Royal Club and have different opportunities to earn and redeem miles. They can collect and increase miles earning through their everyday activities and purchases from Royal Club non-airline partners locally, regionally and internationally.

## ● **New training center for aircrew:**

By the end of 2019, Royal Jordanian opened a new crew training center at Queen Alia International Airport, a result of the efforts and expertise of the working team who achieved this endeavor at the lowest cost possible.

It features three lecture rooms, of which one is equipped with the same safety and first aid equipment found onboard RJ's planes, to allow the crew (cockpit and cabin) to train on actual equipment and thus having a perfect simulation of situations on board.

The venue, located behind the flight operations building, will host all types of courses for the crew (cockpit & cabin), as well as to host corporate training courses for all RJ staff. These courses are held on a regular basis, in accordance with the Civil Aviation Regulatory Commission (CARC) laws.

Cabin crew safety examiners/instructors received additional training in 2019 to enhance their instructional techniques in order to achieve the highest standards in these courses and full compliance with the company's standards. The company currently has a total of 15 safety instructors (CRM, first aid, safety) certified by the CARC. The company is expected to hold 55 recurrent courses in this new facility in 2020.

Phase two will include adding a new "Fire Trainer", and the renovation of the already existing classrooms and airplane mock-up on the ground floor that RJ built in 2013, where all onboard service training is being carried out.

## ● **Security and Safety:**

### **- ISAGO license renewed for the 6th time:**

IATA renewed RJ's IATA Safety Audit for Ground Operations (ISAGO) certification for the sixth time since the airline first received this license in 2008. This acknowledgement attests to the efficiency of the ground-handling operations RJ carries out for its and other carriers' aircraft at Queen Alia International Airport. In order to issue the license, the IATA team conducted a comprehensive five-day audit on all ground-handling operations, including different RJ sectors.

Obtaining the license has many privileges as it serves to enhance the standards of ground handling, reduce costs and raise the awareness of all personnel working in this field of the need to avoid accidents and injuries that might happen while carrying out different operations.

It also confirms RJ's commitment to and IATA's trust in RJ's ground operations' safety.

### **- Q-Pulse App for safety-hazard reporting:**

RJ launched a new electronic reporting system, Q-Pulse, that aims to improve the safety hazard reporting procedures.

Employees who have an RJ email account can download the Q-Pulse mobile application from Google Play Store and IOS App Store to record and report safety events. The sender has the option of withholding mentioning his/her name.

The new system opens up new levels of accessibility, improving employees' experience and enabling them to convey significant operational insights from their environment. The app can be downloaded on any smartphone or tablet.

### **- RJ's compliance with TSA's security audit:**

A team from the US Transportation Security Administration (TSA) visited QAIA to check whether all security procedures are in compliance with TSA requirements. The audit of the security procedures implemented by RJ resulted in no findings, which enables Royal Jordanian to continue flying to the US and Canada. The audit was performed on check-in counters, boarding gates, the transfer area, the cargo warehouse, the sorting area, the city terminal and RJ security offices.

### **- CARC renews RJ's AOC:**

The Civil Aviation Regulatory Commission (CARC) renewed RJ's Air Operator Certificate (AOC) in 2019, following a comprehensive inspection by CARC of RJ's operational departments. CARC's Flight Operations Standard Directorate (FOSD) carried out checks on all procedures implemented by RJ. The audit included checks on the Quality Management System (QMS) and the Safety Management System (SMS), and found them to be in full compliance with the AOC requirements.

## ● Ground-Handling Operations:

During 2019, Royal Jordanian provided ground-handling services to several airlines landing at Queen Alia International Airport -- Royal Air Maroc, Saudi Gulf Airlines, Transavia Airlines (Dutch), Transavia Airlines/France, and the United Nations Organization -- in addition to offering ground-handling services to Emirates' Airbus 380.

Royal Air Maroc operates three weekly flights between Casablanca and Amman, and Saudi Gulf runs four weekly flights. The United Nations operates three flights a week from Amman to Al Hudaydah, in Yemen, in addition to operating other flights from Amman Civil Airport/Marka. Emirates Airlines operates daily flights between Dubai and Amman with its giant A380 aircraft.

Ground-handling services are offered to low-cost carriers such as Transavia flying between Amsterdam and Amman, and Transavia/France, which operates flights between Lyon and Amman.

The ground handling services that RJ offers are baggage and ramp handling, passenger handling, cabin appearance, as well as other maintenance and cargo services.

The selection of RJ services by these companies establishes Royal Jordanian as a pioneer and reliable company in the region that provides various ground-handling services to companies operating at Jordanian airports, whether for passengers or airplanes, according to the best local and international standards.



## ● Air Cargo

Air cargo is RJ's second major source of revenue. The company continues its efforts to improve revenues generated by cargo operations on RJ aircraft or through partnership agreements with regional and international entities or other airlines. RJ also focuses on projecting Jordan as a regional distribution hub, aided by the country's strategic geographic location, that connects the different regions of the world; it also seeks promising markets in this sector.

RJ has more than half of the local market share of air cargo; it transports various types of goods, including perishables, pharmaceuticals, valuables, mail and courier. The airline exerts much effort to enhance ways of cooperation with exporters of Jordanian fruit and vegetables in finding potential markets for Jordanian exports, as well as the mechanisms of exporting perishables to the world.

The company also seeks to pursue economically feasible solutions to transfer e-commerce goods directly, in a short time and at competitive prices to various countries of the world, as well as courier services.



## - New cargo equipment

RJ added seven new forklifts to the ground-handling equipment it uses in the cargo warehouse at QAIA, bringing the number to 37 machines.

The move bolsters the unit's action plan that aims at constantly improving the efficiency of ground handling cargo at the warehouse and at meeting the satisfaction of local and international cargo agents. These efforts were praised by individuals and by different entities from the private sector, such as logistics companies Expeditors and Aramex.









## ● Awards and Recognitions

### - Royal Jordanian on AirlineRatings.com top 20 global airlines list

RJ was listed as one of the top 20 safest airlines in the world on the AirlineRatings.com list of "Top Twenty Safest Airlines", which was released at the beginning of 2020; it was selected from a pool of 405 different airlines it monitors.

Among the top 20 safest airlines are four Arab airlines: Etihad, Qatar Airways, Emirates and Royal Jordanian. Australia's Qantas topped the list, ranking 1st.

### - RJ ranked 4th among Middle Eastern Airlines in terms of punctuality

Royal Jordanian ranked fourth in terms of punctuality among Middle Eastern airlines last year, with a 77% on-time performance rate, according to OAG's Punctuality League study.

OAG gauges the on-time performance of flights that arrive within 15 minutes of their scheduled arrival/departure times.

The organization also awarded RJ a three-star rating for punctuality in the On-Time Performance Star Rating of world airlines.

### - RJ bestowed 'Fastest Growing Airline – Thin Route Award'

Royal Jordanian was named the "Fastest Growing Airline on a Thin Route" at the Airline Marketing Workshop held at Athens International Airport. RJ received an accolade for achieving the highest percentage of annual passenger growth in 2018 on a thin route, which is a route that is not traveled enough to be operated using large aircraft. The airline runs four weekly flights to Athens in the summer and three in the winter season.

### - Certificate of Appreciation from AIG

The Airports International Group (AIG) handed RJ a certificate of appreciation for its performance, which led to Queen Alia International Airport getting the first award in Airport Service Quality (ASQ) in 2018. The airport was named "Best Airport by Size and Region: Middle East", in the category of airports that serve 5 to 15 million passengers.

AIG awarded RJ this certificate in its quality as a major stakeholder - the major operator at QAIA - for the key role the airline has played to support QAIA to become the main gateway of the Kingdom to the world.

## ● Commercial Agreements to increase sales

### - Agreement with the Private Hospitals Association

The cooperation agreement signed with the Private Hospitals Association (PHA) aims at supporting and promoting medical tourism to the Kingdom and strengthening Jordan's position as a destination for treatment and hospitalization for citizens from various countries in the region.

The agreement offers the PHA staff discounted tickets from/to Amman. Such discounts are granted on selling fares through RJ's global sales offices and travel agents who are accredited by PHA or by the member hospitals.

### - Agreement with the Jordan Tour Guides Association

RJ provides tour guides discounted tickets on Amman-Aqaba flights, as per the agreement reached by RJ and the Jordan Tour Guides Association (JTGA). The agreement is bound to reinforce RJ's efforts to promote local products, highlight Aqaba as a tourist attraction and support the tourism sector in general.

It is seen as a testament of RJ's keenness to support all efforts that aim at increasing inbound tourism, whether by government or private bodies, including those of JTGA.

## - Agreement with Yarmouk University

According to the agreement, RJ provides faculty members, administrative staff and their families discounted tickets to all destinations on economy and business classes. The move is bound to boost sales of tickets on RJ aircraft as well as help university staff participate in different educational activities - like workshops and training courses - held abroad.

## ● oneworld Airline Alliance

The **oneworld** airline alliance, in which RJ and a number of the world's best airlines are members of, serves more than 1,100 airports in 180 countries, thus offering an extensive network and options for the customers of the member airlines. Royal Club members have the opportunity to earn and redeem miles when they fly on board any of the **oneworld** members. They also have access to 650 airport lounges worldwide.

## - New oneworld initiatives

In 2019, the **oneworld** airline alliance unveiled a radical transformation and significant changes, including:

- A new **oneworld** digital platform that brings to life in the digital era the alliance's core promise of seamless connectivity for customers flying on multi-sector, multi-airline journeys, via the convenience of their preferred member airline's mobile app or website - without having to download any additional app or enter more log-in credentials. Through this platform, the member airlines offer customers, via their own individual apps, the possibility to: check-in, obtain boarding passes, receive flight information and updates, track baggage and other services that will be added in the future.
- An increased level of alliance co-location projects at a number of key airports around the world. Thus, **oneworld** aims to bring its member airlines operating at all airports worldwide together under one roof and to secure smooth transfers for passengers connecting between different carriers' flights.
- A fresh approach to corporate sales, enabling **oneworld** to respond much faster to requests for alliance contracts. Dozens of the world's biggest multinational corporations signed corporate accounts with the alliance, rather than a series of individual airline deals.
- A revised process of seeking potential new members. The first airline to join as a result is Royal Air Maroc, in 2020; it is **oneworld's** first full member recruit for six years and its first from Africa.
- The alliance's first new membership platform, **oneworld connect**, is designed with smaller, more regional airlines in mind. Talks are progressing with other airlines interested in signing, from the Americas, Europe and Asia-Pacific.

These changes are reflected in a sweepingly different brand positioning for **oneworld**, encouraging passengers to "Travel Bright" - complete with a new **oneworld.com** website that presents the bright new **oneworld** - contemporary, warm and positive in its expression, with a look and feel reflecting the more energetic and positive millennial generation. It also features characters representing a full range of cultural, ethnic and age diversity.

## - oneworld Awards 2019

**oneworld** was named the winner of the following awards in 2019:

- Best Airline Alliance for the 10th consecutive year in the Global Traveler GT Tested Reader Survey awards. It was also granted a Hall of Fame award.
- Best Airline Alliance for the 5th year running in Business Traveler North America's 31st Annual Best in Business Travel Awards.
- World's Leading Airline Alliance for the 17th consecutive year in the World Travel Awards.
- Best Airline Alliance in the Business Traveller Awards for the 7th year in a row.
- Alliance for the most on-time flights in 2018 in the FlightStats ranking for the 6th year running.
- Favourite Airline Alliance in the Trazee Travel Awards for the 3rd year running.

## ●Tikram for Airport Services

It is the exclusive meet and greet service provider at QAIA. It is 100% owned by RJ; its diverse state-of-the-art services include immigration and security fast track, porter services and luggage wrapping, hosting passengers in the departure lounge (RJ's Crown Lounge) and in-terminal shuttle.

The company's 24/7 counters serve VIPs, families and groups, including airlines, hotel guests, bank and telecom customers, event management companies, large corporate entities, travel agencies and tour operators, as well as embassy staff. These services facilitate passengers' travel procedures at reasonable costs.

Tikram, which is an investment project owned by RJ, is seeking to improve RJ's revenues from the services that complement air travel, and enhance the ground and flight services offered passengers during all stages of travel.

Tikram, which means "with pleasure" in Arabic, was chosen to symbolize the true hospitality and warmth Jordan is known for around the world.



### - Tikram offers Fast-Track Service to incoming visitors

Tikram started a fast-track service for incoming passengers who need a visa upon arrival at Queen Alia International Airport, which expedites visa-obtaining procedures by avoiding queues. The new service enables visitors of different nationalities (including tourists, investors and restricted nationalities) coming to Jordan to get visas from dedicated counters that work speedily in coordination with the airport authorities.

Tikram also offers fast-track service to Kuwait Airways and Saudi Airlines Business Class passengers.



### - New airport booths

Tikram operates five airport booths to serve the airport guests in the departure and arrival areas, in addition to an operation office at the City Terminal (the 7th Circle).

### - Staff Grooming

To make it more practical for its workers, Tikram made some changes to the porters' uniform and guest service officers (both male and female). The new uniform was changed to enable the 140 staff members to move and to carry out manual tasks easier.

### - Certificate of Appreciation from AIG

The Airport International Group (AIG) handed a certificate of appreciation to Tikram on the occasion of QAIA winning the "Best Airport by Size and Region: Middle East" title, granted by the Airports Council International to airports that serve 5 to 15 million passengers. According to AIG, Tikram has supported QAIA to be an internationally high-standard airport through the services it offers.

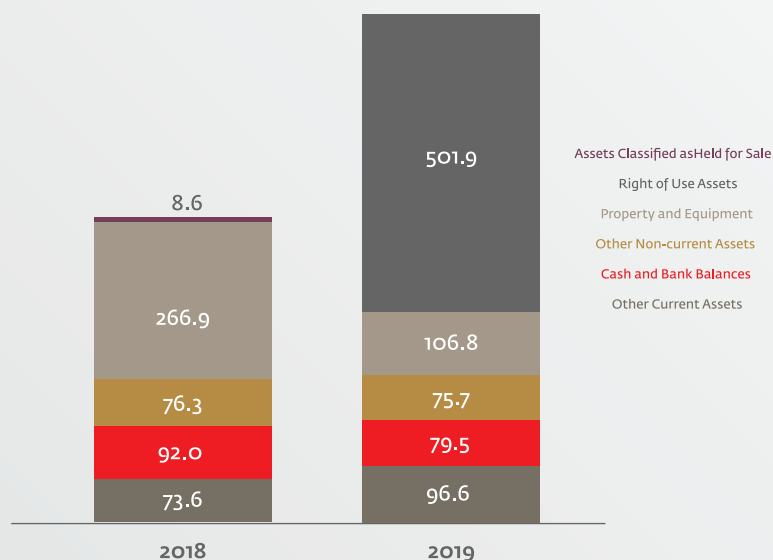
Analysis of Company's Financial Position and 2019 Business Results

# Analysis of Company's Financial Position and 2019 Business Results

## Analysis of the Financial Position

### Assets

Assets increased by 66% over 2018 (JD 343.13 million) mainly due to implementing IFRS 16 "Leases" as right of use assets with an amount of 501.9 has been recognized for all lease contracts at the adoption date. Property and equipment decreased by 60% (JD 160.0 million) as a result of re-classifying aircraft under finance lease contracts from property and equipment item to right of use assets item.



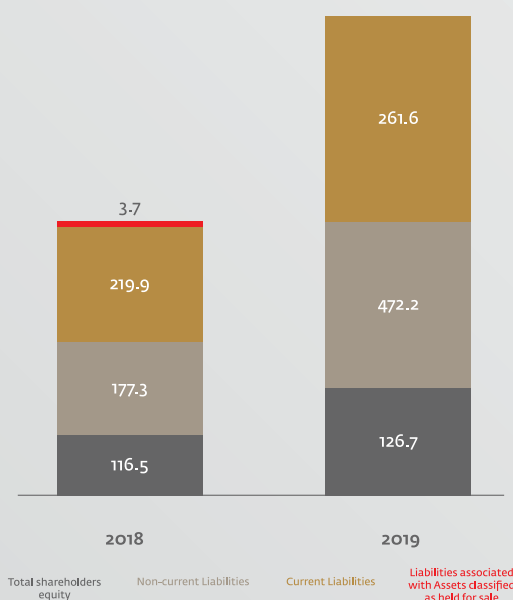
### Equity

Total shareholders' equity increased by 9% over the year 2018 (JD 126.7 million) in 2019 compared to (JD 116.5 million) in 2018 mainly due to the increase in paid in capital by 11% (JD 28.2 million) over 2018 as the company has completed the subscription of the first half of the second tranche of the company's capital increase process during January 2019 which resulted in authorized and paid in capital of 274.6 million shares at par value of one Jordanian Dinar per share.

### Liabilities

Non-current liabilities increased by JD 294.9 million over 2018. This is due to the increase in long-term lease obligation by JD 293.9 million due to the implementation of IFRS 16 "Leases" which resulted in re-classifying long term operating lease contracts and recognizing a corresponding right-of-use assets and lease obligations.

Current liabilities increased by 19% (JD 41.7 million) mainly due to the increase in short-term lease obligations by JD 44.0 million.



## Analysis of Business Results

### Revenues

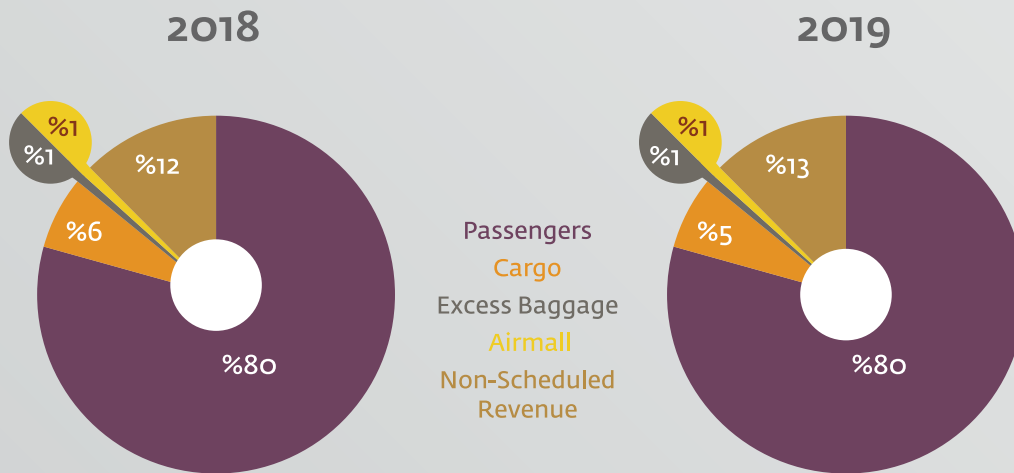
Total revenues amounted to JD 660.6 million in 2019 against JD 663.9 million in 2018, a drop of 0.5%. The main reason behind the drop in revenues is the decrease in cargo revenues by 17% with an amount of JD 6.4 million as follows:

- Decrease in cargo chargeable weight by 7.5 thousand tons (16%) with a negative impact of JD 6.0 million.
- Decrease in cargo average fare by 1% (from JD 0.80 to JD 0.79) with a negative impact of JD 0.3 million.
- The stop of the freighter aircraft operation for a duration of one and a half months.

Moreover, chartered flights revenue declined by 43.3% mainly due to non-operating Royal Wings aircraft during 2019.

On the other hand, passenger revenues have increased slightly by 0.1% due to the decrease in average ticket fares by 1%, although the number of passengers went up by 1% over 2018. In addition, excess baggage revenue increased by 31% (JD 1.6 million).

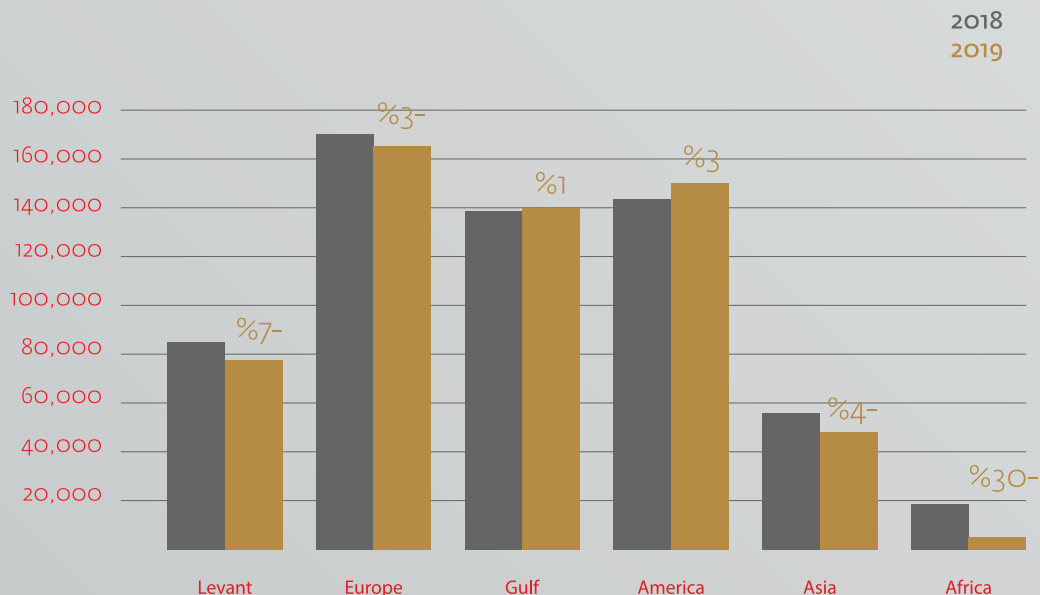
The following diagram shows the distribution of revenues in 2018 and 2019 as a percentage of total revenues. Passenger revenue constitutes 80% of the total revenue.



### Percentage of change in Geographical Distribution between 2018-2019

Company revenues went down in all areas compared to 2018, with the exception of revenues from America and Gulf. Africa region reported the greatest decline with a percentage of 30% mainly due to the closure of Khartoum route by the end of February 2019.

The following diagram shows the geographical distribution of revenues and the variation between 2018 and 2019.





## Cost of Revenues

Operating costs in 2019 decreased by 5% compared to 2018 as a result of 8.4% decrease in fuel cost, equivalent to JD 13.4 million. This has been driven by the decrease in average fuel price from USD/USG 2.39 in 2018 to USD/USG 2.21 in 2019. The company implemented IFRS 16 in 2019 which resulted in recognition of depreciation expense and finance costs instead of operating lease expenses in the income statement; in addition, differences in the classification between comparative figures might arise due to IFRS 16 adoption.

The following graph shows the breakdown of operating costs as a percentage of total costs in 2018 and 2019:



## Gross profit and net operational profit

The total gross profit in 2019 increased by 30% compared to that of 2018 as a result of the decrease in cost of revenues by JD 29.1 million. Net operating profit for the year 2019 was JD 45.5 million compared to net operating profit of JD 16.6 million in 2018 mainly due to the decrease in other provisions by JD 4.4 million.

## Net Profit

The company recorded a net profit of JD 10.4 million in 2019 in comparison to a net loss of JD 5.9 million in 2018. This is caused as a result of the significant increase in seat factor by 4 points in 2019 to reach 74.2% compared to 73.8% in 2018 besides the decrease in fuel cost by 8.4%.

## Our Financial and Operational KPIs for 2019

### Our Operational KPIs

Number of passengers increased by 1% during 2019 and seat factor increased by 4.0 points to 74.2% in 2019 as follows:





Below is a summary for the main financial ratios and indicators for the period 2018-2019:

Financial Ratios	2019	2018	% Change
Revenues	660,607	663,867	(0.5%)
Gross Profit	113,419	87,544	30%
Net Operating Profit	45,492	16,617	174%
Net Profit (Loss)	10,383	(5,857)	-
Non-Current Assets	684,452	343,113	99%
Current Assets	176,040	165,623	6%
Total Shareholder's Equity	126,732	116,478	9%
Paid in Capital	274,610	246,405	11%
Net Cash Flow from Operating Activities	118,456	24,440	385%
Return on Paid in Capital	%3.8	(%2.4)	-
Return on Assets	%1.2	(%1.2)	-
Current Ratio	0.67	0.75	(11%)
Debt to Total Assets Ratio	%85.3	%77.5	10%
Equity to Total Assets Ratio	%14.7	%22.5	(35%)
Debt Ratio	%81.3	%66.7	22%
Share Price at End of Year (JD)	0.36	0.37	(3%)
Earnings per Share	0.0381	(0.025)	-
Number of Shares Paid and Subscribed at End of Year ('000)	274,610	246,405	11%

\*The impact of implementing IFRS 16 is reflected on current ratio, debt to total assets ratio, equity to total assets ratio and debt ratio as a result of recognizing assets and liabilities associated with lease contracts which are right-of-use- assets and lease obligations.

# Company Future Developments in 2020

The airline always reviews its network, normally through feasibility studies that are conducted regularly to look for new opportunities to enhance the current network in a profitable manner. Based on that, RJ has decided to start operating seasonal direct flights to Antalya in Turkey in the upcoming summer to serve and capture the demand for this tourist destination.

RJ is also committed to following up on its plans to adjust the number of departures to the current destinations, in addition to increasing the effectiveness of linking its flights from and to Amman, by adjusting the transit time as per the needs of transit passengers. Some routes had to be suspended for safety reasons: Misurata, Tripoli and Benghazi in Libya, Mosul in Iraq, Sana'a and Aden in Yemen. At the same time, the suspension continues on RJ's services to Damascus and Aleppo in Syria for political circumstances.

RJ will continue to serve most of its current routes in 2020. These routes will cover 52 destinations worldwide, served by 410 weekly departures: 99 departures to Europe, 7 to Asia, 154 to the Arabian Gulf, 120 to the Levant, 21 departures to North America, and 9 departures to North Africa.

## Fleet Future Plans

In its policy and strategic plans for the continuous modernization of its fleet, the company is continuously keen on introducing new aircraft, as part of its policy to maintain adequacy and efficiency of fleet operations through continuous modernization and maintaining a young fleet, thus reducing the cost of maintenance and having a better competitive edge. In 2020 the company will decide on modernizing the narrow-body fleet serving medium and short haul routes serving Europe, Africa, Gulf and Levant. This decision will reduce the overall variable, fixed and maintenance costs accumulated from this fleet, which will result in a lower cost per seat.

This fleet modernization shall enhance the company's competitiveness in the region as these modern aircraft will provide compelling services to passengers.

As such the company fleet in 2020 will consist of:

Type of Aircraft	No. of Aircraft in 2020
Boeing 787	7
Airbus 321	2
Airbus 320	6
Airbus 319*	7
Embraer 195	2
Embraer 175	2
Airbus A310 (cargo)	1
Total	27

\* 1 aircraft to be added in Q2 and 1 aircraft to be added in the peak summer period

## Future Plans: oneworld Alliance and Code Sharing

Since joining the **oneworld** alliance in 2007, RJ has been working to strengthen its relations with its partners in this alliance. RJ will also cooperate and coordinate with the alliance members and who have code-sharing agreements with RJ. The company will also contribute to the success of joint projects with the aim of reducing cost and exchanging experiences among the companies of the alliance, which provides more than 1,000 extra destinations that RJ passengers can have access to and from Amman.

At the same time, RJ enhanced in 2019 the benefits derived from some codesharing agreements with a number of companies in the alliance, through increasing the number of destinations included in the agreements with: American Airlines, British Airways, Siberia Airlines (S7), Iberia, Malaysia Airlines, and Qatar Airways. In addition to the airline's agreements with Tarom Airways, Syrian Airlines (currently not operating because of the situation in Syria), Gulf Air, Oman Air, Middle East Airlines, Alitalia, Turkish Airlines, Etihad Airways, Royal Air Maroc and Tunis Air.

The airline will continue in 2020 with increasing the number of codeshare agreements and enhancing the current ones to increase the number of served destinations.

### **Important Future Developments**

Currently, studies are ongoing to develop the medium and short haul fleet. Network improvements and partnerships are under development using the new network planning systems implemented in 2019 to develop and enhance the company's network planning on the medium and long term periods.

## **Audit Fees**

Audit fees for RJ and its subsidiaries for 2019 were as follows:

- **Royal Jordanian** audit fee JD 81,200 inclusive of tax.
- **Royal Wings** audit fee JD 13,920 inclusive of tax.
- **Royal Tours** audit fee JD 2,784 inclusive of tax.
- **Tikram** (Mashreq flight services) JD 8,120 inclusive tax.

# Shares Owned by the Board of Directors and their relatives

The below table indicates the Board of Directors shares compared to last year:

Name	Number of shares as of	
	31 / 12 / 2019	31 / 12 / 2018
H.E. Eng. Said S. Darwazah	-	-
H.E. Eng. Basem K. Al-Salem	-	-
H.E. Mr. Omar Zuhair Malhas From 1/9/2019	-	-
H.E. Mr. Saoud Ahmad Nsairat From 9/10/2019	-	-
H.E. Dr. Abdelhakim Shibli	5,000	5,000
H.E. Mr. Malek Salameh Habashneh From 1/9/2019	-	-
H.E. Mr. "Mohammad Ali" Bdair	7,699	7,699
H.E. Mr. Michael N. Nazzal	5,000	5,000
H.E. Mr. Nizar Khoury	-	-
H.E. Mr. Sami Kamel Dawud From 12/2 to 9/5/2019	289	289
H.E. Mr. Nasser S. Shraideh Until 12/2/2019	-	-
H.E. Capt. Suleiman R. Obeidat Until 29/7/2019	3,406	3,406
H.E. Mr. Saeed Shanani From 10/7 to 9/10/2019	-	-
H.E. Mr. Imad J. Al-Qudah Until 10/7/2019	-	-

Securities owned by relatives of members of the Board of Directors by the end of 2019:

Member Name	Relative Name	Spouse & Underage Children only	Nationality	Number of shares as of	
				2019 / 12 / 31	2018 / 12 / 31
H.E. Mr. Michael N. Nazzal	Mona Kamal Issa Naffa	Wife	Jordanian	454	454

# Companies controlled by the Board of Directors compared to last year

There are no companies controlled by the board of directors that own shares in RJ during 2019.

# Companies controlled by the relatives of the Board of Directors compared to last year

There are no companies controlled by the relatives of the board of directors that own shares in RJ during 2019.

# Shares owned by Senior Executive Management and their relatives compared to last year

Name	Nationality	Number of shares as of	
		31 / 12 / 2019	31 / 12 / 2018
Ms. Amal Hattar	Jordanian	296	296

There are no shares owned by other members of the Senior Executive Management or their relatives during 2019.

# Companies controlled by the Senior Executive Management compared to last year

There are no companies controlled by the Senior Executive Management that own shares in RJ during 2019.

# Companies controlled by the relatives of the Senior Executive Management compared to last year

There are no companies controlled by the relatives of the Senior Executive Management that own shares in RJ during 2019.

## Board of Directors Benefits and Remunerations

Below is a table of remunerations and benefits received by the Chairman and Board members in 2019 in JD:

Name	Title	Rep. Allowance Transport Allowance (Annual)	Annual Remunerations	Travel Allowance	Total Annual Benefits
H.E. Eng. Said Darwazah	Chairman	-	-	-	-
H.E. Eng. Basem Khalil Al-Salem	Vice Chairman	4,500	-	-	4,500
H.E. Dr. Abdelhakim Shibli	Member	4,500	-	-	4,500
H.E. Mr. Omar Zuhair Malhas	Member	2,000	-	-	2,000
H.E. Captain Suleiman Reda Obeidat	Member	3,000	-	-	3,000
H.E. Mr. Malek Salameh Habashneh	Member	2,000	-	-	2,000
H.E. Mr. Sami Kamel Dawud	Member	1,000	-	-	1,000
Social Security Corporation*	Member	5,354	-	-	5,354
H.E. Mr. Michael Nabeeh Nazzal	Member	5,000	-	-	5,000
H.E. Mr. "Mohammad Ali" Issam Bdair	Member	4,500	-	-	4,500
H.E. Mr. Nizar Khoury	Member	5,500	-	-	5,500
<b>Total</b>		37,354	-	-	37,354

\*H.E. Mr. Imad Qudah has resigned in 10/7/2019, and H.E Mr. Saeed Shanan was appointed to represent the corporation until 9/10/2019 when H.E. Mr. Saoud Ahmad Nsairat has replaced him.

# Senior Executive Management Benefits and Remunerations

Below is a table of remunerations and benefits received by Senior Executive management during 2019 in JD:

Name	Title	Annual Salaries	Annual Remuneration	Travel Allowance (JD)	Total Annual Benefits
Mr. Stefan Pichler	President/CEO	404,580	-	95	404,675
Mr. Feras Qarrain	Executive Vice President/Finance & Resources	50,929	-	-	50,929
Ms. Basma Majali	Vice President/ Commercial	87,439	-	1,605	89,044
Captain Ghassan Obeidat	Vice President/ Operations	142,134 Includes flight allowances	-	-	142,134
Ms. Amal Hattar	Vice President/ Finance	78,124	-	-	78,124
Ms. Suha Al Arda	Vice President/ Treasury	76,219	-	-	76,219
Dr. Fawzi Mulki	Vice President / Services & Products	77,479	-	1,755	79,234
Mr. Marwan Marji	CFO	125,400	-	355	125,755

## Donations and Grants made by the company in 2019

Activities	Amount (JD)
Royal Jordanian Staff Club	5,000
Education Fund – The General Trade Union of Workers in Air Transportation	10,000
Emergency Cases	2,000
Ramadan Annual Campaign – Charities	25,496
Others	1,118
<b>Total</b>	<b>43,614</b>



# **Contracts, Projects and Commitments concluded by the company with its subsidiary, sister or associates or with the Chairman or Board members or the Chief Executive or any employee of the company or their relatives:**

- Staff recruitment services agreement with Royal Wings.
- Support agreement for managing the air-worthiness of the aircraft with Royal Wings.
- Agreement related to offering ground handling services for Royal Wings aircraft at the Queen Alia International Airport.
- Services agreement for removing aircraft in Queen Alia International Airport with Royal Wings.
- Lease agreement of a Royal Wings aircraft "A-320 JYAYI" to Royal Jordanian on the basis of "ACMI".
- Services agreement with the Royal Jordanian Company for Tourism and Travel.
- Services agreement related to travel with the Royal Jordanian Company for Tourism and Travel.
- Services agreement for supplying personnel with Tikram Airport Services Company.
- Agreement for transport of the staff of Tikram Airports Services Company.

# Royal Jordanian's Corporate Social Responsibility Policy

## Introduction:

Since its establishment in 1963 as an emerging airline, Royal Jordanian has taken upon itself to be an active model to serve the community and contribute, alongside other national organizations, to Jordan's development and progress, to open new global horizons to its people and eliminate all obstacles in the way of ambitions, to reach across the globe seeking education and knowledge, self-affirmation and cross-cultural interaction.

Royal Jordanian strongly believes in the principle of social responsibility and the importance of positive interaction in the Jordanian community, through active participation in various local events and activities, in fields as varied as economic, social, artistic or sports. It is interested in knowing the needs of the poor, charity associations, orphanages and those with special needs, and lend them support within its capabilities.



## Community Service:

In Royal Jordanian's chapter on vision, mission and values, a clause regarding social responsibility is clearly stated as a primary principle of the airline, which believes in the importance of partnership between the public and private sectors to achieving general benefits.

RJ's mission includes "supporting local communities and charities", based on the idea that successful companies play a major role in contributing to improving the quality of life of communities, should support ambitious projects and lead humanitarian initiatives, and support endeavors of individuals or associations, particularly sustainable efforts.

## National Role:

Being the national carrier with the national identity, and having the Royal Crown as the logo placed proudly on all its aircraft, Royal Jordanian believes in the vital role it plays and which has established it as a main national and economic pillar in the country since its establishment.

Today RJ is placed high in the hierarchy of national economic powerhouses in terms of resources, revenue, cost, workforce and major services it offers to various sectors, including tourism, commerce, and a provider of hard currency.

RJ has been a cultural bridge linking Jordan to the world and a means of connecting people, as part of its vision and strategic targets in serving the country.

The airline believes true excellence of companies and associations is not measured only by the profits attained or basic goals reached, but, more importantly, by what they offer to the society directly or indirectly, how they understand and respond to the community's needs, away from self-promotion. As such, RJ will continue playing this leading national role it has always been known for.

Ever since its establishment, RJ has adopted programs that support its belief in the need to strengthen local communities and provide assistance to various events and activities in dynamic sectors, including education, youth, health, environment, and to the less fortunate, since social responsibility is part of the basic citizenship responsibility that RJ carries out distinctively.

## **Dimensions of the company's CSR:**

RJ relies on a set of regulations and values that govern its CSR policy, define its features and execution of initiatives to achieve the desired objectives. This has the following main dimensions:

- Social: Alongside its responsibility towards the society at large, RJ is also, and foremost, responsible for its employees (the internal community), by improving the work environment in a manner that positively affects their productivity and skills.
- Environmental: RJ takes into consideration the environmental impact of its activities, working to reduce emissions and waste, to achieve maximum productivity by using available resources, and minimizing practices that may negatively affect the environment.
- Economic: RJ prides itself on always using business ethics and transparency when dealing with customers; it scrupulously complies with rules and regulations while also exerting efforts to make profit.

## **Goals of Social Responsibility:**

- Ensure that RJ is one of the leading national establishments with an active role in the Jordanian community.
- Contribute to encouraging the spirit of social responsibility and stress its importance as a parallel work course at RJ.
- Adopt programs that are in line with RJ's mission to support the local community and provide assistance to different communities or national economic, sports and creative events and activities, in addition to supporting dynamic sectors relating to education, health, youth and the less fortunate.
- Contribute to developing the local community.
- Contribute to strengthening the country's infrastructure, an important component that contributes to the wellbeing of citizens.
- Support civil society associations involving women, children, youth, school and university students, the elderly and individuals with special needs.
- Support educational institutions and hospitals, aware that scientific research and cooperation between private sector companies and educational institutions will lead to better services for the local community.
- Contribute to protecting the environment and minimizing pollution.
- Contribute positively and effectively in emergency situations and cases of natural disasters.
- Increase social solidarity among different segments of the Jordanian community.

## **Transparency and Social Responsibility:**

Based on proper corporate governance, Royal Jordanian issues annual financial reports with all figures and details about the airline's achievements and its role in the field of social responsibility, which measure the airline's performance throughout the year, assuring it is balanced and inclusive of different areas and segments of the society. These accurate and reliable reports and statements clearly show the financial donations to the local community.

In this vein, it should be noted that:

- Royal Jordanian sponsors and supports various local events only with the approval of the president/CEO and at the recommendation of the Executive Assistant to the President/Media, Corporate Communications and CSR.
- Support and donations are granted to non-profit organizations only, to enable them to achieve their objectives.

## **Implementing Social Responsibility initiatives:**

Royal Jordanian has a specialized department responsible for implementing different social responsibility programs and initiatives, which reports directly to the president/CEO; it works with a budget approved by RJ's Board of Directors.

## **Social Responsibility Policy and the Environment:**

- As part of the company's continuous quest to modernize its fleet and introduce new aircraft, it contributes directly to minimizing CO<sub>2</sub> emissions and noise pollution resulting from operating old aircraft. This is in line with Royal Jordanian's objective of protecting the environment and minimizing pollution.

- Royal Jordanian is operating seven Boeing 787 Dreamliners, among the most fuel-efficient aircraft in the world. That, in turn, resulted in less fuel consumption and significantly eliminated noise levels due to their advanced-technology engines.

- The average age of RJ's aircraft is considered young by international standards. This makes RJ's modern fleet environment friendly.

- The airline takes measures to minimize the pollution resulting from fuel combustion when operating the aircraft; it participates in the EU Emissions Trading Scheme (EU ETS) to reduce CO<sub>2</sub> emissions with the objective of enhancing the environmental performance and control the negative operational impact, in accordance with international laws.

- Royal Jordanian was one of the first airlines to prohibit smoking on all company premises and onboard its aircraft since the beginning of the 21st century.

- Royal Jordanian employees often carry out community activities aiming at protecting the environment.

## **Paper consumption:**

Royal Jordanian seeks to reduce the negative environmental impact of paper consumption by going electronic, providing digital and automated services to customers. It is one of the first international airlines to issue electronic tickets (E-ticket), in compliance with IATA regulations and other organizations (since 2008), and to put an end to paper tickets. Moreover, RJ is fully electronic in all booking and travel procedures.

## **Reducing energy consumption:**

Although the nature of RJ business requires great consumption of energy, RJ continuously works on rationalizing this consumption in various ways.

- The headquarters building is equipped with a gas central heating system, considered safe and environment friendly.

- Exterior shades on the windows of the headquarters building help in cooling during the summer; also, all old lighting units were replaced with energy-saving units.

## **Community Support:**

RJ is proud of the pioneering role it plays in supporting the local community and of being aware of the needs and concerns of the community. This stand is firmly entrenched in the minds of the RJ family and is part of their internal organizational culture. The company will continue increasing its presence and visibility in various fields and events.

Support is directed to non-profit organizations to enable them to achieve their objectives.

Royal Jordanian carries out a goodwill campaign and offers food and medical assistance annually during the Holy Month of Ramadan.

# Corporate Social Responsibility Report 2019

## ● Continuous support to King Hussein Cancer Foundation

RJ continued to extend support to King Hussein Cancer Foundation and Center in their fight against this disease, deeply invested in a partnership striving to achieve the foundation's humane mission of finding the best treatment for patients. This support took the following manifestations in 2019:

### - Collecting donations for cancer patients:

RJ passengers and employees continue to have the possibility to contribute to the fight against cancer by donating through the coin boxes distributed at all RJ sales offices and in the Crown Lounge at Queen Alia International Airport. The donations go towards helping the center to carry out its mission to offer the best medical services to patients.

RJ's contribution to King Hussein Cancer Foundation's (KHCF) through the coin box collection program added up to JD33,706 during 2019 and JD204,195 since these boxes were first distributed, in 2013.



### - Donating travel miles:

Royal Club members can help the fight against cancer by donating their miles to KHCC, to be used by the center's patients and their companions to travel to get the necessary treatment.

RJ and KHCF signed the agreement concerning mile donation in 2015. The total number of Royal Club miles donated to the KHCF in 2019 was 734,813 miles, while passengers donated 6,464,813 miles since the agreement was initiated in 2014.

### - Supporting the "Think Pink" campaign:

Royal Jordanian is a strong supporter of KHCF, helping it promote the "Think Pink" initiative, which is carried out in October every year during the International Month of Breast Cancer Awareness. On this occasion last year, RJ organized various activities, as follows:

#### ● Holding an informative educational session:

An educational session about breast cancer was held at the head office for RJ female employees. The session, also intended to spread awareness about the disease, discussed its symptoms, the importance of getting regular checkups and ways to prevent it. Cancer survivors were present at the session and shared their stories with the attendees. In addition, female colleagues got the chance to get a free clinical exam after the session; a total of 100 female colleagues underwent the exam.

#### ● Posting "Think Pink" messages on social media pages:

During the month of October, as it has been doing for years, RJ posted messages on its social media channels to support this awareness campaign and help in informing people about the importance of early detection of breast cancer and the possibility of prevention.

### ● **Distributing the symbolic pink ribbon:**

Hundreds of pink ribbons that were designed to reflect the Jordanian identity were distributed to all female colleagues at the head office and at the airport, especially to those who dealt directly with passengers, to help raise awareness.

### - **Selling KHCF customized items:**

KHCF set up a booth at the head office, where it sold customized items meant to raise awareness about breast cancer. Staff and visitors got the chance to purchase some of these items; the proceeds from the sales went to support cancer patients in need.

### - **Making a young cancer patient's wish come true:**

RJ offered Mustafa, a 9-year-old cancer patient, and his parents three free tickets to Aqaba, making the dream of this child who is undergoing therapy at the King Hussein Cancer Center of flying on an aircraft and watching the view from the cabin window come true. Mustafa and his parents spent an entire day in Aqaba.

### - **"Wish Tree", an initiative to make young patients' dreams come true:**

RJ set up a "Wish Tree" in the Crown Lounge, an initiative launched by King Hussein Cancer Foundation in support of children suffering from cancer. The children's wishes for Christmas were hung up on the tree in envelopes, and Crown Lounge visitors got to pick an envelope and contribute to making their wishes come true.

Through this, RJ gave travelers the chance to take part in goodwill campaigns and initiatives that lend support and help ease the suffering of young cancer patients who often have to undergo prolonged treatment.

Royal Jordanian offered passengers the chance to purchase products of King Hussein Cancer Foundation at the Crown Lounge. The proceeds of this activity went to the treatment of underprivileged patients.

### ● **Continuous support to the Charity Clothing Bank**

Since 2014, RJ has been offering continuous support to the Charity Clothing Bank by placing donation boxes at different company locations to enable the staff to donate garments, shoes and toys. The donations go to the beneficiaries of the clothing bank.

Since it began supporting the Charity Clothing Bank and until the end of 2019, Royal Jordanian donated 18,845 kilograms of clothing, footwear and children's toys through the boxes. The number of beneficiaries from these donations over the past five years reached 4,673 individuals.

In 2019, RJ employees donated approximately 2,420 kg of clothing, from which 600 beneficiaries benefited. In 2018, 3,300 kg went to 825 needy persons. In 2017, 4,560 kg went to 1,140 beneficiaries.

In addition to the donations from the staff, RJ also donated more than 9,000 pieces of stocked uniforms over the past few years, including men's and women's wear, shoes and travel bags.

In 2018, the airline donated 1,200 used blankets, in good condition, to the Charity Clothing Bank.



## ● Ramadan Charity Campaign

Among RJ's most notable social contributions is the annual Ramadan campaign, during which it distributes food parcels to underprivileged families, donates medical equipment, holds iftar banquets for orphans, distributes Eid clothes to poor families and donates toys and gifts to needy children. Among these goodwill initiatives were:

### - Sponsoring 60 families for an entire year, in collaboration with Tkiyet Um Ali:

Royal Jordanian renewed its partnership agreement with Tkiyet Um Ali Charity organization, whereby RJ sponsored 60 families from among Tkiyet Um Ali beneficiaries all year round, providing monthly food parcels to these families located in different parts of the kingdom.



### - Staff volunteering to prepare food parcels:

Several RJ colleagues volunteered to prepare food parcels in Tkiyet Um Ali warehouses, in Qastal, near the airport. They also participated in distributing the parcels to some underprivileged families in Madaba and Umm Ar-Rasas during the holy month of Ramadan.



### - Sponsoring Mawaed Al Rahman iftar banquets:

RJ sponsored one day of "Mawaed Al Rahman" iftar banquets, which Tkiyet Um Ali holds every Ramadan. A team of RJ volunteers participated in dishing out and serving iftar meals to more than 2,000 underprivileged people at the charity premises in Al Mahatta area/Amman.

### - Iftar banquets and Eid clothing for 300 orphans:

RJ held two iftar banquets for hundreds of orphans in the care of different associations in Jordan: 250 orphans were invited by RJ to iftar at the Children's Museum/Jordan. RJ also organized an iftar for 70 visually impaired individuals in Zarqa and distributed Eid items of clothing to the attendees.

## ● Participating in activities marking the anniversary of the King's Accession to the Throne

Royal Jordanian participated in the national celebrations held to mark the 20th anniversary of His Majesty King Abdullah's Accession to the Throne, which fell on June 9th, 2019.

On this occasion, an RJ Airbus 319 flew that evening, along with the Royal Jordanian Air Force aircraft, performing an attractive air show in the Amman skies, as well as all over the kingdom.

The Royal Jordanian plane had on its belly a huge Royal Accession logo. The Royal Accession logo was also placed on a number of RJ aircraft, especially the 787s, which proudly displayed it in the world skies and at the world's largest airports that are on RJ's route network.



## ● International Women's Day

RJ spares no effort to offer support to the women who have been playing a major part in the progress of the company, investing in their competencies and promoting them.

Women have occupied leading positions in RJ, such as: first woman captain in the Arab World, vice president, head of department, director and other positions.

On the occasion of the International Women's Day, RJ organized the following activities:

### - Honoring working women:

RJ held a ceremony honoring its female employees for their contribution to the progress of the company over the past 56 years.

The ceremony was part of the activities RJ organizes yearly on this occasion. All RJ female colleagues received flowers on that day.

### - Interactive session on women empowerment:

An interactive session was held under the title "Create The Life You Want", moderated by the motivational trainer and TV anchor Randa Azar. During the session, Azar talked about women empowerment, self-development, self-confidence as well as acquiring the skills to cope with life and work challenges.

## ● The Environment

### - A modern fleet:

Royal Jordanian continually modernizes its fleet and introduces new aircraft, directly contributing to limiting air and noise pollution. The move contributes to fulfilling the airline's goals of protecting the environment and reducing CO<sub>2</sub> emissions.

RJ took several measures to control pollution produced by fuel consumption, aiming at improving the environmental part of the operations, and controlling and monitoring the negative impact of operations, in line with international legislation.

Royal Jordanian currently has seven Boeing 787 aircraft, a notable fuel-efficient aircraft of our times, which is known for less fuel consumption and reduced noise levels, due to this airliner's high-tech features. The RJ's fleet of aircraft is young and up to international standards.



### ● Sustainable development

RJ focuses on the implementation of several community-based initiatives that are sustainable, particularly lending support to educational programs, helping needy students and establishing small businesses, as well as contributing to protecting the environment, spreading awareness and investing in human resources. Such initiatives include:



### **- Internship for university students:**

Royal Jordanian gave the opportunity to university students to obtain a free internship in different departments at the airline, according to their academic majors and within the internship terms imposed by their universities. This helped students to have a better chance of getting employed after graduation.

The internship included introducing students to the work environment at Royal Jordanian, with its conditions and challenges, thus helping expand their awareness and providing them with more skills. In 2019, the company received a total of 77 interns, 43 students in the Engineering and Maintenance Department and 34 students in other departments.

### **- Employing university students:**

Royal Jordanian provided temporary employment opportunities to 76 students from public and private universities during the summer period, a move that gave those students some insight in the type of work performed by RJ employees and attracted those interested in working for RJ.

The students selected majored in different academic subjects that match RJ's manpower needs. They were paid reasonable salaries during the peak period, when the company needs more staff to help facilitate the movement of an increased number of passengers.

### **- Employing people with special needs:**

In order to provide equal and fair opportunities to all Jordanians, including people with special needs who have educational and professional qualifications, Royal Jordanian hires such people in positions suitable to their type of disability. This is in the implementation of the Convention on the Rights of Persons with Disabilities. Jordan was among the first countries to ratify the Convention in 2008; it focuses on the right of persons with disabilities to education, health, sports, employment, and others.

### **- Donating sewing machines on the occasion of Mother's Day:**

Royal Jordanian distributed sewing machines to mothers from Uthruh village, in Ma'an governorate, in the south of Jordan, to celebrate Mother's Day, in cooperation with the Association of Training and Qualifying Jordanian Women.

A team from Royal Jordanian visited the village to honor a group of women who completed a sewing course, and offered them 30 sewing machines that helped them to work and sustainably support their families; they were also given some symbolic gifts. The women expressed gratefulness and praised Royal Jordanian for constantly staying connected with communities all over Jordan, as well as for its significant efforts to boost the concept of sustainable development and social solidarity.

### **- Participating in a Jordanian job fair:**

Job fairs create a dynamic environment that enables graduates and job seekers to submit their personal information and get better acquainted with the nature of work in different companies, including Royal Jordanian, which is one of the most prominent national companies to attract human competencies.

In this context, Royal Jordanian participated in the job fair organized by the Amman Chamber of Commerce in cooperation with the Ministry of Labor, aimed at employing Jordanians in different sectors as part of the government's efforts to combat unemployment. The airline received a large number of CVs from people wishing to join it.

### **- Awareness extended to schools students:**

Royal Jordanian is keen to take part in career days held in public and private schools to familiarize students with different jobs at the airline and make them aware of the needed qualifications.

Captain Dima Alsaber and Senior First Officer Ahmad Ababneh participated in the Career Day organized by the Modern American School in September to share their work experience with the students in their final high school year.

### **- Participating in TEDxUJ:**

Captain Carol Rabadi took part in TEDx University of Jordan (TEDxUJ) as a speaker in their second annual event. At the event, Captain Rabadi spoke about her career path with Royal Jordanian Airlines, the challenges she faced and her journey at the airline.

## **● In Human Resources**

### **- Investing in employees:**

Investing in human resources is at the forefront of Royal Jordanian priorities and an important element of the company's distinguished position in the air transport industry. Therefore, Royal Jordanian is eager to provide a safe and healthy work environment for its employees, while hiring the right person in the right place. Moreover, RJ provides more job opportunities to Jordanian citizens; it provides fair wages, develops their professional and personal skills, and enables them to contribute to the strategic plan the company is implementing at this stage, which seeks to enhance revenues, reduce costs and make of RJ the employer of choice for many.

Royal Jordanian also believes that investing in training is a necessary requirement to develop the employees' capabilities and skills so that they can perform their jobs professionally. This positively affects the quality of services provided to passengers. Royal Jordanian conducts theoretical and practical training to qualify employees and raise the level of their professional performance.

### **- Training employees through tutorials:**

Royal Jordanian produced several tutorial videos it shared with the employees to enable them to get professional training in order to enhance their efficiency and constantly improve their performance, to upgrade their knowledge of the procedures needed in dealing with passengers and travel documents, to provide services optimally, and to comply with the local and international ground-handling laws. Tens of tutorial videos were sent to the Airport Services employees' cell phones periodically, thus saving the company time, effort and cost.

Royal Jordanian produced videos for crew training purposes, including on safety rules, first-aid and onboard services.

All these videos were produced by the Media, Corporate Communications and CSR Dept.

### **- Safe and healthy working environment:**

Royal Jordanian is keen to offer the best environment to its employees, including appropriate lighting and ventilation on its different premises. The airline also conducts emergency drills on a periodic basis to train the staff to deal with possible emergencies.

Royal Jordanian provides health insurance to its employees, and this is one of the company's most important benefits. According to RJ's health insurance fund, the airline, through the Human Resources Department, seeks to achieve comprehensive health care for the current employees, retirees and their families. Beneficiaries get the best medical care from The Royal Medical Services Directorate of the Jordanian Armed Forces, as well as from the airline's medical department.

### **- New travel options for RJ employees and retirees:**

In addition to the free and discounted RJ tickets offered to the airline's working and retired staff, RJ has 78 agreements with global carriers based on Zonal Employee Discount (ZED) basis. The carriers include **oneworld** and non-**oneworld** airlines.

A ZED agreement is a multilateral agreement for reduced-rate personal travel by airline employees and their families. The airlines RJ signed ZED contracts with apply different discount percentages, on a space-available basis, for travel in the economy class cabin.

### **- Supporting Royal Jordanian Club:**

RJ yearly contributes to support RJ Club by paying part of their premises rent, which also includes RJ Retirees Association. This support is bound to enhance the social relations among the employees and retirees and help them achieve their set goals.

### **● Donation of air tickets for humanitarian and social purposes:**

#### **- Helping two children travel to the US for treatment:**

Royal Jordanian granted 7-year-old Tia and her parents free roundtrip tickets on the Amman-Chicago route, to help her receive treatment at a hospital in St. Louis, in the US.

RJ's support is also a manifestation of its social responsibility toward the local community. The company facilitated all travel procedures for Tia and her parents at Queen Alia International Airport and at Chicago O'Hare Airport in view of her medical condition, which renders her unable to walk. The crew onboard the Amman-Chicago flight and back welcomed Tia and her parents and took extra care of them.

RJ also granted 8-year-old Zaina Abu Ali, who suffers from cerebral palsy, and her parents three 50% discounted tickets on the economy class, enabling her to travel to Chicago and undergo surgery at St. Louis Children's Hospital in the US.

#### **- Families and Friends Society of Persons with Disabilities:**

RJ continues to offer support to the association of parents and friends of people with disabilities. Its activities aim to provide equal opportunities in education and training to persons with disabilities and help them get integrated into the local community.

As such, RJ sponsored the charity dinner that the association organizes annually. The association seeks to attract a good number of attendees to the charity dinner, as the proceeds of the event go to the association's aid programs benefiting the disabled.

#### **- Sponsoring Jiu Jitsu champion Samy Al Jamal:**

RJ's sponsoring of international Jiu Jitsu trainer Samy Al Jamal enabled him to participate in different sports activities and championships worldwide.

This RJ sponsorship is in line with the airline's commitment to support local talents and facilitate their pursuit of success at regional and international levels. The support included offering tickets to different destinations on RJ's route network where sports activities and championships are held.

#### **- Sponsoring visually impaired runner Tayem Hasan:**

RJ sponsored Jordanian visually impaired runner Hasan Tayem who took part in the 2019 Ayla Red Sea Half Marathon, held in Aqaba. The event is organized annually in partnership with Run Jordan under the slogan "Run for a Cause".

RJ enabled Tayem and his guide, who assists him in all his races, to travel to Aqaba, where he participated in the visually impaired male 10-km run category; he won first place and scored a new personal record.

## ● Air Cargo:

### - Donating materials in support of the “GIOIA” initiative:

Royal Jordanian shipped on one of its flights from Istanbul to Amman 115 kg, for free, for the GIOIA initiative. The shipment included raw materials used in the shoe industry, for use by a group of less fortunate women from the local community who then sell the final product at charity bazaars. The proceeds of the sales go for the humanitarian goal of helping needy women in Jordanian society.

Royal Jordanian gave two Amman-Istanbul free tickets to the GIOIA entrepreneur and facilitated bookings, to enable her to carry out this initiative.

### - Supporting UNICEF efforts:

Royal Jordanian supported the efforts of the United Nations Children’s Fund (UNICEF) by shipping tennis equipment on one of its flights from London to Amman, which was later carried by UNICEF to Sana’a, Yemen. UNICEF aims to train a group of Yemeni children in this sport as part of UNICEF’s activities supporting the children’s right to play, especially in unstable countries where children suffer from the consequences of war.

## ● RJ, official carrier of participants in different events

### - Jerash festival for the 34th year:

RJ continued to be the official carrier of Arab and international delegations and performers participating in the Jerash Festival for Culture and Arts, in its 34th edition. RJ carried on board its aircraft renowned Arab singers, and Arab and international troupes participating in the festival as an official partner and supporter of this cultural activity ever since it was launched in 1981.

The airline facilitated booking services and offered discounted ticket fares to those taking part in the festival, while several RJ staff members contributed to organizing several activities during the event.

In return, the festival’s management promoted RJ through press releases and different marketing tools on social media channels, newspapers, websites, radio stations and local and Arab TV stations.

### - The World Economic Forum:

RJ has been supporting the World Economic Forum for 20 years now. For the 10th year, RJ was the official carrier of the WEF that was held at the Dead Sea.

This attests to the appreciation the organizers of the forum have for RJ’s reputation, as a quality-service airline with a wide route network, in addition to RJ’s partnership with the **oneworld** airlines that cover a big part of the world.

Part of the services involved assistance from trained RJ staff members during the days of the meeting. In exchange, the forum used RJ’s name and logo on all the documents, printouts and brochures used at the event.

### - Aqaba Carnival for Tourism and Shopping Sales Season 3:

In a bid to encourage travel between Amman and Aqaba during the winter season, Royal Jordanian offered very attractive fares on the Amman-Aqaba-Amman route.

This contributed to boosting the “Aqaba Carnival for Tourism” and encouraged tourists, both local and international, to make Aqaba their getaway during this season, and enjoy the warmer weather in this Red Sea resort, particularly since the carnival coincides with Jordanian schools and universities’ winter break.

### **- The Investigative Journalism forum “ARIJ”:**

RJ was the sponsor of the 12th annual forum of Arab Reporters for Investigative Journalism (ARIJ), which was held in November 2019.

The airline facilitated bookings for the participants, which came from different countries on board RJ aircraft. ARIJ spread RJ brand recognition amongst 500 media specialists from around the world who attended the forum in exchange for its sponsorship.

### **- The International Conference on Creativity, Innovation and Entrepreneurship:**

RJ sponsored the International Conference on Creativity, Innovation and Entrepreneurship in Business Environment: Opportunities, Tools and Challenges held at Al-Balqa Applied University.

The airline's sponsorship comes in line with the national role that it plays being the national carrier of Jordan that never ceases to lend support to the local community.

### **- Jordan Fashion Week:**

RJ lends its support to different local events and activities, especially those that help inbound tourism. It was the official carrier of the Jordan Fashion Week (JFW), held in Amman, offering its services to media specialists and participants in the event from its different stations in the US.





# Independent Auditor's Report and Consolidated Financial Statements for 2019.



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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Alia – The Royal Jordanian Airlines Company (Royal Jordanian)  
Amman - Jordan

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the consolidated financial statements of **Alia – The Royal Jordanian Airlines Company (Royal Jordanian)** (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards, are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Jordan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter provided in that context.



We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

<b>1. Passenger and cargo revenue recognition</b>	
Refer to note (23) of the consolidated financial statements	
<b>Key audit matter</b>	<b>How the key audit matter was addressed in the audit</b>
<p>Passenger tickets and cargo airway bills sales are reflected in the consolidated statement of financial position as deferred revenue and recognized as revenue when the transportation service is provided. Tickets that are not used for transportation ('unused tickets') are recognized as revenue after 12 months from the date of their issuance. We focus on revenue recognition because it is material and the process is highly automated.</p> <p>In respect of customer loyalty program (Royal Plus), a portion of the fair value of the consideration received is allocated to the award credits and deferred, this is then recognized as revenue over the period that the award credits are redeemed. The fair value of the award credits is estimated by reference to the fair value of the awards for which the points could be redeemed and is reduced to take into account the proportion of award credits that are not expected to be redeemed by customers. The Group exercises its judgment in determining the assumptions to be adopted in respect of the number of points not expected to be redeemed through the use of statistical modelling and historical trends and in determining the mix and fair value of the award credits.</p>	<p>Our audit procedures included considering the appropriateness of the Group's revenue recognition policies in accordance with IFRS (15). We also tested the Group's controls around revenue recognition and key controls in the revenue cycle. We selected a sample before and after the cutoff period to assess whether the revenue was recognized in the correct period.</p> <p>We also performed substantive analytical procedures using financial and non-financial information about the revenue figures for the year. In addition, we selected and tested a representative sample of journal entries.</p> <p>We obtained an understanding of management's process related to scoping and identifying the revenue streams.</p>

**2. IFRS (16) - Leases**

Refer to notes (4) and (18) of the consolidated financial statements

<b>Key audit matter</b>	<b>How the key audit matter was addressed in the audit</b>
<p>IFRS (16) specifies how to recognize, measure, present and disclose leases. The standard requires the lessee to recognize assets and liabilities for all leases unless the lease term is short-term lease (i.e. 12 months or less) or the underlying asset has a low value. The application of IFRS (16) is considered a key audit matter due to judgments needed in establishing the underlying key assumptions that include identifying which contracts are in scope of IFRS (16), the lease term and the discount rate used in the calculation.</p>	<p>We have evaluated the application of IFRS (16) and tested the resulting impact on the Group's consolidated financial statements.</p> <p>We have tested management's assumptions used in preparing the assessment, we also ensured the exemptions they used are acceptable in accordance with IFRS (16) (short term leases and leases for low value assets).</p> <p>We have assessed whether the accounting treatment regarding leases is consistent with the definitions of IFRS (16) including factors such as lease term, discount rate and measurement principles.</p> <p>We have checked the basis used by management in determining the interest rate to be used in calculating the net present value of future lease payments, we ensured that there are no implicit interest rate within the lease contracts, hence, we ensured that management rationale of calculation of the average incremental borrowing rate is appropriate. Furthermore, we have recalculated the incremental borrowing rate used in discounting the future lease payments.</p>

**3. Obsolete and slow moving spare parts and other supplies**

Refer to note (12) of the consolidated financial statements

Key audit matter	How the key audit matter was addressed in the audit
<p>Spare parts and other supplies are valued at the lower of cost or net realizable value. We focus on this area as there is a risk of inventory obsolescence, any provision for obsolescence is determined by reference to specific items of stock. A regular review is undertaken at each reporting date to determine the extent of any provision for obsolescence.</p>	<p>We critically tested the basis for inventory obsolescence in line with management estimates. In doing so, we tested the ageing profile of inventory, the process for identifying obsolete and slow moving items in inventory and historical loss rates.</p>

**Other information included in the Group's 2019 annual report**

Other information consists of the information included in the Group's 2019 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group's or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exist. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exist, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Group's to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonable be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements**

The Group maintains proper books of accounts which are in agreement with the consolidated financial statements.

The partner in charge of the audit resulting in this auditor's report was Ali Hasan Samara; license number 503.

Amman – Jordan  
15 March 2020



# Consolidated Statement of Financial Position

At 31 December 2019

(In Thousands of Dinars)

	Notes	2019	2018
<b>ASSETS</b>			
<b>Non- current assets</b>			
Right-of-use assets	4,18	501,886	-
Property and equipment	7	106,845	266,852
Advances on purchase and modification of aircrafts	8	4,813	4,813
Financial assets at fair value through other comprehensive income	9	2,697	5,967
Investments in associates	10	18,760	17,680
Restricted cash against lease contracts		37,129	32,881
Deferred tax assets	31	12,322	14,920
		684,452	343,113
<b>Current assets</b>			
Other current assets	11	21,158	26,016
Spare parts and supplies, net	12	7,409	6,256
Accounts receivable, net	13	68,011	41,339
Cash and bank balances	14	79,462	92,012
		176,040	165,623
Assets classified as held for sale	15	-	8,631
<b>TOTAL ASSETS</b>		860,492	517,367
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Paid in capital	16	274,610	246,405
Share discount	16	(78,205)	(61,000)
Advances in respect of capital increase	16	-	8,000
Statutory reserve	16	14,808	13,509
Fair value reserve	9	523	3,771
Cash flow hedges		119	-
Accumulated losses		(85,389)	(94,483)
		126,466	116,202
Non-controlling interests		266	276
<b>Total shareholders' equity</b>		126,732	116,478
<b>LIABILITIES</b>			
<b>Non- current liabilities</b>			
Long-term loans	17	72,598	71,626
Long-term lease obligations	4,18	399,177	105,281
Other long term liabilities	19	393	404
		472,168	177,311
<b>Current liabilities</b>			
Bank overdrafts	14	2,895	-
Current portion of long term loans	17	22,865	47,059
Accrued expenses	20	74,738	66,115
Accounts payable and other current liabilities	21	57,545	50,735
Deferred revenues	22	50,271	46,713
Short-term lease obligations	4,18	53,278	9,253
		261,592	219,875
Liabilities associated with assets classified as held for sale	15	-	3,703
<b>Total liabilities</b>		733,760	400,889
<b>TOTAL EQUITY AND LIABILITIES</b>		860,492	517,367

The attached notes from 1 to 41 form part of these consolidated financial statements

# Consolidated Income Statement

For the Year Ended 31 December 2019

(In Thousands of Dinars)

	Notes	2019	2018
Revenues from contracts with customers	23	660,607	663,867
Cost of revenues	24	(547,188)	(576,323)
<b>Gross Profit</b>		113,419	87,544
Administrative expenses	26	(20,922)	(19,919)
Selling and marketing expenses	27	(46,150)	(45,716)
Other provisions	12,13	(855)	(5,292)
<b>Net operating profit</b>		45,492	16,617
Group's share of profits of associates	10	2,343	2,242
Other expenses	25	(2,025)	(5,897)
Gain on disposal of property and equipment		112	747
Provision for voluntary termination	29	-	(1,874)
Loss on foreign exchange differences	36	(1,772)	(4,248)
Finance costs	28	(33,087)	(16,256)
Interest income		1,918	2,851
<b>Profit (loss) for the year before tax</b>		12,981	(5,818)
Income tax expense	31	(2,598)	(39)
<b>Profit (loss) for the year</b>		10,383	(5,857)
<b>Attributable to:</b>			
Equity holders of the parent		10,393	(5,876)
Non-controlling interests		(10)	19
<b>Profit (Loss) for the year</b>		10,383	(5,857)
<b>Earnings per share</b>			
Basic and diluted earnings per share attributable to equity holders of the parent	30	JD 0.0381	JD (0.0250)

The attached notes from 1 to 41 form part of these consolidated financial statements

# Consolidated Statement of Comprehensive Income

For the Year Ended 31 December 2019

(In Thousands of Dinars)

	Notes	2019	2018
<b>PROFIT (LOSS) FOR THE YEAR</b>		10,383	(5,857)
<b>Other comprehensive income</b>			
Other comprehensive income that maybe reclassified to profit or loss in subsequent periods (net of tax):			
Net gain on cash flow hedges		119	-
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):			
Change in fair value reserve of financial assets at fair value through other comprehensive income	9	(3,248)	-
<b>Total comprehensive income for the year</b>		7,254	(5,857)
Attributable to:			
Equity holders of the parent		7,264	(5,876)
Non controlling interests		(10)	19
		7,254	(5,857)

The attached notes from 1 to 41 form part of these consolidated financial statements



# Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2019

(In Thousands of Dinars)

	Attributable to equity holders of the parent										
	Paid in Capital	Share discount	Advances in respect of capital increase	Statutory reserve	Fair value reserve	Cash flow hedges	Accumulated losses	Total	Non controlling interests	Total equity	
<b>2019 -</b>											
<b>Balance as of 1 January 2019</b>	246,405	(61,000)	8,000	13,509	3,771	-	(94,483)	116,202	276	116,478	
Profit for the year	-	-	-	-	-	-	10,393	10,393	(10)	10,383	
Other comprehensive income	-	-	-	-	(3,248)	119	-	(3,129)	-	(3,129)	
Total comprehensive income	-	-	-	-	(3,248)	119	10,393	7,254	(10)	7,254	
Transfer to statutory reserve	-	-	-	1,299	-	-	(1,299)	-	-	-	
Payments in respect of capital increase (note 16)	-	-	3,000	-	-	-	-	3,000	-	3,000	
Capital increase	28,205	(17,205)	(11,000)	-	-	-	-	-	-	-	
<b>Balance as of 31 December 2019</b>	<b>274,610</b>	<b>(78,205)</b>	<b>-</b>	<b>14,808</b>	<b>523</b>	<b>119</b>	<b>(85,389)</b>	<b>126,466</b>	<b>266</b>	<b>126,732</b>	
<b>2018 -</b>											
<b>Balance as of 1 January 2018</b>	146,405	-	25,000	13,509	3,771	-	(88,607)	100,078	257	100,335	
Loss for the year	-	-	-	-	-	-	(5,876)	(5,876)	19	(5,857)	
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	
Total comprehensive income for the year	-	-	-	-	-	-	(5,876)	(5,876)	19	(5,857)	
Payments in respect of capital increase (note 16)	-	-	22,000	-	-	-	-	22,000	-	22,000	
Capital increase	100,000	(61,000)	(39,000)	-	-	-	-	-	-	-	
<b>Balance as of 31 December 2018</b>	<b>246,405</b>	<b>(61,000)</b>	<b>8,000</b>	<b>13,509</b>	<b>3,771</b>	<b>-</b>	<b>(94,483)</b>	<b>116,202</b>	<b>276</b>	<b>116,478</b>	

The attached notes from 1 to 41 form part of these consolidated financial statements

# Consolidated Statement of Cash Flows

For the Year Ended 31 December 2019

(In Thousands of Dinars)

	Notes	2019	2018
<b>OPERATING ACTIVITIES</b>			
Profit (loss) before tax for the year		12,981	(5,818)
<b>Adjustments for:</b>			
Depreciation of property and equipment	7	21,670	38,736
Depreciation of right-of-use assets	4	67,351	-
Share of profit of associates	10	(2,343)	(2,242)
Finance costs	28	33,087	16,256
Provision for expected credit losses	13	632	820
Provision for slow moving inventory	12	223	4,472
Gain from sale of property and equipment		(112)	(747)
Provision for voluntary termination	29	-	1,874
Provision for end of service indemnity	19	37	17
Amortization of deferred revenue – Jordan Flight Catering		(300)	(300)
Other provisions		-	294
Interest income		(1,918)	(2,851)
<b>Working capital changes</b>			
Accounts receivable		(26,141)	(7,786)
Spare parts and supplies		(1,376)	465
Other current assets		509	2,776
Deferred revenues		3,858	507
Change in derivatives		130	-
Accounts payable and other current liabilities		5,421	(26,563)
Accrued expenses		4,795	6,456
End of service indemnity paid	19	(48)	(46)
Voluntary termination program payments		-	(1,807)
Income tax paid	31	-	(73)
<b>Net cash flows from operating activities</b>		<b>118,456</b>	<b>24,440</b>
<b>INVESTING ACTIVITIES</b>			
Dividends received from associates	10	1,263	1,277
Purchase of property and equipment		(20,010)	(18,925)
Sale of financial assets at fair value through OCI		22	25
Proceeds from sale of property and equipment		174	815
Interest income received		2,238	1,565
Change in restricted cash against lease contracts		(4,248)	(4,412)
Proceeds from sale of property and equipment held for sale		-	426
Recoveries on purchase and modification of aircrafts		-	29,902
Short term deposits		1,542	2,648
<b>Net cash flows (used in) from investing activities</b>		<b>(19,019)</b>	<b>13,321</b>
<b>FINANCING ACTIVITIES</b>			
Repayment of term loans		(22,664)	(38,879)
Capital increase		3,000	22,000
Payments of lease obligations	18	(87,185)	(10,844)
Interest paid		(7,498)	(15,764)
<b>Net cash flows used in financing activities</b>		<b>(114,347)</b>	<b>(43,487)</b>
Net decrease in cash and cash equivalents		(14,910)	(5,726)
Cash and cash equivalents, beginning of the year		67,193	72,919
<b>Cash and cash equivalents, end of the year</b>	14	<b>52,283</b>	<b>67,193</b>

The attached notes from 1 to 41 form part of these consolidated financial statements

# Notes to The Consolidated Financial Statements

31 December 2019

(In Thousands of Dinars, except for amounts in US Dollars)

## (1) GENERAL

Alia - The Royal Jordanian Airlines Company (Royal Jordanian), the "Company", was registered as a Jordanian public shareholding company on 5 February 2001. The Company's head office is located in Amman – Jordan.

The Company's objectives are to undertake scheduled air-transport activities from and to the Kingdom and to carry out the handling for aircrafts that land in and take off from the airports of the Kingdom.

The consolidated financial statements were authorized for issue by the Board of Directors during their meeting held on 11 March 2020.

## (2) BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards.

The consolidated financial statements are prepared under the historical cost convention, except for derivative financial instruments and financial assets at fair value through other comprehensive income that have been measured at fair value at the date of the consolidated financial statements.

The consolidated financial statements have been presented in Jordanian Dinar which is the functional currency of the Group.

## (3) BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Alia - The Royal Jordanian Airlines Company (the "Company") and the following subsidiaries (collectively referred to as the "Group") as at 31 December 2019:

	Ownership Interest	Country
Royal Wings Company	%100	Jordan
Royal Tours for Travel and Tourism Company	%80	Jordan
Al Mashriq for Aviation Services	%100	Jordan

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in

assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary without a loss of control is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary.
- Derecognizes the carrying amount of any non-controlling interests.
- Derecognizes the cumulative translation differences, recorded in equity.
- Recognizes the fair value of the consideration received.
- Recognizes the fair value of any investment retained.
- Recognizes the gain or loss resulted from loss of control.
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss.

### **Shareholders who have a significant influence over the Group**

The Government of the Hashemite Kingdom of Jordan presented by Investment Management Company, Mint Trading Middle East Ltd. and Social Security Corporation own 82.03%, 4.99% and 5.33%, respectively from the Company's shares as at 31 December 2019 (31 December 2018: 76.4%, 9.14% and 5.94% respectively).

## **(4) CHANGES IN ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements for the year ended 31 December 2018, except for the adoption of the following new standards and interpretation starting from 1 January 2019:

### **IFRS (16) Leases**

IFRS (16) supersedes IAS (17) Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS (16) is substantially unchanged from IAS (17). Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS (17). Therefore, IFRS (16) did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS (16) at the date of initial application on 1 January 2019 using the expedient modified approach. Accordingly, prior year financial statements were not restated and opening balances were not adjusted. Also, the Group calculated right of use assets on lease contracts from the date of application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

The effect of adoption IFRS (16) is as follows:

**Impact on the consolidated statement of financial position (increase/(decrease)) as of 1 January 2019 is as follows:**

<b>Assets:</b>	
<b>Non-current assets</b>	
Right of use assets	564,726
Property and equipment, net	(164,746)
Prepaid expenses	(4,601)
<b>Total assets</b>	<b>395,379</b>
<b>Liabilities</b>	
Balance at 1 January	114,534
Impact of IFRS 16 adoption	395,379
<b>Total liabilities</b>	<b>509,913</b>

#### a) Nature of the effect of IFRS (16) adoption

The Group has lease contracts for various items including aircrafts and aircraft's engines and outstations' offices rent contracts. Before the adoption of IFRS (16), the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalized at the commencement of the lease at the inception date at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments were apportioned between interest (recognized as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalized and the lease payments were recognized as rent expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under Prepayments and Trade and other payables, respectively.

Upon adoption of IFRS (16), the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

#### • Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognized assets and liabilities at the date of initial application for leases previously classified as finance leases (the right-of-use assets and lease liabilities equal

the lease assets and liabilities recognized under IAS (17)). The requirements of IFRS (16) was applied to these leases from 1 January 2019.

#### • Leases previously accounted for as operating leases

The Group recognized right-of-use assets and lease obligations for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. In some leases, the right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The reconciliation between lease obligations recognized at the date of adoption and the operating lease obligations as of 1 January 2019 is as follows:

<b>Total operating lease obligation as of 31 December 2018</b>	478,610
Weighted average incremental borrowing rate as at 1 January 2019	5,08%
<b>Discounted total operating lease obligations at 1 January 2019</b>	400,794
Less: Obligations related to short-term leases and leases of low value assets exempted from the adoption of the standard	(5,415)
Add: Obligations associated with finance leases (previously)	114,534
<b>Lease obligations as of 1 January 2019</b>	509,913

#### b) Amounts recognized in the consolidated statement of financial position and consolidated statement of comprehensive income:

The schedule below illustrates the book value of the Group's right-of-use assets and lease obligations along with the movement during the year ended 31 December 2019:

<b>Right-of-use assets</b>					
	<b>Aircrafts</b>	<b>Aircraft's engines</b>	<b>offices</b>	<b>Total</b>	<b>Lease obligations*</b>
<b>At 1 January 2019</b>	493,235	42,369	29,122	564,726	509,913
Additions	4,511	-	-	4,511	4,511
Depreciation	(61,114)	(2,601)	(3,636)	(67,351)	-
Finance costs	-	-	-	-	25,216
Payments	-	-	-	-	(87,185)
<b>At 31 December 2019</b>	436,632	39,768	25,486	501,886	452,455

\* Lease obligations details as at 31 December 2019 are as follows:

Short term	Long term	Total
53,278	399,177	452,455

The Impact on the consolidated income statement (increase/(decrease)) for the year ended 31 December 2019 is as follows:

	2019
Depreciation expense of right-of-use assets	(67,351)
Finance cost on lease liabilities	(25,216)
Expense relating to short-term leases and low-value assets	(5,415)
	<b>(97,982)</b>

The Impact on the consolidated statement of cash flows (increase/(decrease)) for the year ended 31 December 2019 is as follows:

	2019
<b>Operating activities</b>	
Adjustments for	
Depreciation of right of use assets	67,351
Finance costs	25,216
<b>Net cash flows from operating activities</b>	92,567
<b>Finance activities</b>	
Payments of lease obligations	(87,185)
<b>Net cash flows used in financing activities</b>	(87,185)

Rent expense from short-term leases and lease of low-value assets which were recognized in the consolidated income statement for the year ended 31 December 2019 amounted to JD 5,415.

### IFRIC Interpretation (23) Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS (12) and does not apply to taxes or levies outside the scope of IAS (12), nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments.

These amendments do not have any impact on the Group's consolidated financial statements.

### **Amendments to IFRS (9): Prepayment Features with Negative Compensation**

Under IFRS (9), a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS (9) clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

These amendments do not have any impact on the Group's consolidated financial statements.

### **Amendments to IFRS (10) and IAS (28): Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture**

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS (3), between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

These amendments do not have any impact on the Group's consolidated financial statements.

### **Amendments to IAS 19: Plan Amendment, Curtailment or Settlement**

The amendments to IAS 19 clarify the accounting when a plan amendment, curtailment or settlement occurs during a fiscal year, the amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in the consolidated statement of comprehensive income.

An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in the consolidated statement of comprehensive income.

No significant impact resulted on the consolidated financial statement for the group.

### **Amendments to IAS (28): Long-term interests in associates and joint ventures**

The amendments clarify that an entity applies IFRS (9) to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS (9) applies to such long-term interests.

The amendments also clarified that, in applying IFRS (9), an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying IAS (28) Investments in Associates and Joint Ventures.

These amendments do not have any impact on the Group's consolidated financial statements.



## **(5) USE OF ESTIMATES**

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of financial assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the revenues and expenses and the resultant provisions. In particular, considerable judgment by Group's management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty and actual results may differ resulting in future changes in such provisions.

### **Significant estimates are as follows:**

#### **Useful lives of property and equipment**

The Group's management determines the estimated useful lives of its property and equipment for calculating depreciation based on expected usage of the asset or physical wear and tear, management reviews the residual value and useful lives annually and future depreciation charge would be adjusted prospectively where the management believes the useful lives differ from previous estimates.

#### **Provision for expected credit losses**

The Group uses a provision matrix to calculate the expected credit loss (ECL) for trade receivables. The provision rates are based on days past due for groupings of various customers segments that have similar loss patterns.

The provision matrix is initially based on the Groups historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward looking information. For instance, if forecast economic conditions (i.e gross domestic product) are expected to deteriorate over the next year which can lead to an increase number of defaults, the historical default rates are adjusted.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Groups historical credit loss experience and forecast of economic conditions may also not be representative of the customers actual default in the future.

#### **Provision for aircraft return conditions**

The measurement of the provision for aircraft return conditions includes assumptions relating to expected costs, escalation rates, discount rates commensurate with the expected obligation maturity and long-term maintenance schedules. An estimate is therefore made at each reporting date to ensure that the provision corresponds to the present value of the expected costs to be borne by the Company. A significant level of judgement is exercised by management given the long-term nature and diversity of assumptions that go into the determination of the provision. A reasonably possible change in any single assumption will not result in a material change to the provision.

#### **Revenue recognition – Frequent Flyer points for customer loyalty program**

The Group estimates the fair value of points awarded under the Frequent Flyer Program by applying statistical techniques. Inputs to the models include making assumptions about expected redemption rates and customer preferences. Such estimates are subject to varying degrees of uncertainty. As at 31 December 2019, the estimated liability for unredeemed points was approximately JD 6,688 (2018: JD 5,577).

## Significant Judgments and estimates related to the application of IFRS 16

The application of IFRS 16 requires the Group to make judgments and estimates that affect the measurement of right of use assets and liabilities. In determining the lease term, we must consider all facts and circumstances that create an economic incentive to exercise renewal options. Assessing whether a contract includes a lease also requires judgment. Estimates are required to determine the appropriate discount rate used to measure lease liability.

### (6) SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are as follows:

#### Business combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree.

For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in the consolidated statement of income.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

#### Impairment of Goodwill

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairments is determined for goodwill by assessing the recoverable amount of each cash generating unit (or group of cash generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than their carrying amount an impairment loss is recognized.

#### Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and any impairment in value. Land is not depreciated. Property and equipment are depreciated to their estimated residual values on a straight-line basis over their estimated useful lives. The depreciation rates and periods used are summarized as follows:

	Depreciation Rate (%)
Owned passenger and cargo aircrafts Aircraft engines and aircraft components	5 - 5.5
Machinery and equipment	10 - 15
Computers	25
Furniture and fixtures	10
Vehicles	15 - 20
Buildings	2.5 - 10
	Period
Capitalized maintenance	24 - 120 months

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amounts. Impairment losses are recognised in the consolidated income statement. Management used the value in use method for impairment testing of the aircrafts; as the management plans to utilize the aircrafts in their operations.

Useful lives and depreciation method are reviewed on regular basis to ensure that the depreciation method and the period of depreciation are selected based on the economic benefits expected from assets.

### **Leases (Policy applicable before 1 January 2019)**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases:

#### 1. The Group as a lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and on a straight-line basis over the lease term.

#### 2. The Group as a lessee:

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum future lease payments. The finance lease obligation is recorded at the same value. Lease payments are apportioned between finance costs and reduction of the lease liabilities so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are charged directly to the consolidated statement of income.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

### **Leases (Policy applicable after 1 January 2019)**

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

### **Right-of-use assets**

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease obligations.

The cost of right-of-use assets includes the amount of lease obligations recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right-of-use assets are subject to impairment.

## **Lease obligations**

At the commencement date of the lease, the Group recognizes lease obligations measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease obligations is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

## **Short-term leases and leases of low-value assets**

The Group applies the short-term lease recognition exemption to some of its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value (less than 5,000 US dollars annually). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

## **Significant judgement in determining the lease term of contracts with renewal options**

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew.

That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group included the renewal period as part of the lease term for leases of property and equipment due to the significance of these assets to its operations. These leases have a short non-cancellable period and there will be a significant negative effect on production if a replacement is not readily available.

## **Financial assets at fair value through other comprehensive income**

Financial assets at fair value through other comprehensive income are recorded at fair value plus acquisition costs at the date of acquisition and subsequently measured at fair value. Changes in fair value are reported as a separate component in the consolidated statement of other comprehensive income and in the consolidated statement of changes in equity, including the change in fair value resulting from conversion differences of non-cash items of assets at foreign currencies. In case of sale of such assets or part of it, the gain or loss is recorded in the consolidated statement of other comprehensive income and in the consolidated statement of changes in equity, and the valuation reserve balance for sold assets will be transferred directly to retained earnings. These assets are not subject to impairment testing and dividends received are recognised in the consolidated income statement when declared.

## **Investments in associates**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost, the carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associates since the acquisition date. Goodwill relating to the associates is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated income statement reflects the Group's share of the results of operations of the associates. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income (OCI). In addition, when there has been a change recognised directly in the equity of the associates, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associates.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated income statement within operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associates are prepared for the same reporting period and using the same accounting policies as the Group.

## **Spare parts and other supplies**

Spare parts and other supplies are valued at the lower of cost, using the weighted average method, or net realizable value.

## **Accounts receivable**

Accounts receivables are stated at original invoice amount less any provision for expected credit losses. For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

## **Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, bank balances and short-term deposits with an original maturities of three months or less after deducting bank overdraft balances.

## **Impairment and uncollectibility of financial assets**

The adoption of IFRS (9) has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS (9) requires the Company to record an allowance for ECL for all debt instruments measured at amortized cost.

For all debt instruments, the Group has applied the standard's simplified approach and has calculated ECL based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

## Fair value measurement

Fair values of financial instruments are disclosed in Note 35.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

**Level 1** - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

**Level 2** - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

**Level 3** - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for both recurring fair value measurement, such as unquoted available for sales financial assets, and for non-recurring measurement, such as assets held for distribution in discontinued operation.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

## **End of service indemnity provision**

The Group provides end of service indemnity benefits to its employees. Provision is made at the consolidated financial statements date for amounts payable to employees based upon the employees' final salary and length of service prior to the date on which the employees didn't join the social security scheme.

## **Accounts payable and accruals**

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

## **Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) arising from a past event and the costs to settle the obligation are both probable and able to be reliably measured.

## **Provision for aircraft return conditions**

Provision for aircraft return conditions represents the estimate of the cost to meet the contractual lease end obligations on certain aircraft and engines held under lease contracts. The present value of the expected cost is recognized over the lease term considering the existing fleet plan and long-term maintenance schedules.

## **Loans**

All loans are initially recognized at fair value of the consideration received less directly attributable transaction costs. After initial recognition, loans are subsequently measured at amortized cost using the effective interest method.

Interests on loans are recognized in the consolidated income statement in the period they occur including the grace period, if any.

## **Revenue recognition**

Revenue is recognized under IFRS (15) five step model approach which include determining the contract, price, performance obligation and revenue recognition based on satisfaction of performance obligation.

Passenger and cargo revenues are recognized when the transportation is provided. Passenger tickets and airway bills sales are reflected in the consolidated statement of financial position as deferred revenue until recognized as revenue.

Other revenues are recognized at the time the service is provided.

The Company operates a frequent flyer program, (Royal Plus), which allows frequent travelers to accumulate mileage credits which entitle them to a choice of upgrade to Crown Class or free travel. A portion of the fair value of the consideration received is allocated to the award credits and deferred, this is then recognized as revenue over the period that the award credits are redeemed.

Group's revenue falls under IFRS (15) "revenue from contracts with customers". The Group provide services to its customers through passenger tickets. Revenue are recognized after deduction of taxes collected on behalf of Government.

## **Maintenance and repair costs**

Routine maintenance and repair costs for leased and owned aircraft and flight equipment are charged to the consolidated income statement as incurred.

Aircraft, engines, and components heavy maintenance expenses are capitalized on property and equipment, and are being amortized over the period until the next scheduled heavy maintenance is due or upon the redelivery of the aircraft to the lessor which is shorter.

## **Finance costs**

Finance costs are recognised as an expense when incurred. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized

## **Income tax**

Tax expense comprises current tax and deferred taxes.

Current tax is based on taxable profits, which may differ from accounting profits published in the consolidated financial statements. Accounting profits may include non-taxable profits or expenses which may not be tax deductible in the current but in subsequent financial years.

Current income tax is calculated in accordance with the Income Tax law applicable in the Hashemite Kingdom of Jordan.

Deferred income tax is provided using the liability method on temporary differences at the consolidated financial statements date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax is measured at the tax rates that are expected to apply to the year when the tax liability is settled or the tax asset is realized.

The balance of deferred income tax assets is reviewed at each consolidated financial statements date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

## **Foreign currencies**

### **1) Transactions and balances**

Transactions in foreign currencies are initially recorded in the functional currency at the spot rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the spot rate of exchange at the reporting date. All foreign exchange differences arising on non-trading activities are taken to other operating income/expense in the income statement.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition.

### **2) Group companies**

On consolidation, the assets and liabilities in foreign operations are translated into dollars at the spot rate of exchange prevailing at the reporting date and their income statements are translated at spot exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI.



**(7) PROPERTY AND EQUIPMENT**

<b>2019</b>	Aircrafts under leases contracts	Aircrafts	Spare engines	Capitalized maintenance on aircrafts' engines, and components	Aircrafts' main Components	Machinery and Equipment	Computers	Furniture and Fixtures	Vehicles	Land and buildings	Total
<b>Cost:</b>											
Balance as of 1 January 2019	144,338	123,750	38,869	54,463	48,139	71,268	19,128	8,625	10,708	43,065	562,353
Additions	-	-	-	14,163	1,833	1,853	943	118	243	857	20,010
Disposals	-	-	-	(27,547)	-	(979)	(28)	(112)	(796)	-	(29,462)
Transfers from assets classified as held for sale (Note 15)	-	30,411	-	5,826	-	470	-	758	227	-	37,692
Transfers to right of use assets (Note 4)	(144,338)	-	(37,778)	-	-	-	-	-	-	-	(182,116)
Balance as of 31 December 2019	-	154,161	1,091	46,905	49,972	72,612	20,043	9,389	10,382	43,922	408,477
<b>Accumulated depreciation:</b>											
Balance as of 1 January 2019	14,049	84,446	3,940	43,029	45,447	57,371	17,048	7,585	9,952	12,634	295,501
Depreciation expense for the year	-	4,280	309	9,800	644	3,548	676	265	307	1,841	21,670
Disposals	-	-	-	(27,511)	-	(976)	(28)	(90)	(795)	-	(29,400)
Transfers from assets classified as held for sale (Note 15)	-	26,851	-	2,987	-	462	-	704	227	-	31,231
Transfers to right of use assets (Note 4)	(14,049)	-	(3,321)	-	-	-	-	-	-	-	(17,370)
Balance as of 31 December 2019	-	115,577	928	28,305	46,091	60,405	17,696	8,464	9,691	14,475	301,632
<b>Net book value as of 31 December 2019</b>	-	38,584	163	18,600	3,881	12,207	2,347	925	691	29,447	106,845

<b>2018</b>	Aircrafts under leases contracts	Aircrafts	Spare engines	Capitalized maintenance on aircrafts' engines, and components	Aircrafts' main Components	Machinery and Equipment	Computers	Furniture and Fixtures	Vehicles	Land and buildings	Total
<b>Cost:</b>											
Balance as of 1 January 2018	185,380	118,593	37,778	48,163	47,572	69,488	18,539	9,353	10,778	42,803	588,447
Additions	-	-	1,091	14,316	567	2,513	629	48	441	262	19,867
Disposals	-	(5,474)	-	(2,190)	-	(263)	(40)	(18)	(284)	-	(8,269)
Assets classified as held for sale (Note 15)	-	(30,411)	-	(5,826)	-	(470)	-	(758)	(227)	-	(37,692)
Transfers❖	(41,042)	41,042	-	-	-	-	-	-	-	-	-
Balance as of 31 December 2018	144,338	123,750	38,869	54,463	48,139	71,268	19,128	8,625	10,708	43,065	562,353
Accumulated depreciation:											
Balance as of 1 January 2018	25,917	92,212	1,661	32,123	44,176	54,705	16,469	7,979	10,174	10,781	296,197
Depreciation expense for the year	8,953	3,738	2,279	16,083	1,271	3,351	591	328	289	1,853	38,736
Disposals	-	(5,474)	-	(2,190)	-	(223)	(12)	(18)	(284)	-	(8,201)
Assets classified as held for sale (Note 15)	-	(26,851)	-	(2,987)	-	(462)	-	(704)	(227)	-	(31,231)
Transfers	(20,821)	20,821	-	-	-	-	-	-	-	-	-
Balance as of 31 December 2018	14,049	84,446	3,940	43,029	45,447	57,371	17,048	7,585	9,952	12,634	295,501
<b>Net book value as of 31 December 2018</b>	130,289	39,304	34,929	11,434	2,692	13,897	2,080	1,040	756	30,431	266,852

\* During 2018, the Group has settled all lease balances related to two Embreer – E 175 aircrafts number 223 and number 232. The Group has also completed the pledge release procedures for these aircrafts. Accordingly, ownership of these aircrafts were transferred to the Company and were reclassified to Aircrafts Category (Note 18).

## (8) ADVANCES ON PURCHASE AND MODIFICATION OF AIRCRAFTS

	2019	2018
Advances for the purchase of Boeing 787 aircrafts	4,813	4,813

## (9) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

This item includes investments in equity shares of non-listed companies. The Group holds non-controlling interests in these companies. These investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature:

	2019	2018
Royal Jordanian Air Academy, net	2,138	5,386
SITA Investment Certificates	536	558
Others	23	23
	2,697	5,967

Movement on fair value reserve is as follows:

	2019	2018
Balance at 1 January	3,771	3,771
Change during the year	(3,248)	-
Balance at 31 December	523	3,771

## (10) INVESTMENTS IN ASSOCIATES

	Country of incorporation	Ownership		Balance	
		2019	2018	2019	2018
Jordan Flight Catering Company	Jordan	%30	%30	5,076	5,112
Jordan Aircraft Maintenance Company (Joramco)	Jordan	%20	%20	10,046	8,894
Jordan Aircraft Training and Simulation Company (JATS)	Jordan	%20	%20	3,638	3,674
				18,760	17,680

Movement on investments in associates was as follows:

	2019	2018
Beginning balance	17,680	16,715
Group's Share of profits for the year	2,343	2,242
Dividends received	(1,263)	(1,277)
	18,760	17,680

The following table represents the summary of the financial statements for the Group investments in associates:

Statement of Financial Position	Jordan Flight Catering Company		Jordan Aircraft Maintenance Company (JORAMCO)		Jordan Aircraft Training & Simulation Company (JATS)		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Current assets	6,306	6,145	28,379	22,409	1,780	1,273	36,465	29,827
Non-current assets	5,112	1,278	23,986	19,255	16,166	17,773	45,264	38,306
Current liabilities	(4,212)	(3,258)	(16,986)	(13,082)	(1,303)	(2,195)	(22,501)	(18,535)
Non-current liabilities	(3,525)	-	(12,922)	(11,888)	(4,210)	(4,064)	(20,657)	(15,952)
Net assets	3,681	4,165	22,457	16,694	12,433	12,787	38,571	33,646
Group's ownerships percentage	%30	%30	%20	%20	%20	%20		
Investment in associate	1,104	1,250	4,491	3,339	2,487	2,557	8,082	7,146

Statement of Comprehensive Income	Jordan Flight Catering Company		Jordan Aircraft Maintenance Company (JORAMCO)		Jordan Aircraft Training & Simulation Company (JATS)		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Revenues	19,000	19,081	58,017	47,954	3,886	4,642	80,903	71,677
Cost of sales	(13,993)	(14,082)	(35,361)	(30,323)	(2,416)	(3,214)	(51,770)	(47,619)
Other income and expenses	(852)	(293)	(16,896)	(14,450)	(1,650)	(458)	(19,398)	(15,201)
<b>Income (loss) before tax</b>	4,155	4,706	5,760	3,181	(180)	970	9,735	8,857
Income tax	(65)	-	-	-	-	-	(65)	-
Profit (loss) for the year	4,090	4,706	5,760	3,181	(180)	970	9,670	8,857
Group's Share of profit for the year	1,227	1,412	1,152	636	(36)	194	2,343	2,242

As of 31 December 2019, the associate companies have contingent liabilities of JD 1,268 (2018: JD 716) in respect of guarantees and letter of credits.

## (11) OTHER CURRENT ASSETS

	2019	2018
Prepaid expenses	4,522	9,812
Receivable from lessors – maintenance claims	8,670	7,439
Advances to suppliers	4,612	4,535
Refundable deposits	1,032	911
Employees' receivables	551	882
Derivatives*	316	327
Others	1,455	2,110
	21,158	26,016

\* The Group signed aircraft fuel purchase options contracts to manage fuel price fluctuation risks and for the purpose of limiting the risk of fluctuations in fuel prices.

## (12) SPARE PARTS AND OTHER SUPPLIES, NET

	2019	2018
Spare parts and supplies	17,642	16,266
Provision for slow moving inventory	(10,233)	(10,010)
	7,409	6,256

Movement on provision for slow moving inventory was as follows:

	2019	2018
Beginning balance	10,010	5,538
Provision for the year	223	4,472
Ending balance	10,233	10,010

## (13) ACCOUNTS RECEIVABLE, NET

	2019	2018
Accounts receivable	84,532	54,630
Provision for expected credit losses	(16,521)	(13,291)
	68,011	41,339

As of 31 December 2019, provision for expected credit losses amounted to JD 16,521 (2018: JD 13,291).

\* Included in accounts receivable fuel discount amounted to JD 38,709 (2018: 14,663).

Movement on provision for expected credit losses was as follows:

	2019	2018
Beginning balance	13,291	15,069
Provision for the year	632	820
Transfers from (to) assets held for sale (Note 15)	2,598	(2,598)
Ending balance	16,521	13,291

As at 31 December, the aging of unimpaired trade receivables was as follows:

Past due but not impaired							
	Neither past due nor impaired	1-30 days	31-60 days	61-90 days	91-180 days	181-360 days	Total
2019	49,706	9,938	3,010	984	3,318	1,055	68,011
2018	19,826	10,689	2,374	1,411	4,152	2,887	41,339

Based on the Group's management estimates, the unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. The Group obtains bank guarantees as collateral from the majority of its general sales agents and cargo receivables. The Group does not obtain collateral over other receivables, therefore, they are unsecured.

## (14) CASH AND BANK BALANCES

	2019	2018
Cash and bank balances	29,239	23,129
Short term deposits❖	6,095	19,804
Cash in transit ❖❖	19,844	23,253
Cash and cash equivalents	55,178	66,186
Short term deposits mature after 3 months ❖❖❖	24,284	25,826
Cash and bank balances	79,462	92,012

\* This item represents deposits in Jordanian Dinar in Jordanian Banks as of 31 December 2019 with an interest rate ranging between 4.275% – 5% (2018: 4.35% – 5.75%) and are due within three months.

\*\* This item represents cash received on tickets sales and other sales during December that were deposited in the Company's bank accounts during January of next year.

\*\*\* This item represents deposit in Banks in Jordanian Dinar (JD 21,780) with an average interest rate of 4.9% and Sudanese Pound (214,804 thousand Sudanese Pound which is equivalent to JD 1,324) in addition to Libyan Dinar and Syrian Lira equivalent to JD 1,180 as of 31 December 2019 (2018: 21,780 Jordanian Dinar and 201,994 Sudanese pounds which is equivalent to JD 2,858 in addition to Libyan Dinar and Syrian Lira equivalent to JD 1,188) with an average interest rate of 5.5% (2018: 5.5%) and are due after three months (2018: four months).

For the purposes of the consolidated statement of cash flows, the following represents the details of the cash and cash equivalents:

	2019	2018
Cash and cash equivalents	55,178	66,186
Add: discontinued operations (Note 15)	-	1,007
Less: Banks overdrafts❖❖❖❖	(2,895)	-
	52,283	67,193

\*\*\*\* This item represents the utilized amount of the credit facilities granted from Arab Bank with a ceiling of JD 20 million and annual interest rate of 6%.

## (15) DISCONTINUED OPERATIONS

The Company's Board of Directors resolved on 26 September 2018 to sell or liquidate Royal Wings Company (wholly owned subsidiary). Accordingly, Royal Wings Company was classified as assets held for sale in the consolidated statement of financial position as at 31 December 2018 in accordance with IFRS 5.

Royal Wings Company was classified as at 31 December 2018 as assets held for sale and discontinued operations for the year 2018.

	2018
Revenues	10,216
Cost of revenues	(11,824)
<b>Gross loss</b>	<b>(1,608)</b>
Administrative expenses	(2,181)
Other income, net	(62)
<b>Loss before tax from discontinued operations</b>	<b>(3,851)</b>
Income tax	-
<b>Loss from discontinued operations</b>	<b>(3,851)</b>

Major classes of Royal Wings Company's assets and liabilities classified as held for sale are as follows:

<b>ASSETS</b>	2018
Property and equipment	6,461
Accounts receivable and other current assets	1,163
Cash and bank balances (Note 14)	1,007
Assets classified as held for sale	8,631
<b>LIABILITIES</b>	
Accounts payable and other credit balances	1,389
Accrued expenses	2,314
Liabilities associated with assets classified as held for sale	3,703
<b>Net assets classified as held for sale</b>	<b>4,928</b>

On 16 June 2019, the Company's board of directors resolved to disregard the previous decision to sell or liquidate Royal Wings Company. Accordingly, the results of operations of the subsidiary previously presented in discontinued operation were reclassified and included in income from operation for all periods presented.

The amounts presented for assets classified as held for sale and liabilities associated with assets held for sale in comparative statement of financial position as of 31 December 2018 were not reclassified or re-presented in accordance with IFRS (5).

## (16) SHAREHOLDERS' EQUITY

### - Paid in capital

	2019	2018
Authorized capital (Par value of one Jordanian Dinar per share)	274,610	274,610
Paid in capital	274,610	246,405

### - Share discount

Share discount amounted to JD 78.2 million as at 31 December 2019 (2018: JD 61 million). The accumulated balance in this account represents the difference between the issuing price and the par value of the shares issued.

### Advances in respect of capital increase

The General Assembly approved in its extraordinary meeting held on 2 May 2015 to restructure the Company's capital by reducing it through writing off part of the Company's accumulated losses and increasing the Company's capital by 200 million shares with a par value of JD 1 per share. Capital increase procedures were completed for the first tranche of JD 100 million of the Company's capital increase during 2016.

The Prime Ministry resolved in its meeting held on 6 September 2017 to approve government's subscriptions presented by Investment Management Company in 50% of the second tranche of the suggested capital increase of JD 100 million (JD 50 million). The government shall subscribe in 100% of the capital increase if the major shareholders do not subscribe in the remaining 50%. Subscription was completed through capitalization of JD 25 million of the amounts due to the Investment Management Company and through cash payments of the remaining amount. Subscription was calculated using the share price in Amman Stock Exchange "ASE" on the date of the resolution (JD 0.390). Accordingly, an amount of JD 25 million was reclassified from long term liabilities to advance payments over capital increase in the consolidated financial statements as at 31 December 2017.

Part of the second tranche was subscribed during February 2018. Accordingly, paid in capital amounted to JD 246,405, resulting in a share discount of JD 61 million as at 31 December 2018. The General Assembly resolved in its extra-ordinary meeting held on 26 April 2018 to increase the Company's authorized capital by 28,205,128 shares to become 274,610,470 shares as a completion of the first half of the second tranche of the Company's capital increase process amounted to JD 50 million.

Subscription was completed during January 2019, whereas, the Company's authorized and paid in capital became JD 274,610 along with a share discount of JD 78,205 as at 31 December 2019.

### - Statutory Reserve

As required by Jordanian Company Law, 10% of the profit before income tax is transferred to statutory reserve. This reserve is not available for distribution to the shareholders.

## (17) BANK LOANS

	2019		2018	
	Loan's Installments		Loan's Installments	
	Short term	Long term	Short term	Long term
Syndicated loan❖	23,400	74,246	47,839	72,471
Less: directly attributable transaction costs	(535)	(1,648)	(780)	(845)
	22,865	72,598	47,059	71,626

\*On 20 December 2015, the Company signed a syndicated loan agreement amounted to USD 275 million which is equivalent to JD 195 million, the loan bears annual interest rate of one month LIBOR plus 3%. The loan is repayable in 49 installments. The first installment amounting to JD 3 million fell due on 20 January 2017 and the last installment will fall due on 20 December 2021.

On 5 February 2019, the Company signed a loan restructuring agreement for the syndicated loan. The loan installments were extended until 2024. The first installment amounting to JD 1.9 million fell due on 5 March 2019 with an annual interest rate of one-month LIBOR plus 2.65% (minimum 4.5%).

According to the loan agreement, the Company is obliged to transfer the proceeds from its sales from travel agents (GSA) in 23 stations that are collected through IATA to the Company's account at Al-Mashreq Bank as a collateral.

Principal installments payable during the year 2020 and after are as follows:

Year	JD
2020	23,400
2021	23,400
2022	23,453
2023	23,489
2024	3,904
	97,646



## (18) Leases

The Group has lease contracts for various items including aircrafts, aircraft's engines and offices rent.

Lease terms are as follows:

	Years
Aircrafts	3-7
Aircrafts' engines	8
Offices rent	2-13

There are several lease contracts that include extension and termination options and variable lease payments.

The Group also has certain leases of offices and other assets with lease terms of 12 months or less and leases for assets of low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

Right-of-use assets				
	Aircrafts	Aircraft's engines	Offices	Total
<b>At 1 January 2019</b>	493,235	42,369	29,122	564,726
Additions	4,511	-	-	4,511
Depreciation	(61,114)	(2,601)	(3,636)	(67,351)
<b>At 31 December 2019</b>	436,632	39,768	25,486	501,886

Set out below are the carrying amounts of lease obligations and the movements during the year:

	2019	2018
<b>At 1 January</b>	114,534	118,773
Impact of IFRS 16 adoption	395,379	-
Restated balances at 1 January	509,913	118,773
Additions	4,511	-
Finance costs (Note 28)	25,216	6,605
Payments	(87,185)	(10,844)
<b>At 31 December 2019</b>	<b>452,455</b>	<b>114,534</b>
<b>Current portion</b>	53,278	9,253
<b>Non-Current portion</b>	399,177	105,281

The following are the amounts recognized in the consolidated income statement for the year ended 31 December 2019:

	2019
Depreciation expense of right-of-use assets	67,351
Finance costs on lease liabilities	25,216
Expense relating to short-term leases and low-value assets	5,415
	<b>97,982</b>

The Company has mortgaged the Embreair aircrafts and two Boeing 787 for the lease agreements of those aircrafts.

During 2018, the Group has completed the pledge release procedures for two Embreair E175 aircrafts number 223 and 232. Where the Group has also settled all lease obligations related to these aircrafts.

#### (19) OTHER LONG TERM LIABILITIES

	2019	2018
Provision for end of service indemnity	393	404

Movement on provision for employee's end of service indemnity was as follows:

	2019	2018
Beginning balance	404	433
Provision for the year	37	17
Payments during the year	(48)	(46)
Ending balance	393	404

#### (20) ACCRUED EXPENSES

	2019	2018
Accrual for flying operations expenses	60,225	53,358
Accrued expenses related to lease contracts	14,513	12,757
	74,738	66,115

#### (21) ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

	2019	2018
Spare parts suppliers and accounts payable	11,731	7,888
Fuel suppliers	1,560	1,963
Ministry of Finance	1,460	1,707
Employees Provident fund	3,796	4,144
Others❖	38,998	35,033
	57,545	50,735

\* Included in this item international taxes, departure and airports usage taxes of JD 36,909 that are payable to international tax authorities and airports (2018: JD 31,811).

#### (22) DEFERRED REVENUES

	2019	2018
Unutilized passenger tickets, air way bills and other service sales	49,846	45,988
Deferred revenue – Jordan Flight Catering Company❖	425	725
	50,271	46,713

\* Alia – The Royal Jordanian Airlines Company signed an 11 year and six month catering contract with Jordan Flight Catering Company during January 2010, and in return the Company was granted an additional share of 10% in Jordan Flight Catering Company. The grant was recorded as deferred revenues to be amortized over the catering contract period of 11 years and six months, which will expire during 2021.

## (23) REVENUES FROM CONTRACTS WITH CUSTOMERS

	2019	2018
<b>Scheduled Services</b>		
Passengers	529,788	529,024
Cargo	31,345	37,702
Excess baggage	6,906	5,257
Airmail	7,934	7,889
<b>Total scheduled services (note 33)</b>	<b>575,973</b>	<b>579,872</b>
Chartered flights (note 33)	10,066	17,747
Cargo warehouse revenues	16,555	16,275
Commercial revenues from arriving and departing aircrafts of other companies	12,731	12,892
Change and cancelation of reservation revenues	10,430	10,327
Royal tours revenues (Tours operating revenues)	7,786	4,744
First class services revenues	5,988	5,459
Frequent flyer revenues	5,112	3,504
Ancillary revenue	4,804	3,439
Revenues from technical and maintenance services provided to other companies	4,592	3,903
Revenues from NDC (Galileo)	3,373	3,599
Other revenues	3,197	2,106
	<b>660,607</b>	<b>663,867</b>

## (24) COST OF REVENUES

	2019	2018
<b>Flying operations costs</b>		
Aircraft Fuel	145,915	159,301
Other flying operations costs	68,905	74,376
<b>Total flying operations costs</b>	<b>214,820</b>	<b>233,677</b>
Repair and maintenance	78,983	72,309
Aircraft rental expenses	4,654	76,926
Depreciation of aircraft and engines and capitalized maintenance	81,256	35,097
Stations and ground services	66,096	62,383
Ground handling unit	23,398	22,281
Passenger services	77,981	73,650
	<b>547,188</b>	<b>576,323</b>

Employees benefits expenses included in cost of revenues are as follows:

	2019	2018
Salaries and wages	42,905	42,140
Overtime	2,542	2,329
End of service indemnity	722	984
Social Security contribution	5,229	5,111
Provident fund contribution	3,157	3,168
Medical expenses	2,183	1,917
Other benefits	2,128	2,570
	<b>58,866</b>	<b>58,219</b>

**(25) OTHER EXPENSE**

	2019	2018
Legal cases provision	1,860	1,804
Loss from termination of purchase contract - Boeing 787 aircraft (note 38)	-	1,436
Other expenses	165	2,657
	2,025	5,897

**(26) ADMINISTRATIVE EXPENSES**

	2019	2018
Salaries and wages	6,966	6,566
Computer expenses	3,312	3,185
Depreciation	2,003	1,855
Professional and consultation expenses	881	1,289
Employees benefits	784	650
Overtime	252	239
Medical expenses	697	600
End of service indemnity	42	26
Social security contribution	791	709
Provident fund contribution	500	454
Life insurance	141	202
Rent	8	183
Maintenance and cleaning expenses	107	113
Water, electricity and heating	576	636
Communication expense	102	122
Legal expenses	1,029	301
Others	2,731	2,789
	20,922	19,919

**(27) SELLING AND MARKETING EXPENSES**

	2019	2018
Commission	18,837	17,036
Salaries and wages	10,859	11,298
Marketing and advertisement	3,950	4,622
Other employee benefits	2,377	2,491
Rent	955	1,945
Social security contribution	1,720	1,749
Overtime	201	201
Medical expenses	771	696
End of service indemnity	288	177
Provident fund contribution	287	287
Life insurance	100	73
Maintenance and cleaning expenses	164	169
Water, electricity and heating	157	184
Computer expenses	834	658
Depreciation	990	197
Communication expenses	874	980
Legal expenses	282	68
Consulting expenses	186	259
	2,318	2,626
Others	46,150	45,716

## (28) FINANCE COSTS

	2019	2018
Interest on loans	6,999	8,941
Leases contracts – finance cost (Note 18)	25,216	6,605
Other interest and bank charges	872	710
	33,087	16,256

## (29) PROVISION FOR VOLUNTARY TERMINATION

During January 2018, the Company signed a labor collective contract with union of workers in Air Transport and Tourism as requested from some of the staff who decided to terminate their services voluntarily. The agreement covering the period from 1 February 2018 to 31 March 2018. The Company extended the agreement from 1 November 2018 to 30 November 2018. Accordingly, the Company has recorded a provision amounted to JD 1,874 for the year ended 31 December 2018 which represents the accrued amounts for employees who applied to the plan and management approved their applications.

## (30) EARNINGS PER SHARE

	2019	2018
Profit (loss) for the year attributed to the equity holders of the parent ('000)	10,393	(5,876)
Weighted average number of shares ('000)	272,910	234,625
Basic and diluted earnings per share (JD)	0.0381	(0.0250)

## (31) INCOME TAX

The income tax appearing in the consolidated income statement represents the following:

	2019	2018
Current year's income tax charge	-	39
<b>Deferred Tax Assets</b>		
Related to temporary differences	2,598	-
<b>Income tax expense</b>	2,598	39

Provision for income tax was calculated for the Company for the year 2019 by an amount of JD 2,598 (2018:nil) in accordance with the Jordanian Income Tax Law No. (38) of 2018 and income tax law No. (34) of 2014.

Provision for income tax charge during 2018 with an amount of JD 39 represent the income tax expense incurred by Al Mashriq for Aviation Services and Royal Tours for Travel and Tourism Company (subsidiaries) for the year ended 31 December 2018.

The Income and Sales Tax Department raised a claim to RJ by an amount of JD 701 which represents sales tax differences for the years 2012, 2013 and 2014. The Company appealed the case at the Tax Court. The case is still outstanding up to date of the consolidated financial statement. Although results of the case can not be determined accurately, management believes that no material liability is likely to result.

The Company filed its tax return for the years 2015 to 2018. The Income Tax Department has not reviewed the Company's accounting records up to the date of the consolidated financial statements.

The Company reached a final settlement with the Income Tax Department up to the year 2014.

Royal Wings Company filed its tax return for the years of 2018 and 2017. The Income Tax Department has not reviewed the Company's accounting records up to the date of the consolidated financial statements. Royal Wings Company reached a final settlement with the Income Tax Department up to the year 2016.

Royal Tours Company filed its tax return for the years of 2018 and 2017. The Income Tax Department has not reviewed the Company's accounting records up to the date of the consolidated financial statements. Royal Tours for Travel and Tourism Company reached a final settlement with the income tax department up to the year 2016.

Al-Mashriq for Aviation Services Company filed its tax return for the years from 2016 to 2018. The Income Tax Department has not reviewed the Company's accounting records up to the date of the consolidated financial statements. Al-Mashriq for Aviation Services Company reached a final settlement with the income tax department up to the year 2015.

Movement on provision for income tax was as follows:

	2019	2018
Beginning balance	-	34
Current year's income tax charge	-	39
Income tax paid	-	(73)
Ending balance	-	-

Movement on deferred tax assets was as follows:

	2019	2018
Beginning balance	14,920	14,920
Amount released from deferred tax assets	(2,598)	-
Ending balance	12,322	14,920

### Reconciliation between accounting profit and taxable profit

	2019	2018
Accounting (loss) profit	12,981	(5,818)
Non-taxable profits	(2,332)	(2,242)
Non-deductible expenses	2,350	14,500
Prior years tax losses	(121,905)	(128,347)
Accumulated tax losses	(108,906)	(121,907)
Relates to:		
Total loss – Parent Company	(108,345)	(121,346)
Total loss – Subsidiaries	(561)	(561)
Effective income tax rate for subsidiaries	%20	%20
Statutory income tax rate	%20	%20
Current year income tax – subsidiaries	-	39
Income tax expense	-	39

### (32) RELATED PARTY TRANSACTIONS

Related party transactions represent transactions with associated companies, employees' Provident fund, and the Government of the Hashemite Kingdom of Jordan. Pricing policies and terms of these transactions are approved by the Group's management.

Following is a summary of balances due to/ from related parties included in the consolidated statement of financial position:

	2019		2018	
	Accounts receivable	Accounts payable	Accounts receivable	Accounts payable
Government of Jordan	3,545	1,460	3,910	1,707
Employees' Provident Fund	-	3,796	-	4,144
Jordan Aircraft Maintenance Company	-	164	1,177	-
Jordan Flight Catering Company	-	3,135	-	3,190
Jordan Aircraft Training and Simulation Company	-	163	-	60
	3,545	8,718	5,087	9,101

#### Advances in respect of capital increase – included in shareholders equity:

	2019	2018
Investment Management Company	-	8,000

- Following is a summary of the transactions with associated companies included in the consolidated income statement:

	2019	2018
<b>Jordan Aircraft Maintenance Company (Joramco):</b>		
Scheduled services revenues	257	281
Repair and maintenance expenses	(4,303)	(3,688)
<b>Jordan Flight Catering Company:</b>		
Passenger services expenses	(13,656)	(14,642)
<b>Jordan Aircraft Training and Simulation Company:</b>		
Scheduled services revenues	10	22
Pilots training expenses	(866)	(728)

The Company signed a 4 years maintenance contract with Jordan Aircraft Maintenance Company (Joramco) during January 2005, and in return the Company was granted a 20% share in Jordan Aircraft Maintenance Company. The contract was extended for 7 years up to the end of October 2016. The contract was renewed up to the end of January 2021.

The Company signed a 4 year training contract with Jordan Aircraft Training and Simulation Company during July 2006 and in return the Company was granted a share of 20% in Jordan Aircraft Training and Simulation Company which has been extended until the end of January 2021.

Alia – The Royal Jordanian Airlines Company signed a 11 years and six months catering contract with Jordan Flight Catering Company during 2010, and in return the Company was granted an additional share of 10% in Jordan Flight Catering Company to reach a total share of 30%.

- Following is a summary of the transactions with the Government of the Hashemite Kingdom of Jordan included in the consolidated income statement:

	2019	2018
Scheduled services revenues – passengers	3,888	3,844
Scheduled services revenues – cargo	1,064	1,352
Charter flights	4,040	1,276
	8,992	6,472

- The Company's contribution to the employees' saving fund amounted to JD 3,944 and JD 3,909 for the years 2019 and 2018, respectively.

## Compensation of key management personnel

The remuneration of members of key management during the year was as follows:

	2019	2018
Salaries and other benefits	1,042	702
Board of Directors remuneration	43	42

## (33) GEOGRAPHICAL DISTRIBUTION OF REVENUES

All operations are integrated under the airline business. The Group does not have any segment information other than the geographical distribution of revenues, which is used by the management executives to measure the Group's performance:

	2019				2018			
	Scheduled services	Chartered Flights		Total	Scheduled services	Chartered Flights		Total
		Passengers	Cargo			Passengers	Cargo	
Levant	71,127	230	3,345	74,702	69,946	8,978	1,046	79,970
Europe	160,055	1,544	1,818	163,417	165,874	1,051	1,657	168,582
Arab Gulf	137,370	-	-	137,370	135,973	-	102	136,075
America	145,265	-	2,376	147,641	139,045	-	3,647	142,692
Asia	50,629	554	-	51,183	52,183	424	842	53,449
Africa	11,527	199	-	11,726	16,851	-	-	16,851
<b>Total Revenue</b>	<b>575,973</b>	<b>2,527</b>	<b>7,539</b>	<b>586,039</b>	<b>579,872</b>	<b>10,453</b>	<b>7,294</b>	<b>597,619</b>

## (34) FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and bank balances, accounts receivable, financial assets at fair value through other comprehensive income, and some other current assets. Financial liabilities consist of accounts payable, bank loans, bank overdrafts, lease obligation and some other current liabilities.

The fair values of financial instruments are not materially different from their carrying values.

## (35) Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

**Level 1** - market prices in active markets for identical assets or liabilities.

**Level 2** - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

**Level 3** - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.



	Level 1	Level 2	Level 3	Total
<b>31 December 2019</b>				
Financial assets:				
Financial assets at fair value through other comprehensive income	-	-	2,697	2,697
Derivative financial instruments (within other current assets)	316	-	-	316
	316	-	2,697	3,013
<b>31 December 2018</b>				
Financial assets:				
Financial assets at fair value through other comprehensive income	-	-	5,967	5,967
Derivative financial instruments (within other current assets)	327	-	-	327
	327	-	5,967	6,294

## (36) RISK MANAGEMENT

### Interest rate risk

The Group is exposed to interest rate risk on its interest bearing financial assets and liabilities (bank deposits, obligation under leases, bank loans and bank overdrafts).

The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates on the Group's profit for one year, based on the floating rate financial assets and financial liabilities held at 31 December 2019.

The following table demonstrates the sensitivity of the consolidated income statement to reasonably possible changes in interest rates as of 31 December 2019, with all other variables held constant.

<b>2019 -</b>		
Currency	Decrease in interest rate	Effect on profit
	<b>(points)</b>	
USD	50	(1,004)
JD	50	139

<b>2019 -</b>		
Currency	Decrease in interest rate	Effect on profit
	<b>(points)</b>	
USD	25	502
JD	25	(70)

<b>2018 -</b>		
Currency	Decrease in interest rate	Effect on profit
	<b>(points)</b>	
USD	50	1,166
JD	50	(208)

<b>2018 -</b>		
Currency	Decrease in interest rate	Effect on profit
	<b>(points)</b>	
USD	(25)	(583)
JD	(25)	104

## Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables and with respect to banks by only dealing with reputable banks.

The Group provides its services to a large number of customers. No single customer accounts for more than 10% of outstanding accounts receivable at 31 December 2019 and 2018.

## Liquidity risk

The Group limits its liquidity risk by ensuring bank facilities are available.

The table below summarises the maturities of the Group's (undiscounted) financial liabilities at 31 December 2019 and 2018, based on contractual payment dates and current market interest rates.

<b>31 December 2019</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
Accounts payables and other current liabilities	57,545	-	-	-	57,545
Bank loans	4,319	23,058	79,754	-	107,131
Lease obligations	20,580	61,014	353,734	86,713	522,041
Other long term liabilities	-	-	-	393	393
<b>Total</b>	<b>82,444</b>	<b>84,072</b>	<b>433,488</b>	<b>87,106</b>	<b>687,110</b>

<b>31 December 2018</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
Accounts payables and other current liabilities	2,264	48,471	-	-	50,735
Bank loans	12,959	40,733	75,117	-	128,809
Obligations under finance leases	3,988	10,529	70,197	57,775	142,489
Other long term liabilities	-	-	-	404	404
<b>Total</b>	<b>19,211</b>	<b>99,733</b>	<b>145,314</b>	<b>58,179</b>	<b>322,437</b>

## Currency risk

The table below indicates the Group's foreign currency exposure at 31 December, as a result of its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the JD currency rate against the foreign currencies, with all other variables held constant, on the consolidated statement of income.

<b>2019 -</b>	<b>Increase in foreign currency rate to the JD currency</b>	<b>Effect on profit</b>
Currency	%	
Euro	1	69
GBP	1	33
SDG	1	15

<b>2019 -</b>		
Currency	Decrease in foreign currency rate to the JD currency	Effect on profit
	%	
Euro	(1)	(69)
GBP	(1)	(33)
SDG	(1)	(15)

<b>2018 -</b>		
Currency	Increase in foreign currency rate to the JD currency	Effect on profit
	%	
Euro	1	(98)
GBP	1	(45)
SDG	1	(29)

<b>2018 -</b>		
Currency	Decrease in foreign currency rate to the JD currency	Effect on profit
	%	
Euro	(1)	98
GBP	(1)	45
SDG	(1)	29

The Jordanian Dinar exchange rate is fixed against the U.S. Dollars (USD 1.41 for JD 1).

Losses on foreign exchange differences amounted to JD 1,772 for the year ended 31 December 2019 of which JD 969 resulted from the fluctuation in the Sudanese Pound (31 December 2018: foreign exchange loss of JD 4,248 of which JD 2,076 resulted from the fluctuation in the Sudanese Pound).

### **(37) CAPITAL MANAGEMENT**

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value.

Capital comprises of share capital, share discount, advances in respect of capital increase, statutory reserve and accumulated losses and is measured at JD 125,824 as at 31 December 2019 (2018: JD 112,431).

### **(38) CONTINGENCIES AND COMMITMENTS**

#### **Bank guarantees**

As of 31 December 2019, the Group had letters of guarantee amounting to JD 9,279 (2018: JD 12,132).

#### **Claims against the Group**

The Group is a defendant in a number of lawsuits amounting to JD 7,992 (2018: JD 12,866) representing legal actions and claims related to its ordinary course of business. Related risks have been analyzed as to the likelihood of occurrence, although the outcome of these matters cannot always be ascertained with precision. In the opinion of the Group and their legal counsels, the provision recognized as of 31 December 2019 is sufficient to cover any contingent liabilities and claims that may arise from these lawsuits.

## Capital commitments

As of 31 December 2019, the Group had capital commitments of USD 453,013,157 (2018: USD 453,013,157), equivalent to JD 321,286 (2018: JD 321,286) relating to finance lease agreements signed for three new aircrafts. The Group has the option not to purchase these aircrafts given that it informs the aircrafts producer during a maximum period of thirty seven months prior to the date of delivery of these aircrafts.

During 2018, the Group terminated a contract to purchase one Boeing 787 aircraft with serial number 37982. Loss resulted from the termination amounted to JD 1,436 (note 25).

## (39) STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective:

### IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

### Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

### Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information

is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.

#### **(40) COMPARATIVE FIGURES**

Some of 2018 balances were reclassified to correspond with the consolidated financial statements figures for the year 2019 presentation, with no effect on profit and equity for the year 2018.

#### **(41) SUBSEQUENT EVENTS**

Subsequent to year-end, the coronavirus outbreak has impacted the global macroeconomy and caused significant disruption in the global supply chain and customers' demand. Accordingly, the Airlines industry has been affected by the travel restrictions, large-scale quarantines, conference cancellations and lower passenger demand. The Prime Ministry of Jordan resolved to suspend all incoming and outgoing passenger flights into the country starting from 17 March 2020 until further notice, as it will tighten border controls in order to combat the spread of coronavirus. Management is in the process of completing its assessment of the coronavirus on their operations in order to take the necessary actions and properly address the situation.





# Corporate Governance Report

RJ is a public shareholding company listed in Amman Stock Exchange Market since the year 2007 where its shares have been traded since starting from that year until the current time. The company has established all the needed policies and procedures for the implementation of the Corporate Governance system taking into consideration the Governance Regulations for the Public Shareholding Listed companies issued by the Jordan Securities Commission in 2017, related Jordanian rules and regulations, and the Governance requirements of the Organization for Economic Cooperation and Development (OECD).

RJ has taken serious steps towards the enhancement of transparency in all areas in order to regulate the relationship between the company and the following stakeholders: Board of Directors, Executive Management, shareholders, employees, and community. These steps include the development of an internal bylaw for the members of the board of directors that defines their roles and authorities and how the members are elected, as well as the formation of the four main committees: The Audit Committee, The Incentives and Remunerations Committee, the Governance Committee, and the Risk Committee, where four documented manuals were developed to manage the work of these committees and its members.

Furthermore, and for the enhancement of Integrity and Governance within the company, RJ has introduced several policies and procedures one of which is the "Integrity and Anti-Corruption Policy" which regulates the process of dealing with unacceptable behaviours and acts that employees may face internally or externally. Another policy which was developed is the "Whistleblowing" Policy that gives the employees the opportunity to communicate with the executive management in order to inform them about any fraud cases or any breach of the company code of ethics.

Another policy which was developed, "Avoiding the Conflict of Interest" which aims at preventing any insider who is exposed to confidential information from benefiting in any form from that information. RJ has also developed a special policy to manage the disclosure process in a transparent approach which includes the disclosure of any valuable information, decision, or transaction which may affect the price of the company stock according to the applicable laws and regulations under the umbrella of Jordan Securities Commission.

To be in compliance with international requirements in the field of corporate governance and to prevent any financial and legal risks that may threaten the benefits of the company and jeopardize its name, RJ has developed policies and procedures to combat Money laundry and Terrorist financing, taking into consideration the continuously updated list of countries provided by the FATF (Financial Action Task Force) which identifies national-level vulnerabilities in the financial systems of the countries with the aim of protecting the international financial system from misuse.



# BOARD OF DIRECTORS MEMBERS (CURRENT/RESIGNED, DEPENDENT/ NOT INDEPENDENT & JURISTIC/ NATURAL).

The below table shows all current /resigned board members, their independency, and whether the member is executive or non-executive.

Member Name	Position	Independency	Executive/ Non-Executive
<b>Government Investment Management Company</b>			
H.E. Eng. Said Samih Darwazah	Chairman of the Board	Dependent	Non-Executive
H.E. Eng. Basem Khalil Al-Salem	Vice-Chairman	Dependent	Non-Executive
H.E. Mr. Omar Zuhair Malhas (1)	MEMBER	Dependent	Non-Executive
H.E. Dr. Abdelhakim Shibli	MEMBER	Dependent	Non-Executive
H.E. Mr. Malek Salameh Habashneh (2)	MEMBER	Dependent	Non-Executive
H.E. Mr. Sami Kamel Dawud (3)	MEMBER	Dependent	Non-Executive
H.E. Mr. Nasser Sultan Shraideh (4)	MEMBER	Dependent	Non-Executive
H.E. Captain Suleiman Reda Obeidat (5)	MEMBER	Dependent	Non-Executive
<b>Social Security Corporation</b>			
H.E. Mr. Saoud Ahmad Nsairat (6)	MEMBER	Dependent	Non-Executive
H.E. Mr. Saeed Abdullah Shnan (7)	MEMBER	Dependent	Non-Executive
H.E. Mr. Imad Jamal Al-Qudah (8)	MEMBER	Dependent	Non-Executive
<b>"MINT TRADING MIDDLE EAST LIMITED"</b>			
H.E. Mr. Nizar Khoury	MEMBER	Independent	Non-Executive
<b>Natural Members</b>			
H.E. Mr. "Mohammad Ali" Issam Bdair	MEMBER	Independent	Non-Executive
H.E. Mr. Michael Nabeeh Nazzal	MEMBER	Independent	Non-Executive

(1) Appointed on 01/09/2019

(2) Appointed on 01/09/2019

(3) Appointed on 12/02/2019 and resigned on 09/05/2019

(4) Resigned on 12/02/2019

(5) Resigned on 29/07/2019

(6) Appointed on 09/10/2019

(7) Appointed on 10/07/2019 and resigned on 09/10/2019

(8) Resigned on 10/07/2019

The below table shows the current Juristic/Representatives Board Member, their independency and whether the board member is executive or non-executive:

<b>Member Name</b>	<b>Name of the company represented</b>	<b>Independency</b>	<b>Executive/ Non-Executive</b>
H.E. Eng. Said Samih Darwazah	Government Investment Management Company	Non-Independent	Non-Executive
H.E. Eng. Basem Khalil Al-Salem	Government Investment Management Company	Non-Independent	Non-Executive
H.E. Mr. Omar Zuhair Malhas	Government Investment Management Company	Non-Independent	Non-Executive
H.E. Dr. Abdelhakim Shibli	Government Investment Management Company	Non-Independent	Non-Executive
H.E. Mr. Malek Salameh Habashneh	Government Investment Management Company	Non-Independent	Non-Executive
H.E. Mr. Saoud Ahmad Nsairat	Social Security Corporation	Non-Independent	Non-Executive
H.E. Mr. Nizar Khoury	"MINT TRADING MIDDLE EAST LIMITED"	Independent	Non-Executive

## Senior Executive Management

The table below shows the names of the members of Senior Executive Management and their positions:

<b>Name</b>	<b>Position</b>
Mr. Stefan Pichler Since 01/06/2017	President/CEO
Mr. Feras Qarrain Since 07/10/2019	Executive Vice President / Finance & Resources
Ms. Basma Majali Since 01/09/2019	Vice President/Commercial
Captain Ghassan Obeidat Since 01/09/2019	Vice President/Operations
Ms. Amal Hattar Since 01/09/2019	Vice President/Finance
Ms. Suha Al Arda Since 01/09/2019	Vice President/Treasury
Dr. Fawzi Mulki Since 01/09/2019	Vice President/Services & Product
Mr. Marwan Marji Until 31/10/2019	Vice President/CFO

# The membership of the Natural Board of Directors members in other public shareholding companies:

1- H.E. Mr. "Mohammad Ali" Issam Bdair, member in the board of directors of General Mining Company.

2- There are no other natural board of directors members who has membership in other public shareholding companies.

## Governance Liaison officer

Mr. Samer Ibrahim Samman was appointed as the Governance Liaison Officer at RJ in order to coordinate with the Jordan Securities Commission and follow up on the implementation of the governance regulations.

# Number of Board of Directors Meetings and Names of Attendees

The Board of Directors has conducted 16 meetings during the year 2019 as follows:

Board Member	1 <sup>st</sup> Meeting 3/2/2019	2 <sup>nd</sup> Meeting 7/3/2019	3 <sup>rd</sup> Meeting 24/3/2019	4 <sup>th</sup> Meeting 31/3/2019	5 <sup>th</sup> Meeting 28/4/2019	6 <sup>th</sup> Meeting 28/5/2019	7 <sup>th</sup> Meeting 16/6/2019	8 <sup>th</sup> Meeting 2019/7/22
H.E. Eng. Said Darwazah	√	√	√	√	√	√	√	√
H.E. Eng. Basem Al-Salem	√	√	√	√	X	√	√	√
H.E Mr. Omar Malhas	●	●	●	●	●	●	●	●
H.E. Mr. Saoud Nsairat	●	●	●	●	●	●	●	●
H.E. Dr. Abdelhakim Shibli	√	√	X	√	X	√	√	√
H.E. Mr. Malek Habashneh	●	●	●	●	●	●	●	●
H.E. Mr. Nizar Khoury	√	√	√	√	√	√	√	X
H.E. Mr. "Mohammad Ali" Bdair	√	√	√	√	√	X	√	√
H.E. Mr. Michael Nazzal	√	√	√	√	√	√	√	√
H.E. Mr. Sami Dawud	●	√	√	√	X	●	●	●
H.E. Mr. Nasser Sultan Shraideh	X	●	●	●	●	●	●	●
H.E. Mr. Imad Al-Qudah	√	√	√	√	√	√	√	●
H.E. Captain Suleiman Obeidat	√	√	√	√	√	√	√	√
H.E. Mr. Saeed Shnan	●	●	●	●	●	●	●	√

√ Attended the meeting

X Did not attend the meeting

● Was not a board member

<b>Board Member</b>	<b>9<sup>th</sup> Meeting 29/7/2019</b>	<b>10<sup>th</sup> Meeting 30/7/2019</b>	<b>11<sup>th</sup> Meeting 28/8/2019</b>	<b>12<sup>th</sup> Meeting 10/9/2019</b>	<b>13<sup>th</sup> Meeting 14/10/2019</b>	<b>14<sup>th</sup> Meeting 23/10/2019</b>	<b>15<sup>th</sup> Meeting 18/11/2019</b>	<b>16<sup>th</sup> Meeting 22/12/2019</b>
H.E. Eng. Said Darwazah	√	√	√	√	√	√	√	√
H.E. Eng. Basem Al-Salem	√	√	√	√	√	√	√	√
H.E. Mr. Omar Malhas	●	●	●	√	√	√	√	√
H.E. Mr. Saoud Nsairat	●	●	●	●	√	√	√	√
H.E. Dr. Abdelhakim Shibli	√	√	√	√	X	√	√	√
H.E. Mr. Malek Habashneh	●	●	●	√	√	√	√	√
H.E. Mr. Nizar Khoury	√	√	√	√	X	√	√	√
H.E. Mr. "Mohammad Ali" Bdair	√	√	√	√	√	X	√	√
H.E. Mr. Michael Nazzal	√	√	√	√	√	√	X	√
H.E. Mr. Sami Dawud	●	●	●	●	●	●	●	●
H.E. Mr. Nasser Sultan Shraideh	●	●	●	●	●	●	●	●
H.E. Mr. Imad Al-Qudah	●	●	●	●	●	●	●	●
H.E. Captain Suleiman Obeidat	√	●	●	●	●	●	●	●
H.E. Mr. Saeed Shnan	√	√	√	√	●	●	●	●

√ Attended the meeting

X Did not attend the meeting

● Was not a board member

# Board of Directors Committees

1- Audit Committee

2- Remunerations and incentives Committee

3- Governance Committee

4- Risk Management Committee

## Names of the head and members of the Audit Committees and their qualifications and experiences:

Board Member's Name	Position Within the Committee	Brief About the Qualifications
H.E. Mr. Omar Malhas Since 10/9/2019	Head of the Committee	<ul style="list-style-type: none"> <li>- Appointed as Minister of Finance from 2015 to 2018.</li> <li>- Has a diverse banking experience of more than thirty years with distinguished accomplishments in all fields of work.</li> <li>- Began his career in 1984 at the Housing Bank for Trade and Finance, and worked as a deputy general manager for Doha Bank in 1999, and chief director at the American Alliance Capital Corporation - Bahrain Office in 2000, and Director of the Treasury and Investment Department of the Housing Bank for Trade and Finance in 2002.</li> <li>- Mr. Malhas was the head of the banking group in the Housing Bank for Trade and Finance in 2009 until he was appointed as the General Manager of the bank from 2010 to 2015.</li> <li>- Holds an MBA degree in international financial and banking from the University of Birmingham in UK and a Bachelor of Business Administration in economics from the University of Louisiana in the USA.</li> </ul>
H.E. Mr. Saoud Nsairat Since 14/10/2019	Member	<ul style="list-style-type: none"> <li>- Mr. Saoud was able to employ his experience as Minister of Transport in several governments from 25/10/2004 to 22/11/2007, to issue the new aviation law through the Jordanian parliament, and supervised the expansion of Queen Alia International Airport, where he was the owner of the idea and head of the project steering committee from 2005 until the referral of the project and the start of the expansion implementation in 2007.</li> <li>- Mr. Saoud held several positions, the most important of which were: the Commander of the Royal Air Force (1999-2002), the Chairman of the Board of Civil Aviation Authority (1999-2004), and Chairman of the Board of Directors of the Land Transport Regulatory Authority (1999 - 2004), the Maritime Authority (2004-2007), the Jordanian Hejaz Railway (2004-2007), the Aqaba Railway Corporation (2004-2007), and he was a member of the Board of Directors of Royal Jordanian Airlines (1999-2004), and Chairman of the Board of Directors of Dead Sea Development Company (2009-2010), Chairman of the Board of Directors of Integrated Multi Transport Company since 2014 to date, and Chairman of the Board of Directors of the King Abdullah II Center for Design and Development (2018-2019).</li> </ul>

H.E. Dr. Abdelhakim Shibli	Member	<ul style="list-style-type: none"> <li>- Dr. Abdelhakim Shibli holds a Ph.D. in Economics specializing in macroeconomics and fiscal policy, from Leeds University Business School UK. He is married and has three children (two boys and one daughter).</li> <li>- Dr. Shibli started his career at the Central Bank of Jordan as an economist during 1991-2004. In 2002, he worked also as part-time lecturer in the Faculty of Business Administration at the University of Jordan. He then moved to the Ministry of Planning and International Cooperation between 2004 - 2007 as an economic advisor to oversee a comprehensive risk analysis system that anticipates future economic risk and recommends mitigation policies. He was seconded to work at the Prime Ministry for the during 2007-2010, as an economist at the Millennium Challenge Unit, then moved to the Ministry of Finance to chair the Directorate of Studies and Economic Policies between 2010-2018.</li> <li>- Was appointed as the Secretary General of the Ministry of Finance on 30/4/2018. Before that, he took part in several governmental committees, worked as core economic team at the Ministry of Finance and on IMF program, the World Bank and the Arab Monetary Fund. He worked in the economic and financial policy formulation and the implementation of important national and international programs such as the Economic and Social Reform initiative, the Financial Reform Program, the Modernization of Financial Management and the Revision Program with the IMF.</li> <li>- Dr. Shibli represented the Ministry of Finance in several institutions and companies in which the Government of Jordan have shares as a board member and member at official committees.</li> </ul>
H.E. Mr. "Mohammad Ali" Bdair	Member	<ul style="list-style-type: none"> <li>- With a background in management, Mr. Bdair was appointed at Royal Jordanian's Board of Directors in 2008.</li> <li>- He is the current General Manager of Best Dimension Investment Co., and a Director of the General Mining Co., and a former board member of Jordan Investment Board.</li> <li>- He received a BS in Industrial Engineering from Purdue University (USA), and an MS in Engineering Management from the American University of Beirut.</li> </ul>
H.E. Mr. Michael Nazzal Until 10/9/2019	Head of the Committee	<ul style="list-style-type: none"> <li>- Mr. Nazzal was a member of the 25th house of Senate, the director of food services at Royal Jordanian from 1980 till 1982. He is the Chairman for the Dead Sea Hotels since 1990, chairman for the MINA Hotels since 1990, chairman for the Jordan Hotel Association since 1988, and chairman of the Federation of Tourism Associations from 2004 till this day.</li> <li>- Mr. Nazzal is the vice chairman and board member for the Jordan Tourism Board since 2004, and the founder and member of the Jordanian Applied University board of trustees since 1988.</li> </ul>
H.E. Mr. Imad Al-Qudah Until 10/7/2019	Member	<ul style="list-style-type: none"> <li>- Mr. Imad Al-Qudah holds B.A in Administration from the Yarmouk University – Jordan. He also holds MBA from Sul Russ University (SRSU) / Texas.</li> <li>He joined the Central Bank of Jordan as a trader in 1989 and climbed up the ladder to be a Portfolio Manager in the foreign investments department.</li> <li>- In 2002, Mr. Qudah joined Social Security Investment Fund (previously known as Social Security Investment Unit) as Treasury Manager till 2008. During that period, he held the position of an Acting CEO of the Investment Unit throughout the period of 2005 – 2006.</li> <li>- Mr. Qudah is currently the Manager of the Public Equity Portfolio and an Acting Manager of Private Equity Portfolio.</li> <li>- He represented the Social Security Investment Fund in a number of companies' board of directors such as, Daman for Investments, Jordan Post Company, Jordan Kuwait Bank and Jordan Dubai Islamic Bank.</li> </ul>

<p>H.E. Mr. Saeed Shnan From 22/7/2019 Until 9/10/2019</p>	<p>Member</p>	<p>- Currently he is Director of Operations and Administrative Affairs in the Social Security Investment Fund, and he worked as head of the Investment Promotion Unit in the Income Tax Department (1994 - 2003), and financial manager in the field of auditing in the private sector (1992 - 1994) and in the banking sector outside Jordan (1989 - 1991), and he holds a certified mentor certificate for the King Abdullah II Award for Excellence in Government Performance and Transparency in 2008.</p> <p>- Mr. Shnan previously served as a member of the Board of Directors of: Jordan Petroleum Refinery, Union Bank, Jordan Phosphate Mines Company, Arab Bank, Vice Chairman and Board Member of the South of Dead Sea Development Company, Duty free shops Corporation, Jordan Cement Company - Lafarge and others.</p> <p>- He holds a Master's degree in Finance from the University of Jordan 1998 and a Bachelor's degree in Accounting from the University of Jordan in 1989, and a certified project manager certificate (CPM) from "International Association of Project and Program Management (IAPPM) / USA".</p>
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The Audit Committee has conducted 12 meetings during the year 2019 as follows:

Board Member	1 <sup>st</sup> Meeting 9/1/2019	2 <sup>nd</sup> Meeting 13/3/2019	3 <sup>rd</sup> Meeting 24/3/2019	4 <sup>th</sup> Meeting 25/4/2019	5 <sup>th</sup> Meeting 25/6/2019	6 <sup>th</sup> Meeting 29/7/2019
H.E. Mr. Omar Malhas	●	●	●	●	●	●
H.E. Mr. Saoud Nsairat	●	●	●	●	●	●
H.E. Dr. Abdelhakim Shibli	X	X	X	X	X	X
H.E. Mr. "Mohammad Ali" Bdair	√	√	√	√	√	√
H.E. Mr. Michael Nazzal	√	√	√	√	√	√
H.E. Mr. Imad Al-Qudah	√	√	√	√	√	●
H.E. Mr. Saeed Shnan	●	●	●	●	●	√

Board Member	7 <sup>th</sup> Meeting 15/10/2019	8 <sup>th</sup> Meeting 21/10/2019	9 <sup>th</sup> Meeting 30/10/2019	10 <sup>th</sup> Meeting 5/11/2019	11 <sup>th</sup> Meeting 27/11/2019	12 <sup>th</sup> Meeting 17/12/2019
H.E. Mr. Omar Malhas	√	√	√	√	√	√
H.E. Mr. Saoud Nsairat	X	√	√	√	√	√
H.E. Dr. Abdelhakim Shibli	X	X	X	X	X	X
H.E. Mr. "Mohammad Ali" Bdair	√	√	√	√	√	√
H.E. Mr. Michael Nazzal	●	●	●	●	●	●
H.E. Mr. Imad Al-Qudah	●	●	●	●	●	●
H.E. Mr. Saeed Shnan	●	●	●	●	●	●

√ Attended the meeting

X Did not attend the meeting

● Was not a board member



# The names of the heads and members of the Incentives and remunerations Committee, Governance Committee, and the Risk Management Committee, and the number of their meetings during the year 2019:

## Incentives and Remunerations Committee

Board Member	Position within the Committee
H.E. Eng. Said Darwazah	Head of the Committee
H.E. Eng. Basem Al-Salem	Member
H.E. Captain Suleiman Obeidat Until 29/7/2019	Member
H.E. Mr. Malek Habashneh Since 10/9/2019	Member
H.E. Mr. Nizar Khoury	Member

The Incentives and Remunerations Committee has conducted 3 meetings during the year 2019 as follows:

Board Member	1 <sup>st</sup> Meeting 28/5/2019	2 <sup>nd</sup> Meeting 29/7/2019	3 <sup>rd</sup> Meeting 27/8/2019
H.E. Eng. Said Darwazah	√	√	√
H.E. Eng. Basem Al-Salem	√	√	√
H.E. Captain Suleiman Obeidat	√	●	●
H.E. Mr. Malek Habashneh	●	●	●
H.E. Mr. Nizar Khoury	√	√	(Over the Phone)

√ Attended the meeting

X Did not attend the meeting

● Was not a board member

# Governance Committee

Board Member	Position within the Committee
H.E. Mr. Michael Nazzal Since 10/9/2019	Head of the Committee
H.E. Mr. Saoud Nsairat Since 14/10/2019	Member
H.E. Mr. Nizar Khoury	Member
H.E. Mr. Nasser Shraideh Until 12/2/2019	Head of the Committee
H.E. Mr. Sami Dawud From 7/3/2019 until 9/5/2019	Head of the Committee
H.E. Dr. Abdelhakim Shibli From 22/7/2019 until 10/9/2019	Head of the Committee
H.E. Mr. Saeed Shnan From 22/7/2019 until 9/10/2019	Member
H.E. Mr. Imad Al-Qudah Until 10/7/2019	Member

The Governance Committee has conducted 2 meetings during the year 2019 as follows:

Board Member	1 <sup>st</sup> Meeting 24/7/2019	2 <sup>nd</sup> Meeting 23/10/2019
H.E. Mr. Michael Nazzal	●	√
H.E. Mr. Saoud Nsairat	●	√
H.E. Mr. Nizar Khoury	(Over the Phone)	√
H.E. Mr. Nasser Shraideh	●	●
H.E. Mr. Sami Dawud	●	●
H.E. Dr. Abdelhakim Shibli	√	●
H.E. Mr. Saeed Shnan	√	●
H.E. Mr. Imad Al-Qudah	●	●

√ Attended the meeting

X Did not attend the meeting

● Was not a board member

# Risk Management Committee

Board / Senior Executive Management Member	Position within the Committee
H.E. Eng. Basem Al-Salem	Head of the Committee
H.E. Mr. Stefan Pichler	Member
H.E. Mr. Omar Malhas Since 10/9/2019	Member
H.E. Mr. Malek Habashneh Since 10/9/2019	Member
H.E. Captain Suleiman Obeidat Until 29/7/2019	Member
H.E. Mr. Imad Al-Qudah Until 10/7/2019	Member
H.E. Mr. "Mohammad Ali" Bdair Until 10/9/2019	Member

The Risk Management Committee has conducted 2 meetings during the year 2019 as follows:

<b>Board Member</b>	<b>1<sup>st</sup> Meeting 5/2/2019</b>	<b>2<sup>nd</sup> Meeting 22/7/2019</b>
H.E. Eng. Basem Al-Salem	√	√
H.E. Mr. Stefan Pichler	√	√
H.E. Mr. Omar Malhas	●	●
H.E. Mr. Malek Habashneh	●	●
H.E. Captain Suleiman Obeidat	√	√
H.E. Mr. Imad Al-Qudah	√	●
H.E. Mr. "Mohammad Ali" Bdair	√	√

√ Attended the meeting

X Did not attend the meeting

● Was not a board member

### **Names of the Other Board Committees (Excluding the Audit, Incentives & Remunerations, Governance, and Risk Management Committees)**

The Committee following up on the renewal of the fleet (temporary committee).

Chairman of the Board

**Eng. Said Samih Darwazah**



# Board of Directors Declarations

1. The Board of Directors of the Company hereby declares that there are no substantial matters that may affect the Company's as a going concern during the coming financial 2020.
2. The Company's Board of Directors hereby declares its responsibility for the preparation of the financial statements and an effective control system in the Company.



**Said S. Darwazah**  
Chairman of the Board



**Bassem Kh. Al-Salem**  
Vice Chairman



**Omar Z. Malhas**  
Member



**Abdelhakim M. Shibli**  
Member



**Malek S. Habashneh**  
Member



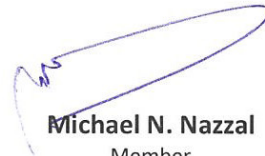
**Saoud A. Nsairat**  
Member



**Nizar F. Khoury**  
Member



**"Mohammad Ali" I. Bdeir**  
Member



**Michael N. Nazzal**  
Member

We, the undersigned acknowledge the correctness, accuracy and completeness of the information in the annual report for 2019.



**Feras M. Qarrain**  
Executive Vice President



**Stefan F. Pichler**  
President/CEO



**Said S. Darwazah**  
Chairman of the Board

# Addresses of RJ offices in Jordan, the Outstations, and its Subsidiaries

Addresses of RJ Sales Offices in Jordan		European Countries	
Headquarters Sales Office – 5th Circle	+962 6 5202000	London	+442078786300
Abdali Sales Office – Opposite to the Parliament Council	+962 6 5100000	Paris	+33684989611
City Terminal Sales Office – 7th Circle	+962 6 5100000	Rome	+39064787058
Airport Sales Office – Queen Alia International Airport	+962 6 4793170	Amsterdam	+31 20 3460150
Aqaba Sales Office – Shareef Hussein Bin Ali Street	+962 3 2018633 +962 6 5100000	Athens	+302109242602(3)
Irbid Sales Office – Baghdad Street	+962 6 5100000	Larnaca	+302109242602(3)
<b>Addresses of RJ Sales Offices in the Outstations</b>		Nikosia	+302109242602(3)
<b>Arab Gulf Countries</b>		Madrid	+34915590526
Abu Dhabi	+97142944288	Barcelona	+34915590526
Dubai	+97142944288	Geneva	+41228174800
Riyadh	+966112180850 /1/2/3/4/5/6	Zurich	+41228174800
Jeddah	+966126613999	Vienna	+4315120540
Medina	+966126613999	Berlin	+496924249422
Dammam	+96638992006	Frankfurt	+496924249422
Doha	+97444936782 +97444179058	Munich	+496924249422
Kuwait	+96522923022	Moscow	+74959337161
<b>Arab Levant Countries</b>		Istanbul	+902123688138(9)
Baghdad	+9647827820233	<b>Far East Countries</b>	
Basra	+9647827820233	Bangkok	+6626382960
Najaf	+9647827820233	Hong Kong	+6626382960
Erbil	+9647504052299	Kuala Lumpur	+6626382960
Sulaymaniyah	+9647504052299	<b>North American Countries</b>	
Beirut	+96176460485	Chicago	+17736861301
Cairo	+20233052940	New York	+12129490060
Tel Aviv	+972747506605	Detroit	+12129490060
<b>African Countries</b>		Montreal	+12129490060
Tunis	+21671255194 +21671330514	<b>Subsidiaries</b>	
Algiers	+21321676971	Royal Jordanian for Tourism & Travel – Royal Tours	+962 6 5822811 www.royaltours.com.jo
Khartoum	+249 1 83792846	Tikram for Aviation Services	+962 6 5204030 www.tikram.jo



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