Annual Report

2020

oneworld

ROYAL JORDANIAN الملكية الأردنية

Content

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 deliver 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 Samih Darwazah

Chairman of the Board, representing Government Investments Management Company

H.E. Eng. Basem Khalil Al-Salem

Vice Chairman, representing Government Investments Management Company

H.E. Mr. Omar Zuhair Malhas

Member, representing Government Investments Management Company

H.E. Dr. Abdelhakim Shibli

Member, representing Government Investments Management Company

H.E. Dr. Emad N. Hejazeen

Member, representing Government Investments Management Company

H.E. Ms. Rand Hannun

Member, representing Government Investments Management Company

H.E. Mr. Malek Salameh Habashneh

Member, representing Government Investments Management Company

H.E. Mr. Saoud Ahmad Nsairat

Member, representing Social Security Corporation

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

Member, (Until 25/6/2020)

Member, representing Mint Trading Middle East Limited (From 25/6/2020)

H.E. Mr. Nizar Khoury

Member, representing Mint Trading Middle East Limited (Until 25/6/2020)

H.E. Mr. Michael Nabeeh Nazzal

Member, (Until 25/6/2020)

Auditors

Ernst & Young

Legal Advisor

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

Chairman's speech following the Annual Report 2020

Dear Shareholders,

2020 will be remembered as an exceptional year in terms of the magnitude of difficulties and challenges faced by the world. It cannot be described but as the year of major challenges that plagued the world and negatively impacted the global economy in an unprecedented manner due to COVID pandemic whose consequences are felt to this date.

The negative repercussions of the global instability that we are still witnessing are increasing, and their negative results even on the world's strongest economies are acknowledged by everyone. Among the repercussions, we can count increased debt, and unemployment and inflation rates. Countries, big and small, are struggling to survive the pandemic.

The closures and lockdowns imposed by the world countries to limit the spread of the virus had a direct negative effect on the air transport industry, a long-lasting effect that continues to be felt. The closures and lockdowns were accompanied by restrictions and continuous changes to travel procedures. According to IATA reports, passenger demand on traveling dropped by 75.6% during 2020 compared to 2019, marking the largest drop in passenger traffic in the aviation history. The demand on bookings for 2021 also witnessed a severe drop.

Royal Jordanian, like all airlines in the world, went through difficult times at the beginning of 2020, when traffic to most destinations started receding; the much less demand for travel was followed by the shutting down of all RJ stations and the closure of Jordanian airports between mid-March and September 2020.

Royal Jordanian's fleet was completely suspended due to the pandemic, and that had a clear and direct impact on our performance. The number of passengers dropped from 3.3 million in 2019 to 715,000 in 2020, a 77% decrease. Take offs dropped from 35,000 in 2019 to 10,000 in 2020, marking a 71% decrease. We registered a dramatic decline in revenue; RJ's losses reached JD155.3 million, huge loss compared to 2019 when RJ's profit was JD10.4 million.

Dear Shareholders,

The profitability plan launched in 2017, which had outstanding results in 2018 and 2019, was not the only thing that helped us overcome the challenges posed by the pandemic; of great help was the solidarity of our people, which helped us survive the most difficult phase. Royal Jordanian continued to play an active role during the pandemic, operating repatriation flights when, as the national carrier of Jordan, it was assigned this important role, in coordination and cooperation with official authorities and the National Center for Security and Crisis Management.

Royal Jordanian repatriated 55,733 Jordanians and 11,628 Palestinians on 202 flights between May and September 2020. It also helped return citizens from different countries, in coordination with the concerned embassies. Regarding the cargo performance, the demand was unprecedentedly exceptional and the airline operated 569 cargo flights. Unfortunately, this was not enough to compensate for the huge financial losses incurred due to the pandemic.

Dear Shareholders,

Royal Jordanian's board of directors, in cooperation with the Jordanian government and all pertinent parties, work hard to help the airline overcome this ordeal and resume playing its strategic role, serving Jordan and its different vital economic sectors. The government, the largest shareholder in Royal Jordanian, understanding the importance and value of the airline as the national carrier and its strategic role in connecting Jordan to the world, is determined to take all the necessary measures to support the airline.

Moreover, the Company is now working on a comprehensive review of its route network, re-evaluating the feasibility of each route in light of the current market situation. Some destinations were suspended because of the lack of feasibility. Moreover, the airline started re-negotiating with the aircraft lessors to reconsider some of the terms of the lease contracts, to help RJ meet its needs under the current situation. Royal Jordanian also revised its expenses with a view to controlling and reducing them, and increasing the revenue instead. Additionally, the recruitment process in the Company was halted, all defense orders related to employees were implemented, and voluntary release contracts were signed to reduce the numbers and cost of manpower.

Dear Shareholders,

On behalf of the board members, I would like to express sincere thanks and gratitude to you, to show appreciation for your understanding of the challenges the airline is passing through. Royal Jordanian's Board of Directors and the executive management are determined to exert their utmost effort to help the airline overcome the pandemic repercussions and continue its mission and achievements under the leadership of His Majesty King Abdullah II.

Chairman of the Board of Directors
Said Samih Darwazah

Board of Directors Report

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 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 3,383 (RJ) as recorded on 31.12.2020; 269 of these employees work at the outstations abroad, and 32 in Royal Tours and 184 in Tikram.

Capital Investment

The value of property and equipment amounted to JD79.6 million in 2020, compared to JD106.8 million at the end of 2019, a decrease of JD27.2 million, as a result of general depreciation of JD24 million, in addition to the purchase of equipment and property at a value of JD11.8 million and booking the impairment of four aircrafts by the value JD15 million.

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. Royal Wings became the main operator of chartered flights. It also acts as 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. Its capital amounts to JD 5 million and it owns one Airbus A320.

The Board of Directors of the parent company decided at its meeting on September 27, 2018 to suspend the company's activities and liquidating 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 services, to help RJ market its flights to tourism attractions in the world. Royal Tours books tickets and arranges trips to tourist groups to 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 "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.

Board of Directors

Board Member	Position	Board Member Since	Nationality	Qualifications
H.E. Eng. Said Samih Darwazah	Chairman, Rep Government Investments Management Co.	20.6.2016	Jordanian	MA Business Administration
H.E. Eng. Basem Khalil Al-Salem	Vice Chairman, Rep Government Investments Management Co.	17.4.2016	Jordanian	BSc. Chemical Engineering
H.E Mr. Omar Zuhair Malhas	Member, Rep Government Investments 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 Investments Management Co.	8.5.2018	Jordanian	PHD Economics
H.E. Dr. Emad Hejazeen	Member, Rep Government Investments Management Co.	25.6.2020	Jordanian	PHD in Tourism and Local Communities
H.E. Ms. Rand Hannun	Member, Rep Government Investments Management Co.	25.6.2020	Jordanian	MA International Law
H.E. Mr. Malek Salameh Habashneh	Member, Rep Government Investments Management Co.	1.9.2019	Jordanian	MA Management and Military Sciences
H.E. Mr. "Mohammad Ali" Issam Bdair	Member, Rep Mint Trading Middle East Limited, since 25.6.2020	27.3.2008	Jordanian	MA Engineering Management

* On June 25, 2020, the members of the Board were elected for a new four-year term

Following is biographical information on the board members' business experiences:

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

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

Mr. Darwazah is currently the Executive Chairman of Hikma Pharmaceuticals PLC.

Between 2003 and 2006, he was the Minister of Health, Jordan.

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 AlSalem | Vice Chairman

Mr. Bassem Khalil Al-Salem has served as the Chairman of the Board of Directors for Capital Bank since April 2010. In this role, Al-Salem has re-directed Capital Bank's attention towards a 21st century public, with particular emphasis on delivering innovative commercial and investment banking services to the Jordanian and Iraqi markets. Al-Salem has also served as the Chairman of the Board of the National Bank of Iraq since 2019.

Al-Salem has previously served as the Jordanian Minister of Labor and Minister of Finance consecutively (2005 – 2009). He is commended for introducing socio-economic policies that have contributed towards the creation of jobs in both the public and private sectors, as well as attracting businesses and investments to Jordan, while helping homegrown businesses flourish.

Al-Salem currently sits on the board of several prominent private and publicly listed companies, including the General Mining Company. He has previously served as the chairman of the Association of Banks in Jordan (2012-2015), Executive Chairman of the Social Security Corporation (2005-2009), as well as being member of the Jordanian Senate (2010-2011). Al-Salem holds a bachelor's degree (with honors) in Chemical Engineering from Imperial College, United Kingdom.

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 Finance 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.

H.E. Dr. Abdelhakim Shibli | Member

Dr. Abdelhakim Shibli was born on February 6, 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 worked also 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.

His appointment as the Secretary General of the Ministry of Finance was upon the Royal Decree 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.

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. Dr. Emad Hejazeen | Member

Dr. Hejazeen holds a Ph.D. from Germany through a scholarship he achieved from the German KAAD Fellowship Program for Doctoral Studies. In addition to receiving several International awards in recognition of his outstanding achievements, He was awarded the Eichstätt Bank Prize for Best Doctoral Research at the Catholic University of Eichstätt-Ingolstadt, Germany in 2006. In addition, he was awarded the Best Study Presented to the Federal Union of the German Tourism Industry at the International Tourism Fair (ITB) in Berlin in 2007.

Dr. Hejazeen held several positions in Jordan, starting his career in 1987 at the Aqaba Railway Corporation until 1990. He then worked as Head of Publications at the Public Relations Department at Mutah University between 1995 and 2002. From 2004 to 2006 he held the position of consultant in the Tourism Organization for Development and Investment (Gato) - Munich. Between 2007-2009, Dr. Hejazeen became Head of the Department of Archeology and Tourism and Assistant Dean of the Faculty of Social Sciences at Mutah University. In 2009 he held the position of Commissioner for Petra Archaeological Reserve and Urban Heritage Affairs, after which he became Deputy Chairman of the Board of Commissioners until 2017. Dr. Hejazeen also served as Deputy Chairman of the Board of Commissioners and Investment Commissioner at the Aqaba Special Economic Zone Authority (ASEZA) between 2017 and 2019. Dr. Hejazeen is now Secretary-General of the Jordanian Ministry of Tourism and Antiquities.

H.E. Mr. Malek Salameh Habashneh | Member

Mr. Habashneh Holds a Bachelor's and Master's degree in Management 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 Iraq.

Mr. Habashneh worked in leadership positions during his service in the Royal Jordanian Air Force including the commander of an air base, an Assistant Military Attaché in UK, a Director of Training in the Royal Air Force, a Director of Operations at the Royal Air Force, 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 10/25/2004 to 11/22/2007, 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), 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).

Mr. Nsairat holds a Master's degree in Management and Military Sciences, and has been honored by serving for 36 years in the Royal Air Force from (1968 - 2002), and from (2002 - 2004) where 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 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.

Mr. Bdeir received a BS in Industrial Engineering from Purdue University (USA), and an MS in Engineering Management from the American University of Beirut.

H.E. Ms. Rand Hannun | Member

Ms. Hannun holds a Bachelor's degree in Law from the University of Jordan and a Master's degree in Law/ International Business Law from King's College, University of London, and has been a member of the Jordanian Bar Association since 1998.

Ms. Hannun is a partner in Al-Nabulsi and Associates (Lawyers and Legal Consultants), and previously held the position of Director of the Legal Department / Legal Adviser to the Jordanian Taameer Company. She also worked within the Al-Sanad Law Office as a senior lawyer, and also as a lawyer within the Legal Business Consortium Office. Ms. Hannun also held the position of a Board Member in (World Services Group), a company incorporated in the United States of America with the main objective of providing a world-class platform for professionals and their clients to obtain the best quality and affordable services in the field of law, banking investments and accounting services.

Ms. Hannun also worked on a set of basic initiatives for economic development, including the accession of the Hashemite Kingdom of Jordan to the World Trade Organization, and the transformation of the city of Aqaba into a special economic zone, in addition to providing legal support to the Development Zones Authority before merging it with the Investment Authority.

Members of the Board of Directors who resigned during 2020

Board Member	Position	Member Until	Nationality	Qualifications
H.E. Mr. Michael Nabeeh Nazzal	Member	25.06.2020	Jordanian	BSc. Hotel Management
H.E. Mr. Nizar Khoury	Member, Rep Mint Trading Middle East Ltd.	25.06.2020	Lebanese	BA Economics

H.E. Mr. Michael Nazzal | Member

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.

Mr. Nazzal is the Vice Chairman and 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.

Senior Executive Management

Brief Resumes of Members of the Senior Executive Management Team:

Name	Position	Date Appointed	Date of Birth	Qualifications	Specialty	Graduation
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. 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 Dec 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 "Boeing 787 fleet" project, in 2014 the first aircraft was introduced successfully to RJ fleet
- He assumed managerial roles in Flight Operations department in addition to his main duty as Captain on 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 Jan 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 16 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 Jan 2016
- She joined the Finance Department in 2007 as a Financial Analyst and escalated in her career ever since
- Has more than 13 years of experience in 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 2020:

Name	Position	Nationality	Qualifications	Specialty
Mr. Stefan Pichler (Until 30.09.2020)	President/CEO	German	MA	Economics & Law

Below is a brief about the business experience of the previous President/CEO:

Mr. Stefan Pichler

- Mr. Pichler was appointed as President / CEO of RJ in June 2017, where he worked at RJ until 30/9/2020
- He was the CEO of Airberlin group from Feb 2015 till he joined RJ
- Led Fiji Airways as Managing Director and CEO in Sep 2013
- Was the CEO of Jazeera Airways K.S.C during June 2009 - Aug 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 and as the Executive Vice President of worldwide Sales & Marketing in 1996 and as a Member of Lufthansa's Executive Board in 1997
- Holds a Masters Degree in both Economics and Law from Augsburg University

Major Shareholders

The followings are the names of the major shareholders who own 5% or more of the company's capital, in descending order with their number of share as at the end of 2020 compared to 2019:

No	Shareholder	Geographical Location	No. of Shares at 31.12.2019	%	No. of Shares at 31.12.2020	%
1	Government Investments Management Company	Jordan	225,265,260	82.03	225,265,260	82.03
2	Social Security Corporation	Jordan	14,640,534	5.33	14,640,534	5.33
3	Mint Trading Middle East Ltd.	UK	13,701,823	4.99	13,701,823	4.99

A decision was issued by the Council of Ministers approving the completion of the company's capital increase by the amount of JD50 million, where an amount of JD25 million was paid at the end of December 2020, and the remaining amount of JD25 million will be paid during the year 2021. With the completion of increasing the capital with a value of JD50 million, the contribution of the Government Investments Management Company becomes 84.8% instead of 82.03%.

RJ's Competitive Position

2020 has been the worst year in the history of the aviation industry as stated by the International Air Transport Association (IATA), which further expected the global aviation sector to lose $118 billion this year since most counties across the globe shut down borders and have limited travel due to the COVID-19 pandemic. RJ was forced to totally suspend its operations in March 2020 due to the closure of all the Jordanian airports. During the closure period which lasted until almost the end of September, RJ has capitalized on operating repatriation flights in collaboration with the Jordanian government, cargo operations and cost reduction initiatives to reduce the effect of this pandemic. By the end of September RJ has resumed operations to limited destinations due to travel restrictions and slump in demand among travelers. Since then, RJ is always monitoring markets and market developments to grab any opportunity for resuming operations or increasing weekly frequencies.

In view of the weak demand for aviation and the restrictions and requirements imposed on travelers, since the reopening of the airport in September 2020 until the end of 2020, the Royal Jordanian has operated to (24) destinations only, as it was assumed that Royal Jordanian will operate regular flights from Jordan to (51) city during the year 2020, which were as following:

Levant: Beirut, Cairo, Aqaba, Al-Sulaymaniyah, Baghdad, Basra, Erbil, Najaf and Tel Aviv, 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 Sanaa and Aden as soon as conditions allow.

Africa: 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.

Far east: Bangkok, Hong Kong, and Kuala Lumpur.

North America: New York, Chicago, Detroit, and Montréal.

Out of 51 destinations operated by Royal Jordanian during the year 2020, the company faced direct competition from other companies for only 22 destinations.

On April 1, 2007 Royal Jordanian joined the **one**world 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 in **one**world: American Airlines, British Airways, Cathay Pacific, Finnair, Iberia, Japan airlines, LATAM in South America until 30 April 2020, Malaysian Airlines, Qantas, Qatar Airways, Siberia airlines, Sri Lankan Airlines and Royal air Maroc which joined in March 2020.

Moreover, RJ has entered in commercial agreements with a number of international airlines to operate on codeshare basis, whereby RJ is the marketing carrier that puts its code on other airlines' flights. These code-share agreements are developed to expand the airline's network by reaching to 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.

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 Jordanian Petroleum Products Marketing Company. 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.

Government Protection and privileges

- The Council of Ministers resolved in its session held on 27/3/2019 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.
- There are no patents or concession rights obtained by the Company.

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:

- The Government of Jordan concluded a Comprehensive Agreement with the European 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. Actually, this Agreement subjects Royal Jordanian Airlines to unbalanced competition with European airlines which enjoy flexibility in flights operation 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 28/12/2017 to approve 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 not have an air route identical to one of the routes of Royal Jordanian. The above mentioned decision did not have a significant impact in the year 2020 due to the exceptional circumstances that the year 2020 witnessed with the repercussions of the Corona virus.

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, and part of that is applying its internal quality assurance program, which aims at providing confidence that quality / Safety requirements and standards are being fulfilled.

RJ Quality Assurance program comprises 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 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 operational manuals.

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

- Plan to improve the quality at 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 practically 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 it to the senior management.

Main achievements of Corporate Quality Department in 2020

- Rapid adjustment to COVID-19 restrictions and completing the audit cycle, by maximizing desktop audits and minimize need for physical presence on site.
- Multiple Temporary revisions to Quality Manual for change in policies to be in parallel with working from home and abide with COVID-19 prevention of transmission and infection.
- Issuing RJ SOP under COVID-19 for the corporate level and ensuring no contradictions arise in operations.
- Establishing inspection checklist for all new procedures concerning COVID-19.
- Continuing with standardizing work procedures followed by different departments within the company.
- Follow up and support for disinfection program.
- Normal Inspection Checklist updates and QM manual revision
- Internal Procedures Manual for CQM produced.
- Maintaining the IOSA certification by filing for extenuating circumstances and postponing audit till 2021

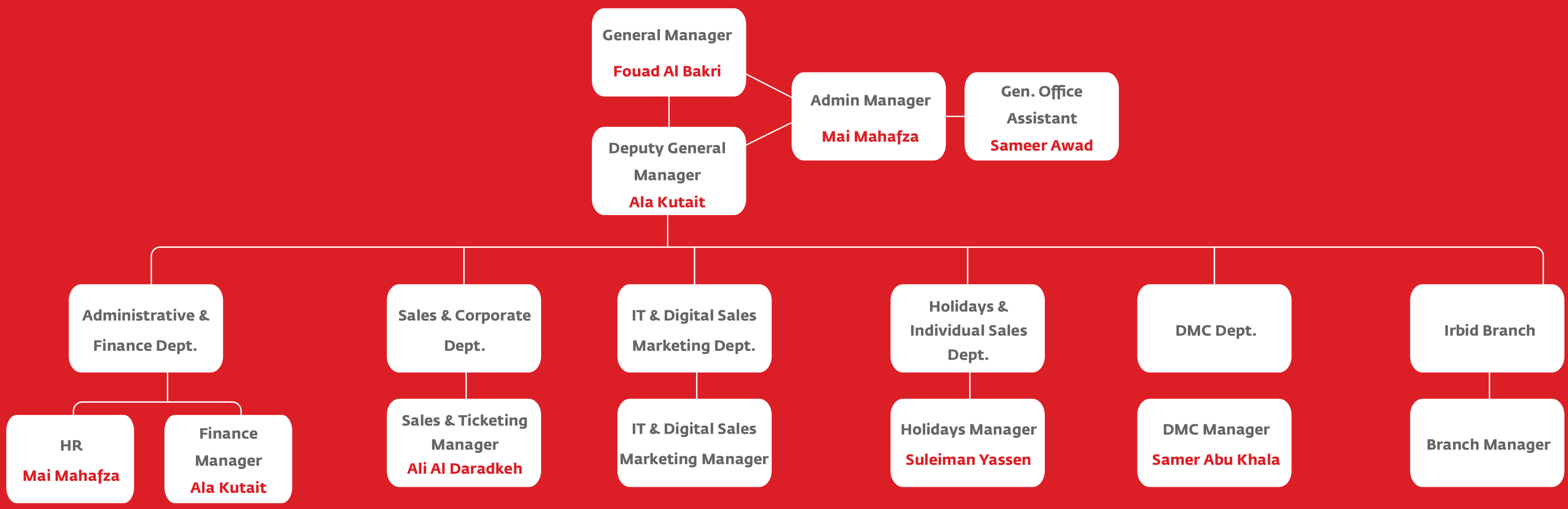
Corporate Quality main goals for the year 2021:

- 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.
- Satisfying our stakeholders' requirements and needs (Board of Directors, President/CEO, CARC...) through performing quality checks to insure RJ internal set policies and procedures are met.
- Renewal of external certification earned by RJ, such as AOC, IOSA, and ISAGO.
- Continue with External outstation and GSP audits using the desktop audit and improvising for physical observations. Postpone the new cycle until 2022.
- 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.

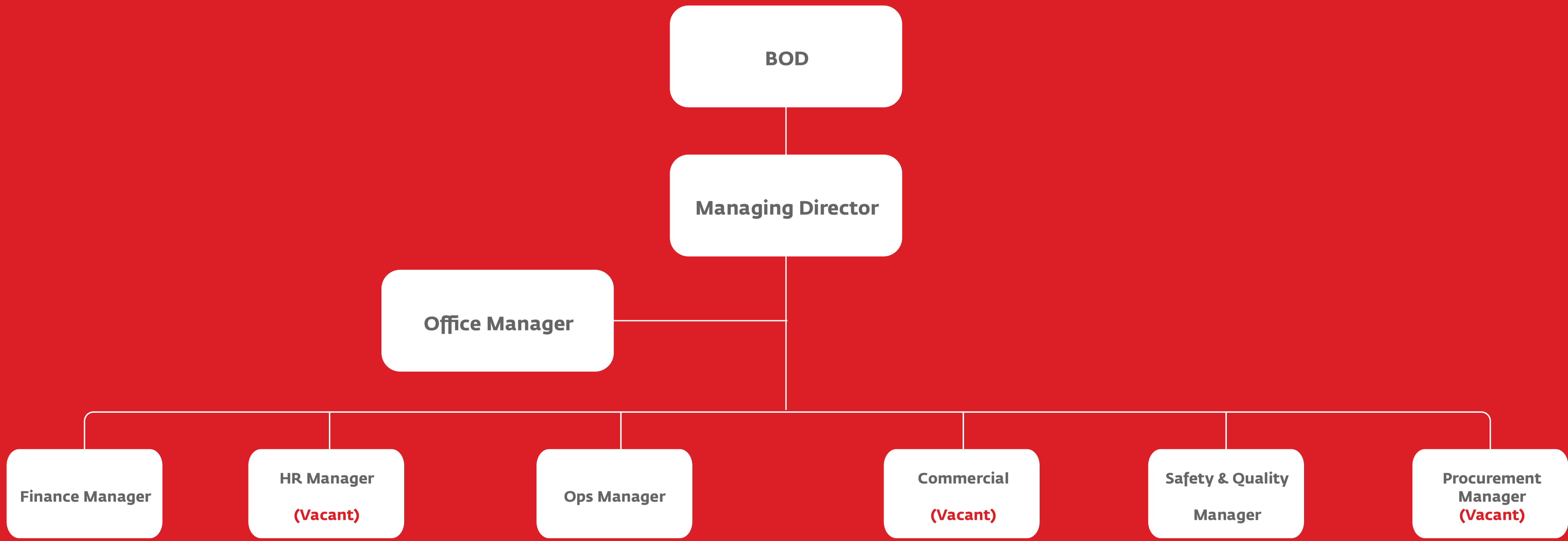
Royal Jordanian's Corporate Structure

- **Board of Directors**
  Headed by Chairman
  H.E Said Darwazah
  - **Audit Committee**
    - **Internal Audit**
      Executive Assistant
      Mr. Abdullah Qadadeh
  - **President / CEO**
    - **Puplic Relations** – Executive Assistant – **Mrs. Razan Al-Jabarat-Acting**
    - **Corporate Security** – Executive Assistant – **Mr. Akram Jama'at**
    - **Legal Affairs** – Executive Assistant – **Ms. Fadia Ashouri**
    - **Corporate Safety** (SMS) – Director – **Capt. Nuwar Alshare**
    - **Corporate Quality Management** – Director – **Capt. Carol Alrabadi**
    - **National Distribution** – Director – **Mr. Mohammad Azzaizeh**
    - **Social Media & Corporate Communication** – Director – **Mrs. Razan Al-Jabarat**
    - **Engineering & Maintenance** – Head of Department – **Mr. Rami Alhussini**
    - **Human Resources** – Head of Department – **Mr. Ahmad Subaih**
    - **Operations** – Vice President – **Capt. Ghassan Obeidat**
      - **Crew Training & Standards** – Head of Department – **Capt. Zaid Kalbouneh**
      - **Flight Operations** – Cheif Pilots – **Capt. Mahmoud Shurafa**
      - **Inflight Services** – Director – **Mr. Omar Sleibi**
      - **Operations Control Center** – Director
    - **Services & Product** – Vice President – **Mr. Fawzi Mulki**
      - **Airport Services** – Head of Department – **Mr. Omar Masri**
      - **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**
      - **Frequent Flyer** – Executive Assistant – **Ms. Yola Issac**
      - **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 staff numbers and qualifications in the parent and subsidiaries at end of 2020:

Academic Qualifications	Royal Jordanian	Royal Tours	Tikram	Total
PhD	3	0	0	3
MA	91	0	0	91
BA	1436	25	42	1503
Diploma	539	2	8	549
High School	428	4	134	566
Below High School	886	1	0	887
Total	3383	32	184	3599

RJ number includes 269 employees working in outstations

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 at improving staff level of efficiency and maintain standards of safety for RJ's passengers and aircraft. In 2020, the company provided training for the staff through 339 courses in which 3,490 participant from different departments took part to improve their managerial, technical, 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	16	153
Technical Courses	316	3229
Managerial Courses	7	108
Total	339	3490

Risks

The Company deals with various types of risks within 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 Executive Management. The Board of Directors makes sure 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:

Risks of events leading to the discontinuation of the company's operations:

The world has suffered and is still suffering from the risk of communicable diseases and epidemics throughout the ages, one of which it has been facing since late 2019, the coronavirus pandemic, which has greatly affected all economic, commercial, and industrial sectors, and is considered a key factor in the significant decline in air traffic in the world due to the lack of turnout travelers to travel and the procedures and restrictions recently imposed by countries to limit the spread of the virus, which have complicated travel operations.

Royal Jordanian includes among the risks it is facing, the risk of communicable diseases and epidemics and deals with this risk through continuous communication with the Crisis Management Center, Jordanian Ministry of Health, and World Health Organization to update its procedures periodically and continuously to reduce the impact of any risk associated with communicable diseases and epidemics, implement the highest safety standards, and reduce its impact on travelers. Royal Jordanian also periodically trains air crews and ground staff on how to deal with disasters and crises, including communicable diseases, or epidemics, and an integrated guide has been prepared for employees on how to deal with the coronavirus pandemic.

Royal Jordanian worked to project the impact of the pandemic on its financial expectations for the coming years, despite the inability to reach a final and definitive assessment of the consequences of the financial impact due to the lack of a deadline for the end of the pandemic and the gradual return of normal passenger traffic, which creates another danger, which is the possibility that the economic impact of the pandemic may be worse than it is expected.

Geographical Location Risks

Most 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 tension is taking place in some neighboring Arab countries. The company has to adapt in its operations within 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 this type of airlines on the company's market share, through improving the standard of services provided, rising to the level of passengers' satisfaction, simplifying travel procedures, providing more travel choices, and benefiting from its membership in the "**one**world" alliance.

In addition, the world will suffer from the economic effects of the coronavirus pandemic, which directly affected the performance of the global air transport industry and the decrease in the volume of demand for travel traffic, and in this context, the company has taken a package of measures that will mitigate the impact of the drop in demand on the company's business.

Financial risks, including debt financing, liquidity, and company continuity risks:

Since its establishment, Royal Jordanian has been working to overcome any obstacles, or difficulties that represent a fundamental threat to the company's continuity, and despite the many losses that the company has suffered, the principle of continuity confirms that the company will continue to practice its business for a sufficient period in order to achieve its goals and obligations.

The critical financial situation that the company is currently going through and the accumulated losses that exceeded 88% of the company's capital contributed significantly to considering the company's ability to continue its business as one of the most important risks it faces.

Royal Jordanian works to reduce this risk by obtaining the necessary guarantees and government support, restructuring the capital, and communicating with major shareholders to increase the company's capital, and enhance the liquidity necessary to pay its obligations. In addition to restructuring the company's operations in line with the company's current situation and to meet the demand for travel.

The company works to manage liquidity risk by ensuring the availability of cash and bank facilities to pay all the obligations of the company and managing cash effectively and efficiently. During the pandemic, the company took specific and general measures to protect and manage liquidity to avoid any possibility of liquidity restrictions, or shortages that may result from the coronavirus pandemic.

The company worked within a clear plan to reduce debt risks, as all the company's dues were analyzed and negotiations with suppliers and banks to reschedule payments in line with available liquidity and future expectations. Payments for canceled flights and the refund mechanism for travelers were also analyzed.

Credit Risks

The company follows a clear credit policy in 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 situation 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 15% of the total operational expenses for the year ended 31.12.2020. 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 internationally best practice for air carriers in this field.

Fluctuations of Interest Rates

The company is exposed to fluctuations in interest rates 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 rates swaps to reduce the risk of fluctuations and subsequently the cost of borrowing.

Fluctuations of Exchange Rate

The company is exposed to changes in the rates of exchange between the Jordanian Dinar and various other currencies. Most of the company's revenue comes from the sale of tickets abroad in the local currency of each country. In order to reduce the effect of fluctuation of 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 JOD, or USD depending on the needs of the company, within a clear policy based on market study and trends. Next to the USD, EUR and GBP form the major part of the company's revenue, in addition to the JOD which does not constitute any risk since its rate of exchange is tied to the USD.

Risks of the work environment during a pandemic:

Proceeding from the keenness of Royal Jordanian to keep the air transport movement going during the pandemic to secure the transportation of passengers to and from the Kingdom and the conduct of air cargo flights, the company was able to quickly adapt its policies and procedures to serve and facilitate the movement of passengers and employees, taking into account that the safety of travelers and workers is a top priority for the company.

The company has worked to activate the policy of working from home and flexible work, and formulating a manual of procedures to control the work process of employees and their return to work, taking into account defense orders and applicable laws and regulations. The company has also devoted all available technical means to facilitate the work of employees from various locations while ensuring the highest levels of information security and confidentiality.

Electronic Systems Risks

In light of the great and accelerating development in the field of electronic systems, we face a new kind of risk which 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 business. Any delay in supplying the company with these materials, or spare parts might lead to 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.

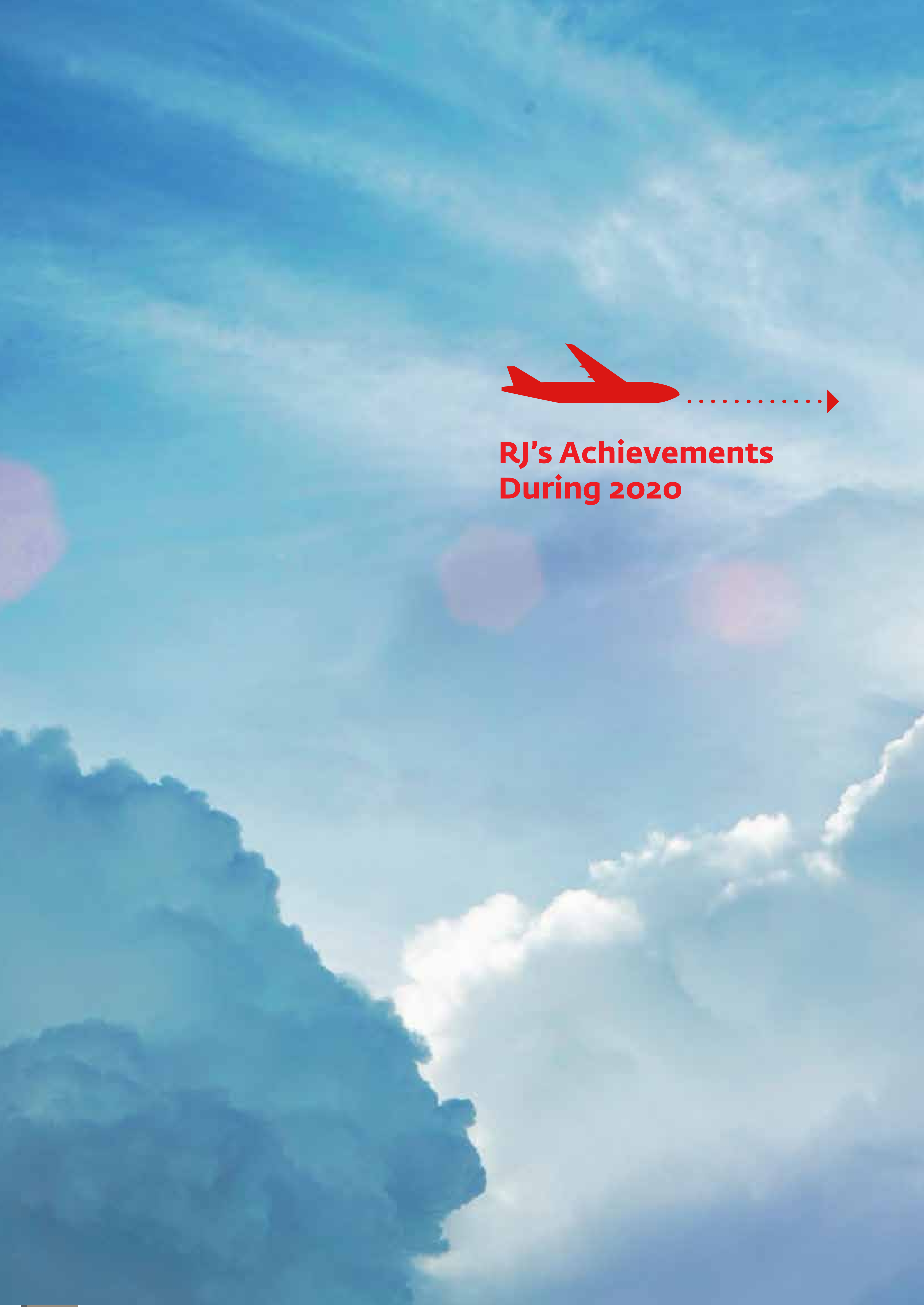
Financial Effect of Non-Recurring Operations

RJ's operations are recurring operations. There is no financial effect to 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				
	2020	2019	2018	2017	2016
Realized Profit/Loss (JD'000)	(161,060)	10,383	(5,857)	274	(24,571)
Dividends	-	-	-	-	-
Shareholders' Equity (JD'000)	(9,679)	126,732	116,478	100,335	75,111
Share Price at year end	0.19	0.36	0.37	0.44	0.44

Royal Jordanian's main activities and achievements in 2020



RJ's Achievements During 2020

Royal Jordanian drew strength from previous achievements to maintain its distinguished record and cope with the challenges posed by the coronavirus pandemic in 2020.

The magnitude of the difficulties the company faced last year, and that still negatively affect the airline industry and the world economy, cannot be ignored. Due to the pandemic, Royal Jordanian, like the rest of the aviation sector, suffered great damage in view of the unprecedented drop in the number of tourists, travel restrictions, quarantine measures, and intermittent closures that most countries witnessed.

In 2020, Royal Jordanian had to cancel more than 14,160 flights and reduce the capacity on the various sectors of its network. However, by implementing different measures and initiatives stipulated in its strategic plan, the airline was able to mitigate the magnitude of these challenges, as shown below.

Measures taken to alleviate the financial consequences of the pandemic:

To address its financial and monetary situation, affected by the pandemic, the airline took new decisions and measures as follows:

- Negotiated with the major suppliers, aircraft lessors and banks to delay due payments and be given grace periods from 3 to 6 months.
- Tried to reduce cost by reviewing contracts.
- Froze all capital expenditures.
- Implemented all defense orders and decrees issued by the government and the Social Security Corporation, which significantly helped reduce the fixed costs and supported the cash flow.
- Got a loan from one of the Jordanian banks and secured cash flow through the Central Bank of Jordan.
- Prepared a future business plan to help the airline face the exceptional circumstances forecast in the coming years.

All these measures helped ease the company's financial burden.

Flexible COVID policy:

In response to the pandemic, passengers whose flights were canceled were offered a variety of rebooking options: waived change fees, transferable credit vouchers, open tickets, refund according to ticket/country rules. Also, during the pandemic, there was 24/7 remote call center support that handled rebooking requests from all sales points, including travel agents.

The route network:

The company continuously revisits its route network to improve its connectivity and strengthen its operational position, thus honoring the company's objective of offering the best services to its passengers. The airline is still committed to following up on its plans to restore all the operations affected by COVID and adjusting flight frequencies to the currently served destinations. Additionally, it works on enhancing the connectivity between flights from/to Amman and their timetables, to best serve transit passengers.

Alliances:

The **one**world airline alliance, of which RJ and a number of the world's best airlines are members, serves nearly 1,000 airports, thus offering an extensive network and options for RJ customers. RJ has code-share agreements with the member airlines. The membership helps the joint projects that aim at reducing costs succeed and the exchange of expertise among the alliance members.

Repatriation flights (March 20-October 20):

In line with the government's plan to evacuate the Jordanian students and citizens stranded abroad, Royal Jordanian developed end-to-end solutions to successfully carry out this mission, through simplified booking processes entailing customized, cost-effective and time-efficient digital solutions, while managing the requirements of the National Center for Security and Crisis Management through a special platform. RJ also offered additional, fast and secure options to book and pay for tickets. The solution included land transportation and hotel quarantine vouchers, and the engagement of employees and systems to provide a full-mode operational and sales support and adapt very quickly to changing situations. Additionally, RJ outstations established an effective procedure to ensure the passengers' smooth entry to their final destination, in spite of the existing travel limitations.

Engineering and maintenance:

Although Royal Jordanian fleet operations were reduced by 71% due to the pandemic, the Engineering and Maintenance Department continued to perform loads of work to maintain the fleet airworthiness and its fitness to fly once flights are back to normal. The department did this through continuous huge efforts to accurately implement the manufacturers' recommendations regarding the technical maintenance of the aircraft whose flights were suspended.

Technical training courses were held online due to the physical distancing requirements; the courses were fully compliant with the requirements of the Jordanian Civil Aviation Regulatory Commission. The virtual courses helped save travel and accommodation costs.

Information technology:

During the COVID pandemic, the IT sector proved to be of immense help to the employees handling data, content and digital applications, ensuring the work efficiency and continuity amid closures and the physical distancing imposed in most countries. The employees had to work from home, complying with the measures imposed by lockdowns; therefore, RJ provided its employees with the necessary devices and tools to ensure the smoothness of this process. It also implemented advanced IT systems in various fields aiming at finding innovative solutions to help adapt to the situation, enhancing the operations, and finding safe travel solutions to passengers such as:

- ARA Amadeus Revenue Accounting system:

Following its technology strategy to unify its core environment under the Amadeus platform, RJ implemented Amadeus Revenue Accounting system which enabled the airline to take control of its revenue accounting functions with real-time recording, management and reporting of all planned and actual revenues from any sales channel. This complemented the state-of-the-art services provided by Amadeus passenger solutions, which allow prompt coupon evaluation and usage registration once the flight doors are closed. It also ensured the billing integrity and simplified the invoicing and settlements with all **one**world members and interline partners.

- Digital boarding passes and baggage tags:

As part of the IT process of optimizing the paperless initiative during 2020, RJ's IT team successfully introduced significant services related to home baggage tags printing and digital boarding pass issuance. The digital baggage tag allows RJ customers to pre-print their baggage tags from home, which helps complete the check-in process before arriving at the airport.

The digital issuance of the boarding passes at the airport counters also reduces the need to print boarding passes at airports, enabling passengers to submit them at check-in counters through their cell phones. This reduces the time spent at the check-in counters and improves the passenger experience.

- ISO27001 compliance:

Royal Jordanian complies with the globally recognized Information Security Management System ISO 27001, which ensures that all the airline operations and procedures comply with the international standards; it enables safe data exchange processes and keeps passengers' information confidential, which in turn increases their trust and satisfaction. Earning this certificate proves RJ's keenness to best protect passengers' data confidentiality and confirms its ability to manage potential risks.

ISO/IEC 27001:2013 (also known as ISO27001) was the most suitable solution for RJ needs due to its global recognition and its ability to ensure a continually improved lifecycle. RJ's compliance with ISO27001 started in 2018; gaps were covered and modified in a business framework in 2019, while the certificate was officially obtained in 2020.

- Cyber security services:

One of the major pillars of the digital transformation is the cyber security and data protection. This is needed by the company to ensure timely detection of any possible threats, to secure the continuity of operations and to support business objectives. In mid-2020 and throughout the pandemic, the company deployed the full security detection and response services platform through one of the leaders in this domain.

Frequent flyer program 'Royal Club'

Royal Jordanian has implemented a set of measures for the benefit of the frequent flyers during the past year and in light of the COVID repercussions, which negatively affected travel plans. These measures included extending the membership of frequent flyers whose tier status expired between March 15 and June 30, 2020, for a period of 6 months from the original expiry date, at the same time extending all associated tier benefits. Also extended was the membership of frequent flyers whose tier status expired between July 1 and December 31, 2020, for a period of 3 months from the original expiry date, together with all associated tier benefits. The validity of award miles was extended for Royal Club corporate accounts that expired between March 15 and June 30 for a period of 6 months from their original expiry date. In addition, the program suspended tier downgrade and account deactivation due to lack of activities in 2020. Moreover, the validity of award tickets issued against miles was extended for up to 18 months, depending on the route and the expiry date of the ticket.

As the situation continued to evolve, RJ opted to implement further actions to help alleviate the impact on frequent flyers. The FFP extended tier status validity for Platinum HAWK, Gold SPARROW and Silver JAY members with statuses expiring between September 1, 2020, and March 31, 2021, for an additional period of 6 months from the original expiry date, also extending all associated tier benefits.

For Royal Club Corporate accounts, the FFP extended the validity of award miles expiring between July 1 and December 31, 2020, for a period of 6 months from their original expiry date.

ISAGO Certification Renewal:

IATA renewed RJ's IATA Safety Audit for Ground Operations (ISAGO) certification for the seventh time since the airline first received this license in 2008. This acknowledgment attests to the efficiency of the ground-handling operations RJ carries out for its and other carriers' aircraft at Queen Alia International Airport.

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.

Ground-handling operations:

RJ's ground-handling operations include: passenger check in and boarding, baggage services, cabin appearance, cargo and warehouse handling, and light maintenance.

Since the pandemic started, RJ exerted utmost efforts to facilitate the return of thousands of Jordanians back home. Thus, the airline, in cooperation with the National Center for Security and Crisis Management, successfully implemented the planned program of repatriating Jordanians. It also operated flights for Palestinians, helping them to return to the West Bank, in cooperation with the Palestinian National Authority. Moreover, RJ implemented a number of measures to deal with the pandemic, including providing personal protective tools for employees and passengers, and training the employees from the cabin appearance department to conduct aircraft sterilization.

Air Cargo

Air cargo was not spared the repercussions of the pandemic. However, Royal Jordanian was able to overcome the negative impact on this sector through flexibility and efficiency, and through implementing a set of dynamic solutions and effective plans, while keeping the focus on offering the best service to the local market. Royal Jordanian exerted significant efforts to increase cargo revenues and adopt feasible solutions to timely carry e-commerce goods at competitive costs, through building a network that connects Jordan and other countries to meet the increasing regional and global demand for e-commerce. It also assigned a qualified team to deal with customers and meet their needs, which helped RJ be a main player in the e-commerce regional market.

Moreover, RJ was the first airline in the Middle East to use passenger aircraft seats for cargo, operating more than 350 flights (mostly Boeing 787, A320 and A319) between March 17 and December 31, 2020, exclusively for carrying cargo. RJ operated 569 cargo flights, 211 on cargo aircraft and 358 on 787s and other aircraft from its fleet.

Tikram:

Tikram provides different travel services, including receiving passengers, and facilitating the travel of arriving, departing and transit passengers at Queen Alia International Airport. Tikram, an investment project owned by RJ, boosts the airline revenues from non-core services that complement air travel, and offers enhanced ground services for a better customer satisfaction.

Tikram was also negatively influenced by the suspension of air traffic and the drop in the number of passengers due to COVID. It provided some of its services during the repatriation flights in April, May and June 2020; 35% of its operational capacity was utilized in September, when air traffic started to gradually return, implementing all preventive instructions imposed at Queen Alia International Airport. The company's operations grew to 65% by the end December 2020. The company was committed to pay 50% of its employees' salaries, in line with the defense laws issued by the Jordanian government.

Analysis of the Company's Financial Position and 2020 Business Results

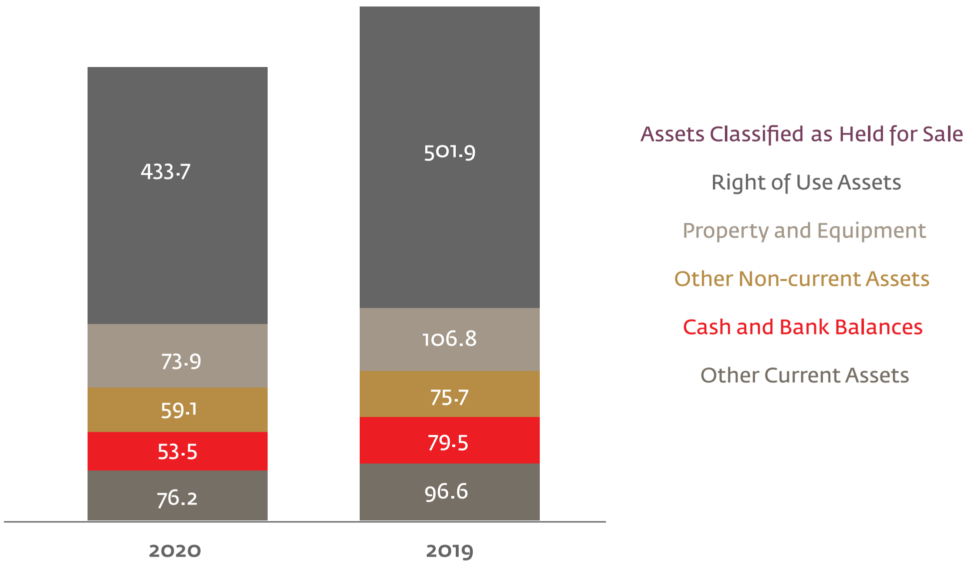
Analysis of the Company's Financial Position and 2020 Business Results

Analysis of the Financial Position

Assets

Assets decreased by 19% over 2019 (JD 164.1M) mainly due to the decrease in the right of use assets balance by JD 68.2M caused by depreciation. In addition, property and equipment dropped by 32.9M as a result of depreciation during the year as well as booking an impairment provision on the Embraer fleet amounting to JD 19.9M.

In addition, the outbreak of COVID-19 during 2020 negatively affected the Company's sales and that in turn had an impact on cash and account receivables pushing them down by JD 36.5M when compared to last year.



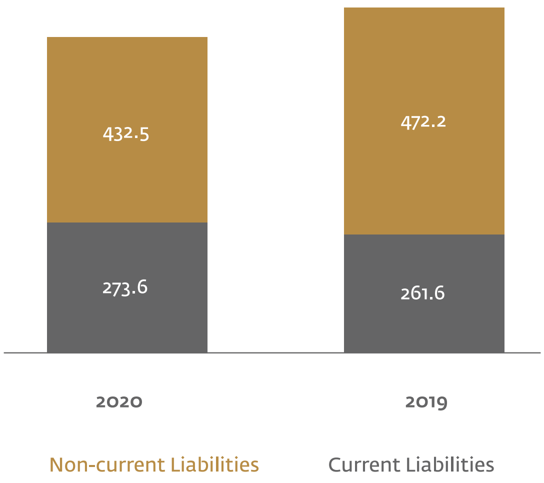
Equity

Total shareholders' equity decreased by JD 136.4M, demonstrating a drop of 108% in 2020. The main reason behind this drop is the loss for the year amounting to JD 161.1M. This loss is attributable to the sharp decline in revenues and the cessation of operations as well as the closure of borders for a long spell in 2020 due to the COVID-19 pandemic. This was offset by the Company recording an amount of JD 25M as payments in respect of capital increase.

Liabilities

Non-current liabilities decreased by JD 39.7M over 2019, demonstrating an 8% drop. This is due to the decrease in long-term lease obligation by JD 62.5M. On the other hand, long term loans increased by JD 22.8M as the Company signed a loan agreement with Capital Bank that amounted to JD 50M bearing an annual interest rate of 1%. The Company has utilized an amount of JD 35M of this facility as of 31 December 2020.

Current liabilities increased by JD 12M, demonstrating a 5% rise. This is mainly due to the increase in short-term lease obligations by JD 17.2M after deferring JD 13M of due lease payments from the year 2020 to 2021. In addition, supplier payables increased by JD 15.7M as a result of the Company's efforts to reschedule its dues and delaying some payments in an attempt to maintain critical cash levels without harming the relationship with those suppliers. Conversely, deferred revenues decreased by JD 13.5M due to the shutdown of operation and the high demand for returns.



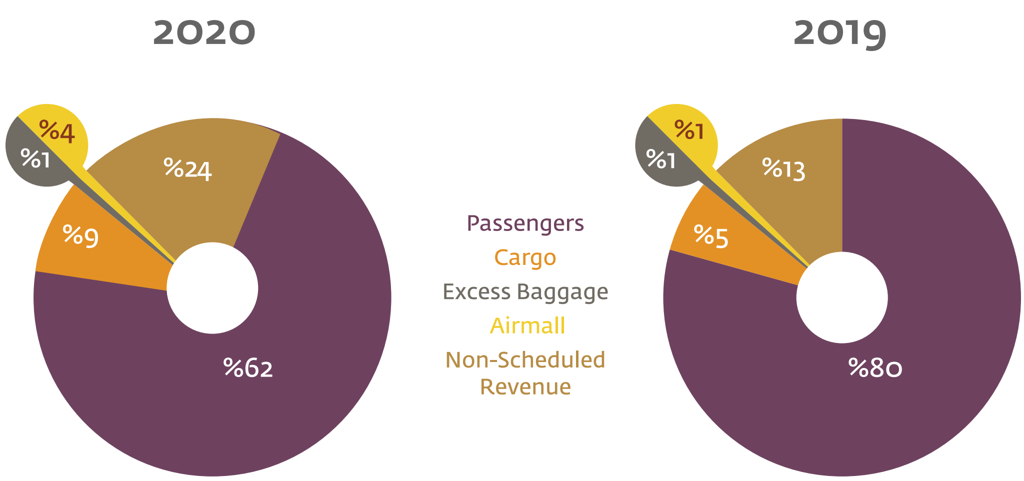
Analysis of Business Results

Revenues:

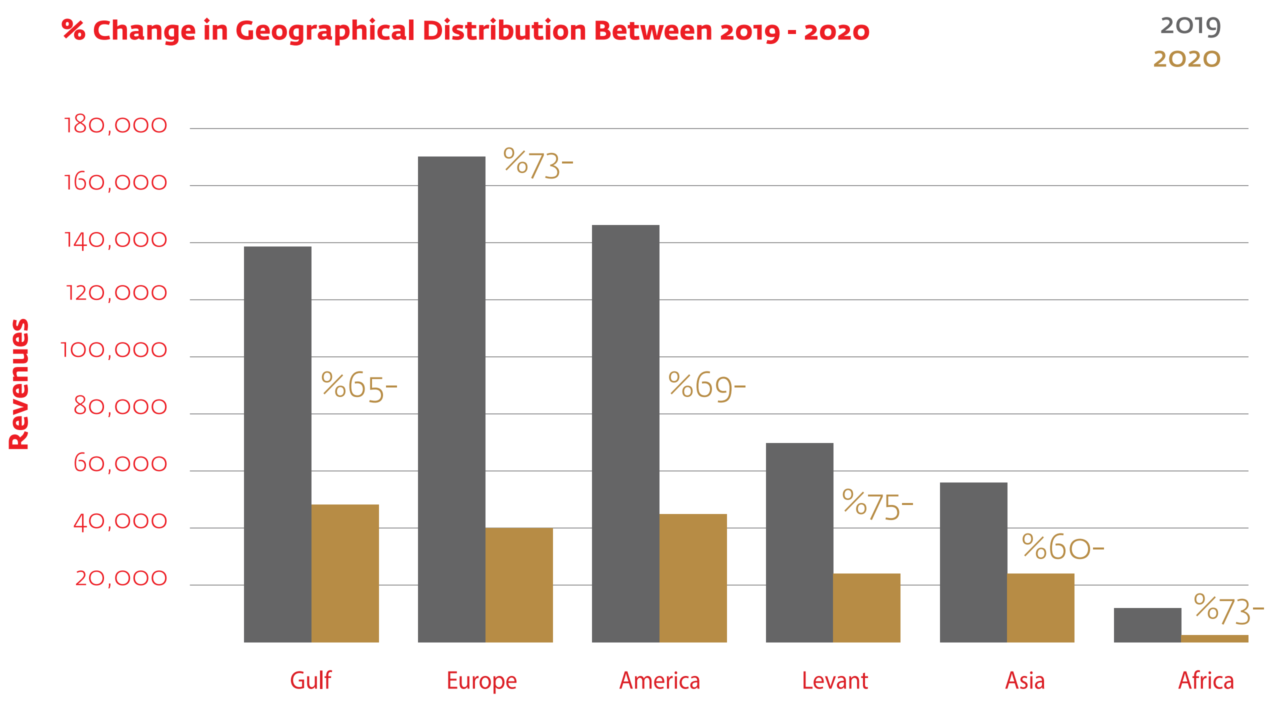
Total revenues amounted to JD 212.6M in 2020 against JD 660.6M in 2019, demonstrating a drop of 68%.

The main reason behind the drop in revenues is the decrease in passenger revenues by JD 398M due to the diminishing demand on travel as a result of the outbreak of the virus, and the suspension of all Company's operations on March 17th based on a governmental decision of closing the airport. The Company was serving only repatriation flights booked via the National Center for Security and Crisis Management. In addition, cargo revenues on scheduled flights decreased by JD 11.5M in 2020.

On the contrary, cargo revenues on chartered flights have increased by JD 9.6M in the year 2020 when compared to 2019 and that is mainly due to the usage of passenger aircrafts as freighters. The number of cargo chartered flights on passenger aircrafts was 145 flights in 2020.



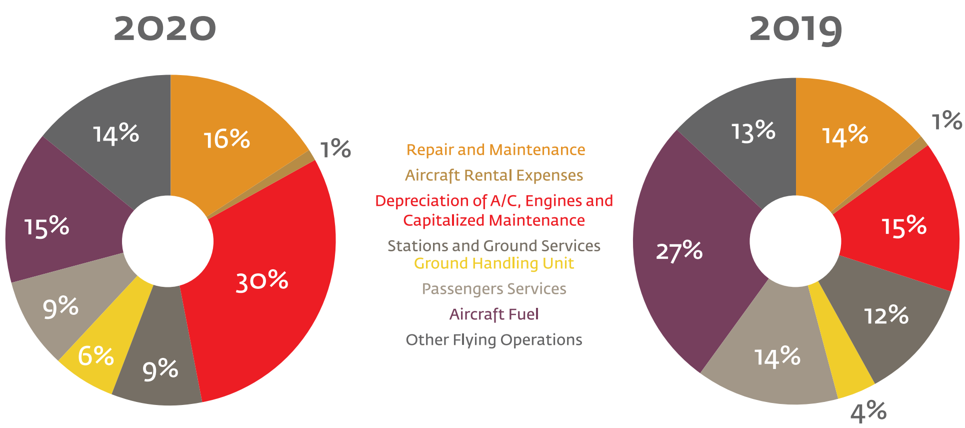
% Change in Geographical Distribution Between 2019 - 2020



Cost of Revenues

Cost of revenues decreased in 2020 by JD 270.7M compared to 2019, demonstrating a 49% drop. This can be attributable to the following reasons:

- Decrease in the flying operations cost by JD 135.4M, mainly due to the drop in aircraft fuel costs by JD 104.1M representing a 71% drop as a result of the suspension of operations caused by the virus outbreak.
- Decrease in passenger services costs by JD 53M, mainly due to the drop in reservation costs by JD 18.7M, catering costs by JD 12.2M, as well as other passenger related costs as a result of the decline in the total number of passengers by 77% compared to last year.
- Decrease in the stations and ground services costs by JD 48.4M and the decrease in the repair and maintenance costs by JD 33.4M, and that is also attributable to the outbreak of the virus and its effect on the total number of departures and flight hours, which in turn is reflected on maintenance provisions.



Gross Loss and Net Operating Loss

The total gross loss in 2020 amounted to JD 63.9M compared to a gross profit of JD 113.4M in 2019 and that is due to the fact that revenues have decreased by a greater percentage than costs of revenues. This is mainly due to the inclusion of some fixed costs that do not change with the change of the operating level, especially in the short term.

Net operating loss for the year 2020 amounted to JD 125.1M compared to a net operating profit of JD 45.5M in 2019.

Net Loss

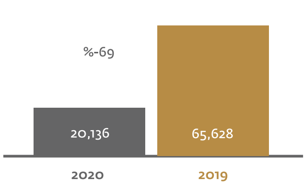
The Company recorded a net loss of JD 161.1M in 2020 compared to a net profit of JD 10.4M in 2019. This is caused by the outbreak of COVID-19 and its consequences that led to the suspension of travel and closure of boundaries with other countries which in turn had a drastic effect on revenues.

In addition to that, financial results for the year 2020 were negatively impacted by JD 19.9M as a result of replacing the fuel volume discount with the waiver on fuel taxes as well as lower consumed amounts during 2020. Total discount for the year 2020 amounted to JD 1.6M compared to JD 21.5M in 2019.

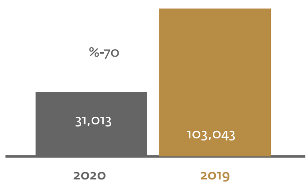
Our Financial and Operational KPIs for 2020

Our Operational KPIs

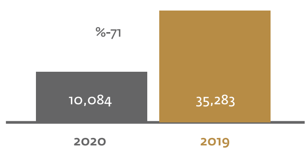
Aircraft Kilometers (000')



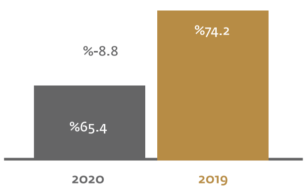
Flying Hours



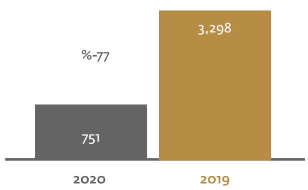
Number of Departures



Seat Factor %



Number of Passengers (000')



Below is a summary for the main financial ratios and indicators for the period 2019-2020:

Financial Ratios	2020	2019	% Change
Revenues	212,623	660,607	(68%)
Gross (Loss) Profit	(63,889)	113,419	-
Net Operating (Loss) Profit	(125,086)	45,492	-
Net (Loss) Profit	(161,060)	10,383	-
Non-Current Assets	566,686	684,452	(17%)
Current Assets	129,748	176,040	(26%)
Total Shareholder's Equity	(9,679)	126,732	(108%)
Paid in Capital	274,610	274,610	0%
Net Cash Flow from Operating Activities	(6,244)	118,456	(105%)
Return on Paid in Capital	(58.7%)	3.8%	(1,651%)
Return on Assets	(23.1%)	1.2%	(2,017%)
Current Ratio	0.47	0.67	(30%)
Debt to Total Assets Ratio	101.4%	85.3%	19%
Equity to Total Assets Ratio	(1.4%)	14.7%	(109%)
Debt Ratio	101.9%	81.3%	25%
Share Price at End of Year (JD)	0.19	0.36	(47%)
Earnings per Share	(0.5863)	0.0381	(1,639%)
Number of Shares Paid and Subscribed at End of Year ('000)	274,610	274,610	0%

Company Future Developments in 2021

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.

RJ is also committed to follow up on its plans to recover from the effects of COVID-19 and 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.

RJ will continue to serve most of it current routes in 2021. These routes will be served by 293 weekly departures: 70 departures to Europe, 109 to the Arabian Gulf, 94 to the Levant, 17 departures to North America, and 3 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.

As such the company fleet in 2021 will consist of:

Type of Aircraft	No. of Aircraft in 2021
Boeing 787	7
Airbus 321	2
Airbus 320	4
Airbus 319	5
Embraer 195	2
Embraer 175	2
Airbus A310 (cargo)	1
Total	23

Future Plans: **one**world Alliance and Code Sharing

Since joining the **one**world 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 passenger can have access to and from Amman.

At the same time RJ enhanced in 2020 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 Airlines, Iberia, Malaysian Airlines, Qatar airways, Royal Air Maroc and Siberia Airlines (S7). 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 and Tunis Air.

The airline will continue in 2021 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 different recovery scenarios owed to COVID-19 pandemic. Network improvements and partnerships are also under development to enhance the Company's network plans on the medium and long-term periods.

Audit Fees

Audit fees for RJ and its subsidiaries for 2020 were as follows:

- Royal Jordanian audit fee JD 81,200 inclusive of tax.
- Royal Wings audit fee JD 3,000 inclusive of tax.
- Royal Tours audit fee JD 2,784 inclusive of tax
- Tikram (Mashreq flight services) JD 2,000 inclusive tax.

Shares Owned by the Board of Directors and their relatives compared to last year

Name	Number of shares as of	
	31.12.2020	31.12.2019
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	6,250	5,000
H.E. Malek Habashneh	-	-
H.E. Mr. "Mohammad Ali" Bdair	7,699	7,699
H.E. Dr. Emad Hejazeen Since 25/6/2020	-	-
H.E. Ms. Rand Hannun Since 25/6/2020	-	-
H.E. Mr. Michael Nazzal Until 25/6/2020	-	5,000
H.E. Mr. Nizar Khoury Until 25/6/2020	-	-

Shares owned by relatives of members of the Board of Directors by the end of 2020:

Member Name	Relative Name	Relation (Spouse & Underage children only)	Nationality	Number of shares as of	
				31.12.2020	31.12.2019
HE Mr. Michael N. Nazzal Until 25/6/2020	Mona Kamal Issa Naffa	Wife	Jordanian	-	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 2020.

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 2020.

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

Name	Nationality	Number of shares as of	
		31.12.2020	31.12.2019
Ms. Amal Hattar	Jordanian	296	296

There are no shares owned by other members of the Senior Executive Management or their relatives during 2020.

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 2020.

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 2020.

Board of Directors Benefits and Remunerations

Below is a table of remunerations and benefits received by the Chairman and Board members in 2020 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 al-Salem	Vice Chairman	5000	-	-	5000
H.E. Mr. Omar Malhas	Member	4500	-	-	4500
H.E. Dr. Abdelhakim Shibli	Member	3500	-	-	3500
H.E. Malek Habashneh	Member	5000	-	-	5000
(Social Security Corporation) H.E. Mr. Saoud Nsairat	Member	5000	-	-	5000
H.E. Dr. Emad Hejazeen (1)	Member	2600	-	-	2600
H.E. Ms. Rand Hannun (2)	Member	2100	-	-	2100
H.E. Mr."Mohammad Ali" Bdair (3)	Member	5000	-	-	5000
H.E. Mr.Michael Nazzal (4)	Member	2400	-	-	2400
H.E. Mr. Nizar Khoury (5)	Member	1900	-	-	1900
Total		**37000**			**37000**

(1) H.E. Dr. Emad Hejazeen has been appointed as a representative of the Government Investments Management Company on 25/06/2020

(2) H.E. Ms. Rand Hannun has been appointed as a representative of the Government Investments Management Company on 25/06/2020

(3) Mr. "Mohamed Ali" Bedair was appointed as the representative of "MINT TRADING MIDDLE EAST LIMITED" on 25/06/2020, as before this date he was one of the natural members of the Board of Directors.

(4) Membership has ended by the end of the Board of Directors cycle on 25/06/2020

(5) Membership has ended by the end of the Board of Directors cycle on 25/06/2020

Senior Executive Management Benefits and Remunerations

Below is a table of remunerations and benefits received by Senior Executive management during 2020 in JD:

Name	Title	Annual Salaries	Annual Remuneration	Travel Allowance (JD)	Total Annual Benefits
Mr. Stefan Pichler	President/CEO	276,411.87	223,248.262	3,506.10	503,166.232
Mr. Feras Qarrain	Executive Vice President/Finance & Resources	178,596.33	-	-	178,596.33
Ms. Basma Majali	Vice President/ Commercial	68,926.27	-	-	68,926.27
Captain Ghassan Obeidat	Vice President/ Operations	103,295.56	-	-	103,295.56
Ms. Amal Hattar	Vice President/ Finance	63,735.66	-	240	63,975.66
Ms. Suha Al Arda	Vice President/ Treasury	63,911.43	-	240	64,151.43
Dr. Fawzi Mulki	Vice President/ Services & Product	70,828.35	-	-	70,828.35

Donations and Grants made by the company in 2020

Activities	Amount (JD)
Royal Medical Services	50,000
Royal Jordanian Staff Club	5,000
Others	4,146
Total	**59,146**

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:

- 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.

Corporate Social Responsibility

Royal Jordanian has been serving the local community since its establishment

Royal Jordanian is Jordan's national carrier that always strove to serve Jordanians, who were not forsaken even when circumstances were difficult, as they have been since our beloved country has been hit, like the entire globe, by the pandemic. During the current crisis, the airline proudly played a significant humanitarian role by repatriating Jordanians to their homeland, a role played as part of RJ's mission to serve Jordan and Jordanians ever since it was established, 56 years ago.

The repatriation was planned and implemented in cooperation and coordination with the relevant government entities; RJ devoted all its technical and humanitarian resources to this mission, offered low ticket prices for the returning students and stranded Jordanians, selflessly, without seeking profit. The prices only covered the direct operational costs; it should not be forgotten that the flights departing Amman were almost empty, which increased the operating cost. RJ is extremely proud of having operated those flights in difficult times, and the efforts exerted by its employees and all the other concerned parties are to be commended.

Royal Jordanian was honored to carry out His Majesty King Abdullah's instructions to repatriate tens of Jordanian and Arab students from the Chinese city of Wuhan in January 2020. At the time, it was the first international airline to land in Wuhan to repatriate Jordanians and Arabs following the outbreak of coronavirus in the city from where the pandemic spread globally.

Royal Jordanian also contributed to the purchase of medical equipment needed to face the COVID outbreak and its negative impact on the health sector by the Royal Medical Services. The contribution was done because the airline believes in the professional medical care Royal Medical Services offer Jordanians and is proof of the Company's determination to cooperate and work to best serve the country under the current circumstances.

Royal Jordanian contributes annually to the support of the Royal Jordanian Club in Marj Al-Hamam by paying part of the club's rent. The RJ Club also includes the retirees association. RJ pays this contribution because it is keen to boost the social bonds among the employees and to help them achieve the stated goals of the club.

Independent Auditor's Report and Consolidated Financial Statements for 2020.

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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 2020, 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 financial statements present fairly in all material respects the financial position of the Group as at 31 December 2020 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.

Material Uncertainty Related to Going Concern

As disclosed in note (2-1) to the consolidated financial statements, the Company's accumulated losses of JD 246.4 million as of 31 December 2020 represents 90% of the Company's capital. Also, the Company's current liabilities exceeded its current assets by an amount of JD 143.8 million as of 31 December 2020. These events or conditions indicate that a material uncertainty exists that may cast significant doubt about the entity's ability to continue as a going concern. According to Article (266) of the Jordanian Company's Law No. 22 for the year 1997 and its amendments, if the accumulated losses of the public shareholding company exceed 75% of its capital, the Company shall be liquidated unless the General Assembly of the Company issues a decision on its extraordinary meeting to increase the Company's capital or to deal with the Company's losses.

The Prime Ministry of Jordan resolved to authorize the Ministry of Finance to proceed with further procedures to increase the Company's capital by JD 50 million over two phases. The first phase was received during the fourth quarter of 2020 and the second phase will be received during 2021. The Company received a comfort letter from the Ministry of Finance (the Jordanian Government's representative), stating that the Government is in favor of continuing to support the Company's operations in the future. Also, the Company's management is in the process of performing the restructuring business plan that supports the Company's business continuity and its ability to recover its assets and generate future cash flows to settle its liabilities. Our opinion is not modified in this regard.

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 2020. In addition to the matter described in the Material Uncertainty Related to Going Concern paragraph, we have determined the matters described below to be the key audit matters to be communicated in our report. 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.

1. **Passenger and cargo revenue recognition** Refer to note (24) to the consolidated financial statements	
Key audit matter	**How the key audit matter was addressed in the audit**
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: - Travel restrictions imposed due to COVID-19 outbreak have significant impact on passengers and cargo revenues for the year ended 31 December 2020. - Passengers and Cargo revenues are material to the financial statements, and recognition of these revenues upon fulfillment of the performance obligation requires a process that is highly automated. In respect of customer loyalty program; the Group provides a frequent flyer program; Royal Club, in a form of free travel awards to its members on accumulated mileage earned from flights. 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.	Our audit procedures included: - Considering the appropriateness of the Group's revenue recognition policies in accordance with IFRS (15). - Testing the Group's controls around revenue recognition and key controls in the revenue cycle including those controls that requires the involvement of our IT specialists. - Testing refunds of passengers' tickets and cargo airwaybills resulted from travel restrictions during the COVID-19 outbreak. - Selecting a sample before and after the cutoff period to assess whether the revenue was recognized in the correct period. - Performing substantive analytical procedures using financial and non-financial information about the revenue figures for the year. - Selecting and testing a representative sample of journal entries. - Obtaining an understanding of management's process related to scoping and identifying the revenue streams.

2. **Lease contracts** Refer to notes (19) to the consolidated financial statements	
Key audit matter	**How the key audit matter was addressed in the audit**
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. We focus on lease contracts because: - There is a high level of judgment 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. - We need to determine whether amendments to lease contracts resulted from COVID-19 are properly accounted for as either a modification of the lease contract or as COVID-19 rent concessions arrangements under IFRS 16. - The recoverability of Right Of Use Assets "ROUA" is considered a complex area that requires the use of models, assumptions and forecasts of future cash flows to determine the recoverable amount of ROUA's.	Our procedures included: - Evaluating the application of IFRS (16) for new contracts and testing the resulted impact on the Group's consolidated financial statements. - Testing management's assumptions used in preparation of assessments related to new contracts, including if whether exemptions are acceptable and in accordance with IFRS (16) (short term leases and leases for low value assets). - Assessing 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. - Reviewing management's assumptions in determining the interest rate to be used in calculating the net present value of future lease payments, and that the there are no implicit interest rate within the lease contracts, hence, ensuring that management rationale of calculation of the average incremental borrowing rate is appropriate. - Recalculating the incremental borrowing rate used in discounting the future lease payments. - Obtaining and reviewing lease contracts' amendments and determining if such amendments are within the scope of COVID-19 rent concessions arrangements identified by IFRS 16. - Assessment of the valuation models and inputs used in the calculation of the recoverable amounts of the ROUA's and impairment losses including assessment of reasonableness of key inputs used in the valuation such as the expected future cash flows and involving our specialists to support our conclusions.

3. **Obsolete and slow-moving spare parts and other supplies** Refer to note (13) of the consolidated financial statements	
Key audit matter	**How the key audit matter was addressed in the audit**
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.	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.

Other information included in the Group's 2020 annual report

Other information consists of the information included in the 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, actions taken to eliminate threats or safeguards applied.

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 reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

The Company 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
21 April 2021

Ernst + Young

Consolidated Statement of Financial Position

At 31 December 2020

(In Thousands of Jordanian Dinars)

ASSETS	Notes	2020	2019
Non- current assets			
Right-of-use assets	19	**433,676**	501,886
Property and equipment	8	**73,896**	106,845
Advances on purchase and modification of aircrafts	9	**4,813**	4,813
Financial assets at fair value through other comprehensive income	10	**2,265**	2,697
Investments in associates	11	**16,755**	18,760
Restricted cash against lease contracts		**22,959**	37,129
Deferred tax assets	32	**12,322**	12,322
		566,686	684,452
Current assets			
Other current assets	12	**10,498**	21,158
Spare parts and supplies, net	13	**8,210**	7,409
Accounts receivable, net	14	**57,532**	68,011
Cash and bank balances	15	**53,508**	79,462
		129,748	176,040
TOTAL ASSETS		**696,434**	860,492
EQUITY AND LIABILITIES			
Shareholders' equity			
Paid-in capital	17	**274,610**	274,610
Share discount	17	**(78,205)**	(78,205)
Payments in respect of capital increase	17	**25,000**	-
Statutory reserve	17	**14,808**	14,808
Fair value reserve	10	**133**	523
Cash flow hedges		**158**	119
Accumulated losses		**(246,406)**	(85,389)
		(9,902)	126,466
Non-controlling interests		**223**	266
Net (deficit) total shareholders' equity		**(9,679)**	126,732
LIABILITIES			
Non- current liabilities			
Long-term loans	18	**95,428**	72,598
Long-term lease obligations	19	**336,683**	399,177
Other long-term liabilities	20	**413**	393
		432,524	472,168
Current liabilities			
Bank overdrafts	15	**-**	2,895
Current portion of long-term loans	18	**26,380**	22,865
Accrued expenses	21	**66,783**	74,738
Accounts payable and other current liabilities	22	**73,195**	57,545
Deferred revenues	23	**36,754**	50,271
Short-term lease obligations	19	**70,477**	53,278
		273,589	261,592
Total liabilities		**706,113**	733,760
TOTAL EQUITY AND LIABILITIES		**696,434**	860,492

Consolidated Income Statement

For the Year Ended 31 December 2020

(In Thousands of Jordanian Dinars)

	Notes	2020	2019
Revenues from contracts with customers	24	**212,623**	660,607
Cost of revenues	25	**(276,512)**	(547,188)
Gross (loss) profit		**(63,889)**	113,419
Administrative expenses	27	**(16,067)**	(20,922)
Selling and marketing expenses	28	**(23,929)**	(46,150)
Impairment loss on aircrafts	8	**(20,750)**	-
Other provisions	13,14	**(451)**	(855)
Net operating (loss) profit		**(125,086)**	45,492
Group's share of (losses) profits of associates	11	**(867)**	2,343
Other expenses, net	26	**(2,306)**	(2,025)
Gain on disposal of property and equipment		**-**	112
Provision for voluntary termination	30	**(5,173)**	-
Loss on foreign currency exchange	37	**(1,634)**	(1,772)
Finance costs	29	**(26,959)**	(33,087)
Interest income		**965**	1,918
(Loss) profit for the year before tax		**(161,060)**	12,981
Income tax expense	32	**-**	(2,598)
(Loss) profit for the year		**(161,060)**	10,383
Attributable to:			
Equity holders of the parent		**(161,017)**	10,393
Non-controlling interests		**(43)**	(10)
		(161,060)	10,383
Earnings per share			
Basic and diluted earnings per share attributable to equity holders of the parent	31	**JD (0.586)**	JD 0.038

Consolidated Statement of Comprehensive Income

For the Year Ended 31 December 2020

(In Thousands of Jordanian Dinars)

	Note	2020	2019
(Loss) profit for the year		**(161,060)**	10,383
Other comprehensive income			
Other comprehensive income items that will be reclassified to profit or loss in subsequent periods (net of tax):			
Net gain on cash flow hedges		**39**	119
Other comprehensive income items 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	10	**(390)**	(3,248)
Total comprehensive income for the year		**(161,411)**	7,254
Attributable to:			
Equity holders of the parent		**(161,368)**	7,264
Non-controlling interests		**(43)**	(10)
		(161,411)	7,254

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2020

(In Thousands of Jordanian Dinars)

	Attributable to equity holders of the parent									
	Paid-in capital	Share discount	Payments in respect of capital increase	Statutory reserve	Fair value reserve	Cash flow hedges	Accumulated losses	Total	Non-controlling interests	Total equity
2020-										
Balance as of 1 January 2020	274,610	(78,205)	-	14,808	523	119	(85,389)	126,466	266	126,732
Loss for the year	-	-	-	-	-	-	(161,017)	(161,017)	(43)	(161,060)
Other comprehensive income items	-	-	-	-	(390)	39	-	(351)	-	(351)
Total comprehensive income	-	-	-	-	(390)	39	(161,017)	(161,368)	(43)	(161,411)
Payments in respect of capital increase (Note 17)	-	-	25,000	-	-	-	-	25,000	-	25,000
Balance as of 31 December 2020	274,610	(78,205)	25,000	14,808	133	158	(246,406)	(9,902)	223	(9,679)
2019-										
Balance as of 1 January 2019	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 items	-	-	-	-	(3,248)	119	-	(3,129)	-	(3,129)
Total comprehensive income	-	-	-	-	(3,248)	119	10,393	7,264	(10)	7,254
Transfer to statutory reserve	-	-	-	1,299	-	-	(1,299)	-	-	-
Payments in respect of capital increase (Note 17)	-	-	3,000	-	-	-	-	3,000	-	3,000
Capital increase	28,205	(17,205)	(11,000)	-	-	-	-	-	-	-
Balance as of 31 December 2019	274,610	(78,205)	-	14,808	523	119	(85,389)	126,466	266	126,732

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2020
(In Thousands of Jordanian Dinars)

OPERATING ACTIVITIES	Notes	2020	2019
(Loss) profit for the year before tax		**(161,060)**	12,981
Adjustments for:			
Depreciation of property and equipment	8	**23,997**	21,670
Depreciation of right-of-use assets	19	**68,734**	67,351
Share of losses (profits) of associates	11	**867**	(2,343)
Finance costs	29	**26,959**	33,087
Impairment loss on aircrafts	8	**20,750**	-
Provision for expected credit losses	14	**343**	632
Provision for slow moving inventory	13	**108**	223
Gain from sale of property and equipment		**-**	(112)
Provision for voluntary termination	30	**5,173**	-
Provision for end of service indemnity	20	**21**	37
Amortization of deferred revenue – Jordan Flight Catering Ltd.		**(300)**	(300)
Interest income		**(965)**	(1,918)
Working capital changes:			
Accounts receivable		**10,136**	(26,141)
Spare parts and supplies		**(909)**	(1,376)
Other current assets		**10,999**	509
Deferred revenues		**(13,217)**	3,858
Change in derivatives		**-**	130
Accounts payable and other current liabilities		**13,816**	5,421
Accrued expenses		**(8,356)**	4,795
End of service payments	20	**(1)**	(48)
Voluntary termination program payments		**(3,339)**	-
Net cash flows (used in) from operating activities		**(6,244)**	118,456
INVESTING ACTIVITIES			
Dividends received from associates	11	**1,138**	1,263
Purchase of property and equipment	8	**(11,798)**	(20,010)
Financial assets at fair value through OCI		**42**	22
Proceeds from sale of property and equipment		**-**	174
Interest income received		**1,198**	2,238
Change in restricted cash against lease contracts		**14,170**	(4,248)
Short-term deposits		**18,919**	1,542
Net cash flows from (used in) investing activities		**23,669**	(19,019)
FINANCING ACTIVITIES			
Repayment of term loans		**(9,189)**	(22,664)
Proceeds from loans		**35,000**	-
Capital increase		**-**	3,000
Payments in respect of capital increase	17	**25,000**	-
Payments of lease obligations	19	**(66,307)**	(87,185)
Interest paid		**(6,069)**	(7,498)
Net cash flows used in financing activities		**(21,565)**	(114,347)
Net decrease in cash and cash equivalents		**(4,140)**	(14,910)
Cash and cash equivalents at the beginning of the year		**52,283**	67,193
Cash and cash equivalents at the end of the year	15	**48,143**	52,283

Notes to The Consolidated Financial Statements

(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 in their meeting held on 18 April 2021.

(2) BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared on a historical cost basis, 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 Dinars which is the functional currency of the Group. All values are rounded to the nearest thousands (JD 000) except when otherwise indicated.

(2-1) Fundamental Accounting Concepts

The consolidated financial statements have been prepared on the assumption of going concern. However, as disclosed in notes (3) and (38) to the consolidated financial statements which show the negative impact of COVID-19 pandemic, the Group's accumulated losses of JD 246.4 million as of 31 December 2020 represents 90% of the Company's capital. Also, the Company's current liabilities exceeded its current assets by an amount of JD 143.8 million as of 31 December 2020. These events or conditions indicate that a material uncertainty exists that may cast significant doubt about the entity's ability to continue as a going concern. According to Article (266) of the Jordanian Company's Law No. 22 for the year 1997 and its amendments, if the accumulated losses of the public shareholding company exceed 75% of its capital, the Company shall be liquidated unless the General Assembly of the Company issues a decision on its extraordinary meeting to increase the Company's capital or to deal with the Company's losses. The Prime Ministry of Jordan resolved to authorize the Ministry of Finance to proceed with further procedures to increase the Company's capital by JD 50 million over two phases, subject to a comprehensive turnaround and rightsizing plan across all key operational and financial pillars. An amount of JD 25 million was received during the fourth quarter of 2020 and the second phase will be received during 2021. Accordingly, the Company has recorded an amount of JD 25 million as payments in respect of capital increase as of 31 December 2020. Capital increase procedures were not completed up to the date of the consolidated financial statements. The Company received a comfort letter from the Ministry of Finance (the Jordanian Government's representative), stating that the Government is in favor of continuing to support the Company's operations in the future. Also, the Company's management is in the process of performing the restructuring business plan that supports the Company's business continuity and its ability to recover its assets and generate future cash flows to settle its liabilities.

(3) Coronavirus (Covid-19) Outbreak and Its Impact on Royal Jordanian Airlines

On 11 March 2020, the World Health Organization made an assessment that the outbreak of a coronavirus (COVID-19) can be characterized as a pandemic. As a result, businesses have been affected amongst others with a suspension of travel and closure of boundaries with other countries. The Covid-19 pandemic along with the measures necessary to contain the virus has triggered an economic downturn and caused an unprecedented economic crisis. As a result of these indicators of potential impairment on the Company's assets, management is updating the business plan and the impact of the pandemic on RJ's operations, business and the ability to recover the Group's assets in addition to any potential impairment.

The Group has prepared an impairment study for its fleet. Accordingly, an impairment loss of JD 20,750 was recorded in the consolidated income statement for the year ended 31 December 2020 (Note 8).

The Company has initiated a reshape project to adapt to the new operational and financial challenges to ensure that the Company can sustain its operations in the coming future.

The Company's operations, liquidity and cash flows impact as a result of the outbreak is summarized as follows:

- Reference to the Prime Ministry of Jordan resolution to suspend all incoming and outgoing passenger flights into the country starting from 17 March 2020, all Company's scheduled flights were suspended except for cargo flights. This has significantly affected the Company's gross revenues to unprecedented levels. On 2 September 2020, the government has announced that Jordan will resume regular commercial flights on 8 September 2020, with strict health measures to be implemented which resulted in very low operation levels.
- Cancellation of scheduled flights resulted in tickets refunds of around JD 46.5 million up to the date of the consolidated financial statements.
- As part of the Company's action plan to manage cashflows, management entered into discussions with the aircrafts' lessors and lenders to reschedule the leases and loan payments during the lockdown period and onward.
- Negotiations were initiated with the Company's major suppliers to defer the payments and reduce the costs were possible.
- The Company has signed an amendment letter to the syndication loan agreement, in which loan installments for the period from March 2020 to September 2020 were rescheduled and allocated to the installments after September 2020 on a proportional basis.
- During 2019, the Company has obtained a credit facility granted from Arab Bank with a ceiling of JD 20 million and an annual interest rate of 5.625%. On 18 March 2020, the Company signed an amendment agreement with Arab Bank to increase the ceiling of the credit facility to become JD 40 Million with the same existing terms and conditions. The company did not utilize the credit facility as of 31 December 2020. (31 December 2019: the utilized balance amounted to JD 2,895).
- The board of directors resolved in their meeting held on 27 April 2020 to approve a new loan facility of JD 50 million to finance the Company's cash flows and to meet un-avoidable cash obligations when becoming due during the lockdown period. The Company has utilized an amount of JD 35 Million of this facility as of 31 December 2020 (Note 18).
- On 25 October 2020, the Prime Ministry of Jordan resolved in its resolution number (126) to authorize the Ministry of Finance to proceed with further procedures to increase the Company's capital by JD 50 million over two phases, subject to a comprehensive turnaround and rightsizing plan across all key operational and financial pillars. An amount of JD 25 million was received during the fourth quarter of 2020 and the second phase will be received during 2021. Accordingly, the Company has recorded an amount of JD 25 million as payments in respect of capital increase as of 31 December 2020 (Note 17). Capital increase procedures were not completed up to the date of the consolidated financial statements.
- The Company implemented Defense Order No. (1) - Suspension of old age and early retirement insurance for March, April, May and December 2020. The social security percentage paid by the Company became 4.25% instead of 14.25%. The implementation of the defense order will be extended until the end of May 2021.
- The Company has implemented Defense Order No. (6) and all amendments issued by the Prime Minister effective from March until the end of November 2020. Employees' salaries were paid according to their assignments' category (On-site, from home, not assigned) and relevant salary percentage reduction was applied in compliance with the defense order regulations.

- The Company has implemented Defense Order No. (9) "Tadamon (1) - (Solidarity) Program " related to "unassigned employees" during the months of April and May 2020. The Social Security Corporation contributed 50% of employee's salary with a ceiling of JD 500 and a minimum of JD 165 per month. The Company paid 20% of employee's salary with a ceiling of JD 250.
- The Company has implemented Defense Order No. (14) "Tamkeen Iktisadi (1) (Economic empowerment) Program" by decreasing the Social Security percentage paid by the Company for the old age and early retirement insurance for the months from June until November 2020. The Social Security percentage paid by the Company became 9.25% instead of 14.25%.
- The Company Implemented Defense Order No. (24) "Estidama Program" effective from December 2020 and will be extended until the end of May 2021. Employees' salaries are reduced by 25%. The Social Security Corporation contributed 37.5% of employees' monthly salary with a ceiling of JD 500.

The Company's management is going through an ongoing discussion with the stakeholders and the Government to obtain the needed support. Accordingly, a committee has been formed comprised of representatives from the Ministry of Finance, Ministry of Transport, Civil Aviation Regulatory Commission "CARC", Central Bank of Jordan and Social Security Fund to go through RJ's proposed required support in line with IATA recommendations for governments around the globe to facilitate relief measures by a combination of programs that can provide both immediate and medium to long-term assistance to the airline industry and its employees in the form of direct financial support, loans, loan guarantees and tax relieves.

(4) 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 2020:

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
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and 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(s) 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. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements 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 in 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 related assets (including goodwill), liabilities, non- controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

Shareholders who have a significant influence over the Group

The Government of the Hashemite Kingdom of Jordan presented by Government Investments 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 2020 (31 December 2019: 82.03%, 4.99% and 5.33% respectively).

(5) CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2019 except for the adoption of new amendments effective as of 1 January 2020 shown below:

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs.

These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

Amendments to IAS 1 and IAS 8: Definition of "Material"

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.

These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

Interest Rate Benchmark Reform Amendments to IFRS 9 and IFRS 7 includes a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. This relates to any reduction in lease payments which are originally due on or before 30 June 2021. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted.

The Company has applied the practical expedient to all rent concessions that met the conditions for the practical expedient as disclosed in Note 19.

(6) USE OF ESTIMATES

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities, the accompanying disclosure, and the disclosure of contingent liabilities. 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 with regard to COVID-19. 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. At every reporting date, the historical Observed default rates are updated and changes in the forward-looking estimates are analyzed.

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.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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 judgment 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 2020, the estimated liability for unredeemed points was approximately JD 7,638 (2019: JD 6,688).

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, the group 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.

(7) 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 recognized 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. The recoverable amount is the higher of asset's fair value less cost to sell or value in use. Impairment losses are recognized in the consolidated income statement.

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.

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 re-measurement 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 the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. 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 judgment 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 judgment 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 recognized 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 initially recognized at cost. The carrying amount of the investment is adjusted to recognize 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 amortized 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 recognized directly in the equity of the associates, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized 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 maturity 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 Notes 35 and 36.

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 principal market for the asset or liability or,
- 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 recognized 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 local employees in certain outstations. Provision represents amounts payable to local employees in outstations based on the rules and regulations of those countries.

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 club), which allows frequent travelers to accumulate mileage credits which entitle them to a choice of upgrade to business 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 recognized 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 statement 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 translated at the functional currency at rates of exchange at the reporting date. All foreign exchange differences arising on non–trading activities are taken to other operating income/expense in the consolidated 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 Jordanian Dinar 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 recognized in OCI.

(8) PROPERTY AND EQUIPMENT

2020	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
Cost:										
Balance as of 1 January 2020	154,161	1,091	46,905	49,972	72,612	20,043	9,389	10,382	43,922	408,477
Additions	1,174	-	8,423	415	831	314	37	224	380	11,798
Disposals	-	-	(8,888)	-	(14)	(2)	-	-	-	(8,904)
Balance as of 31 December 2020	155,335	1,091	46,440	50,387	73,429	20,355	9,426	10,606	44,302	411,371
Accumulated depreciation:										
Balance as of 1 January 2020	115,577	928	28,305	46,091	60,405	17,696	8,464	9,691	14,475	301,632
Depreciation expense for the year	4,684	-	12,594	427	3,174	737	273	219	1,889	23,997
Impairment loss *	20,750	-	-	-	-	-	-	-	-	20,750
Disposals	-	-	(8,888)	-	(14)	(2)	-	-	-	(8,904)
Balance as of 31 December 2020	141,011	928	32,011	46,518	63,565	18,431	8,737	9,910	16,364	337,475
Net book value as of 31 December 2020	14,324	163	14,429	3,869	9,864	1,924	689	696	27,938	73,896

* The Group calculated and recorded an impairment loss of JD 20,750. The recoverable amount of the aircrafts was based on its fair value less costs of disposal (FVLCD).

2019	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
Cost:											
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 16)	-	30,411	-	5,826	-	470	-	758	227	-	37,692
Transfers to right-of-use assets (Note 19)	(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
Accumulated depreciation:											
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 16)	-	26,851	-	2,987	-	462	-	704	227	-	31,231
Transfers to right-of-use assets (Note 19)	(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
Net book value as of 31 December 2019	-	38,584	163	18,600	3,881	12,207	2,347	925	691	29,447	106,845

(9) ADVANCES ON PURCHASE AND MODIFICATION OF AIRCRAFTS

	2020	2019
Advances for the purchase of Boeing 787 aircrafts	**4,813**	4,813

(10) 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.

	2020	2019
Royal Jordanian Air Academy, net	**1,748**	2,138
SITA Investment Certificates	**495**	536
Others	**22**	23
	2,265	2,697

Movement on fair value reserve was as follows:

	2020	2019
Balance as at 1 January	**523**	3,771
Loss during the year	**(390)**	(3,248)
Balance as at 31 December	**133**	523

(11) INVESTMENTS IN ASSOCIATES

	Country of incorporation	Ownership		Balance	
		2020	2019	2020	2019
Jordan Flight Catering Company Ltd.	Jordan	**30%**	30%	**3,706**	5,076
Jordan Aircraft Maintenance Company (JORAMCO)	Jordan	**20%**	20%	**10,076**	10,046
Jordan Aircraft Training and Simulation Company (JATS)	Jordan	**20%**	20%	**2,973**	3,638
				16,755	18,760

Movement on investments in associates was as follows:

	2020	2019
Beginning balance	**18,760**	17,680
Group's share of (losses) profits for the year	**(867)**	2,343
Dividends received	**(1,138)**	(1,263)
Ending balance	**16,755**	18,760

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

	Jordan Flight Catering Company Ltd.		Jordan Aircraft Maintenance Company (JORAMCO)		Jordan Aircraft Training & Simulation Company (JATS)		Total	
Statement of financial position	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Current assets	**2,993**	6,306	**40,506**	28,379	**1,685**	1,780	**45,184**	36,465
Non-current assets	**4,517**	5,112	**35,637**	23,986	**14,212**	16,166	**54,366**	45,264
Current liabilities	**(3,035)**	(4,212)	**(25,663)**	(16,986)	**(1,500)**	(1,303)	**(30,198)**	(22,501)
Non-current liabilities	**(3,836)**	(3,525)	**(18,639)**	(12,922)	**(4,930)**	(4,210)	**(27,405)**	(20,657)
Net assets	**639**	3,681	**31,841**	22,457	**9,467**	12,433	**41,947**	38,571
Group's ownerships percentage	**30%**	30%	**20%**	20%	**20%**	20%		
Investment in associates	**192**	1,104	**6,368**	4,491	**1,893**	2,487	**8,453**	8,082

	Jordan Flight Catering Company Ltd.		Jordan Aircraft Maintenance Company (JORAMCO)		Jordan Aircraft Training & Simulation Company (JATS)		Total	
Statement of comprehensive income	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Revenues	**4,396**	19,000	**45,252**	58,017	**1,607**	3,886	**51,255**	80,903
Cost of revenues	**(5,685)**	(13,993)	**(40,641)**	(35,361)	**(2,927)**	(2,416)	**(49,253)**	(51,770)
Other income and expenses	**(820)**	(852)	**(4,461)**	(16,896)	**-**	(1,650)	**(5,281)**	(19,398)
(Loss) profit before tax	**(2,109)**	4,155	**150**	5,760	**(1,320)**	(180)	**(3,279)**	9,735
Income tax	**-**	(65)	**-**	-	**-**	-	**-**	(65)
(Loss) profit for the year	**(2,109)**	4,090	**150**	5,760	**(1,320)**	(180)	**(3,279)**	9,670
Group's Share of (losses) profits for the year	**(633)**	1,227	**30**	1,152	**(264)**	(36)	**(867)**	2,343

As of 31 December 2020, the associate companies have contingent liabilities of JD 578 (2019: JD 1,268) in respect of guarantees and letter of credits.

(12) OTHER CURRENT ASSETS

	2020	2019
Prepaid expenses	**2,584**	2,123
Receivable from lessors – maintenance claims	**2,115**	8,670
Advances to suppliers	**2,820**	4,182
Refundable deposits	**1,079**	1,032
Employees' receivables	**-**	551
Derivatives*	**435**	316
Others	**1,465**	4,284
	10,498	21,158

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

(13) SPARE PARTS AND SUPPLIES, NET

	2020	2019
Spare parts and supplies	**18,551**	17,642
Provision for slow moving inventory	**(10,341)**	(10,233)
	8,210	7,409

Movement on provision for slow moving inventory was as follows:

	2020	2019
Beginning balance	**10,233**	10,010
Provision for the year	**108**	223
Ending balance	**10,341**	10,233

(14) ACCOUNTS RECEIVABLE, NET

	2020	2019
Accounts receivable*	**74,396**	84,532
Provision for expected credit losses	**(16,864)**	(16,521)
	57,532	68,011

* Included in accounts receivable fuel discount amounted to JD 40,690 (2019: 38,709).

Movement on provision for expected credit losses was as follows:

	2020	2019
Beginning balance	**16,521**	13,291
Provision for the year	**343**	632
Transfers from assets held for sale (Note 16)	**-**	2,598
Ending balance	**16,864**	16,521

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
2020	**2,163**	**3,045**	**3,071**	**2,193**	**2,349**	**44,711**	**57,532**
2019	10,997	9,938	3,010	984	3,318	39,764	68,011

* Included in this category an amount of JD 40,690 which represents fuel discount. (2019: 38,709).

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.

(15) CASH AND BANK BALANCES

	2020	2019
Cash and bank balances	39,948	29,239
Short-term deposits*	3,598	6,095
Cash in transit **	4,597	19,844
Cash and cash equivalents	48,143	55,178
Short-term deposits mature after 3 months ***	5,365	24,284
Cash and bank balances	53,508	79,462

* This item represents deposits in Jordanian Dinars in Jordanian Banks as of 31 December 2020 with an interest rate ranging between 2.75% - 3% (2019: 4.275% - 5%) and are due within three months.

** This item includes cash received on tickets sales and airwaybills sales through IATA accredited agents during December that were deposited in the Group's bank accounts during January of next year.

*** This item represents deposit in Banks in Jordanian Dinar (JD 4,000) with an average interest rate of 3.25% and Sudanese Pound (238,465 thousand Sudanese Pound which is equivalent to JD 340), in addition to Libyan Dinar and Syrian Lira equivalent to JD 215 and a deposit of 150,000 Thousand Algerian Dinar equivalent to JD 810 as of 31 December 2020 (2019: JD 21,780 Jordanian Dinar and 214,804 Thousand Sudanese Pounds which is equivalent to 1,324 in addition to Libyan Dinar and Syrian Lira equivalent to JD 1,180) with an average interest rate ranging between 1.14% - 3.25% (2019: 4.9% - 5.5%) and are due after more than three months (2019: more than three months).

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

	2020	2019
Cash and cash equivalents	48,143	55,178
Less: Banks overdrafts****	-	(2,895)
	48,143	52,283

**** During 2019, the Company obtained an overdraft facility from Arab Bank with a ceiling of JD 20 Million at an annual interest rate of 6%. On 18 March 2020, the Company signed an amendment agreement with Arab Bank to increase the ceiling of the credit facility to become JD 40 Million with the same existing terms and conditions. The Company did not utilize any balance of the facility as at 31 December 2020. (31 December 2019: the utilized balance amounted to JD 2,895).

(16) 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)
Gross loss	(1,608)
Administrative expenses	(2,181)
Other expenses, net	(62)
Loss before income tax from discontinued operations	(3,851)
Income tax	-
Loss from discontinued operations	(3,851)

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

	2018
ASSETS	
Property and equipment	6,461
Accounts receivable and other current assets	1,163
Cash and bank balances (Note 15)	1,007
Assets classified as held for sale	8,631
LIABILITIES	
Accounts payable and other credit balances	1,389
Accrued expenses	2,314
Liabilities associated with assets classified as held for sale	3,703
Net assets classified as held for sale	4,928

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.

(17) SHAREHOLDERS' EQUITY

- Paid-in capital	**2020**	2019
Authorized capital (Par value of one Jordanian Dinar per share)	**274,610**	274,610
Paid in capital	**274,610**	274,610

- Share discount

Share discount amounted to JD 78.2 million as at 31 December 2020 and 31 December 2019. The accumulated balance in this account represents the difference between the issuing price and the par value of the shares issued.

- Payments 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 2019. Accordingly, paid-in capital amounted to JD 246,405, resulting in a share discount of JD 61 million as at 31 December 2019. The General Assembly resolved in its extra-ordinary meeting held on 26 April 2019 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 2020 and 2019.

On 25 October 2020, the Prime Ministry of Jordan resolved in its resolution number (126) to authorize the Ministry of Finance to proceed with further procedures to increase the Company's capital by JD 50 million over two phases, subject to a comprehensive turnaround and rightsizing plan across all key operational and financial pillars . An amount of JD 25 million was received during the fourth quarter of 2020 and the second phase will be received during 2021. Accordingly, the Company has recorded an amount of JD 25 million as payments in respect of capital increase as of 31 December 2020. Capital increase procedures were not completed up to the date of the consolidated financial statements.

- 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.

(18) BANK LOANS

	2020		2019	
	Loan's Installments		Loan's Installments	
	Short term	Long term	Short term	Long term
Syndicated loan*	26,915	61,542	23,400	74,246
Capital Bank loan**	-	35,000	-	-
Less: directly attributable transaction costs	(535)	(1,114)	(535)	(1,648)
	26,380	95,428	22,865	72,598

* 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 2020, 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 2020 with an annual interest rate of one-month LIBOR plus 2.65% (minimum 4.5%).

As part of the Company's action plan to manage its cashflows during the current outbreak, the Company signed an amendment letter to the loan agreement, in which the loan installments for the period from March 2020 to September 2020 were rescheduled and allocated to the remaining installments after September 2020 on a proportional basis.

The loan agreement contains loan covenants which require the Company to meet certain financial ratios. As per the amendment letter signed during April 2020, the Company is not required to comply with these covenants during the period from 1 January 2020 to 31 March 2021. During March 2021, the Company has amended the agreement whereas the Company is not required to meet those financial ratios until the end of 31 December 2021.

According to the loan agreement, the Company is obliged to transfer the proceeds from its sales from travel agents in 22 stations that are collected through IATA BSP (Billing and Settlement Plan) to the Company's account at Al-Mashreq Bank as a collateral.

** On 18 May 2020, the Company signed a loan agreement with Capital Bank that amounted to JD 50 million bearing an annual interest rate of 1%. The Company has utilized an amount of JD 35 million of this facility as of 31 December 2020. The loan is repayable through one payment on 18 September 2023. Interest is payable on a quarterly basis.

Principal installments payable during the year 2021 and after are as follows:

Year	JD
2021	26,914
2022	30,138
2023	61,893
2024	4,512
	123,457

(19) Leases

The Group has lease contracts for various items including aircrafts, aircraft's engines and offices.

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 and lease obligations recognized and the movements during the years 2020 and 2019:

	Right-of-use assets				Lease obligations*
	Aircrafts	Aircraft's engines	Offices	Total	
At 1 January 2020	**436,632**	**39,768**	**25,486**	**501,886**	**452,455**
Terminated contracts	-	-	(13)	(13)	(13)
Lease-term modifications	537	-	-	537	537
Covid-19 concession arrangements (Note 5)	-	-	-	-	(464)
Depreciation	(62,497)	(2,601)	(3,636)	(68,734)	-
Finance costs (Note 29)	-	-	-	-	20,488
Payments	-	-	-	-	(65,843)
At 31 December 2020	**374,672**	**37,167**	**21,837**	**433,676**	**407,160**

At 1 January 2019 **	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 (Note 29)	-	-	-	-	25,216
Payments	-	-	-	-	(87,185)
At 31 December 2019	436,632	39,768	25,486	501,886	452,455

* Lease obligations details are as follows:

31 December 2020			31 December 2019		
Short term	**Long term**	**Total**	Short term	Long term	Total
70,477	**336,683**	**407,160**	53,278	399,177	452,455

** On 1 January 2019, the Company has transferred an amount of JD 164,746 from the property and equipment to the right-of-use assets (Note 8).

The Company has mortgaged two Boeing 787 against the lease agreements of those aircrafts.

(20) OTHER LONG-TERM LIABILITIES

	2020	2019
Provision for end of service indemnity	413	393

Movement on provision for employee's end of service indemnity was as follows:

	2020	2019
Beginning balance	393	404
Provision for the year	21	37
Payments during the year	(1)	(48)
Ending balance	413	393

(21) ACCRUED EXPENSES

	2020	2019
Accrual for flying operations expenses	38,784	60,225
Accrued expenses related to lease contracts	27,999	14,513
	66,783	74,738

(22) ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

	2020	2019
Spare parts suppliers and accounts payable	33,866	11,731
Fuel suppliers	5,459	1,560
Ministry of Finance	1,318	1,460
Employees Provident fund (Note 33)	5,853	3,796
Others*	26,699	38,998
	73,195	57,545

* Included in this item international taxes, departure and airports usage taxes of JD 24,558 that are payable to international tax authorities and airports (2019: JD 36,909).

(23) DEFERRED REVENUES

	2020	2019
Unutilized passenger tickets, air waybills and other service sales	36,629	49,846
Deferred revenue – Jordan Flight Catering Company Ltd. *	125	425
	36,754	50,271

* 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.

(24) REVENUES FROM CONTRACTS WITH CUSTOMERS

	2020	2019
Scheduled Services		
Passengers	131,514	529,788
Cargo	19,848	31,345
Excess baggage	3,163	6,906
Airmail	7,735	7,934
Total scheduled services (Note 34)	162,260	575,973
Chartered flights (Note 34)	18,182	10,066
Cargo warehouse revenues	13,372	16,555
Commercial revenues from arriving and departing aircrafts of other companies	5,875	12,731
Change and cancelation of reservation revenues	4,250	10,430
Royal tours revenues (Tours operating revenues)	1,877	7,786
First class services revenues	1,300	5,988
Frequent flyer revenues	1,124	5,112
Ancillary revenue	1,220	4,804
Revenues from technical and maintenance services provided to other companies	1,888	4,592
Revenues from NDC (Galileo)	637	3,373
Other revenues	638	3,197
	212,623	660,607

(25) COST OF REVENUES

	2020	2019
Flying operations costs		
Aircraft Fuel	41,793	145,915
Other flying operations costs	37,640	68,905
Total flying operations costs	79,433	214,820
Repair and maintenance	45,609	78,983
Aircraft rental expenses	1,655	4,654
Depreciation of aircraft and engines and capitalized maintenance	83,735	81,256
Stations and ground services	25,383	66,096
Ground handling unit	15,696	23,398
Passenger services	25,001	77,981
	276,512	547,188

Employees benefits expenses included in cost of revenues are as follows:

	2020	2019
Salaries and wages	35,926	42,905
Overtime	636	2,542
End of service indemnity	131	722
Social Security contribution	3,340	5,229
Provident fund contribution	2,806	3,157
Medical expenses	2,176	2,183
Other benefits	1,377	2,128
	46,392	58,866

(26) OTHER EXPENSES, NET

	2020	2019
Legal cases provision	1,860	1,860
Other expenses	446	165
	2,306	2,025

(27) ADMINISTRATIVE EXPENSES

	2020	2019
Salaries and wages	5,647	6,974
Computer expenses	2,910	3,319
Depreciation	2,046	2,024
Medical expenses	588	649
Social security contribution	558	827
Legal expenses	530	1,040
Professional and consultation expenses	495	881
Employees benefits	422	784
Provident fund contribution	405	500
Water, electricity and heating	398	579
Life insurance	123	201
Communication expense	109	115
Overtime	76	257
Maintenance and cleaning expenses	74	108
End of service indemnity	47	42
Rent	28	28
Others	1,611	2,594
	16,067	20,922

(28) SELLING AND MARKETING EXPENSES

	2020	2019
Salaries and wages	7,700	10,859
Commission	5,736	18,837
Other employee benefits	1,876	2,377
Social security contribution	1,303	1,720
Depreciation	1,053	990
Rent	749	955
Medical expenses	721	771
Marketing and advertisement	698	3,950
Communication expenses	634	874
Computer expenses	590	834
End of service indemnity	263	288
Legal expenses	232	282
Provident fund contribution	219	287
Water, electricity and heating	135	157
Life insurance	114	100
Maintenance and cleaning expenses	93	164
Consulting expenses	66	186
Overtime	65	201
Others	1,682	2,318
	23,929	46,150

(29) FINANCE COSTS

	2020	2019
Interest on loans	5,145	6,999
Leases contracts – finance cost (Note 19)	20,488	25,216
Other interest and bank charges	1,326	872
	26,959	33,087

(30) PROVISION FOR VOLUNTARY TERMINATION

On 9 February 2020, the Company signed a labor collective contract with the General Trade Union of Workers in Air Transport and Tourism. The agreement covered the period from 9 February 2020 to 29 February 2020, giving the Company's staff the choice to obtain a voluntary release from their jobs. Accordingly, the Company has recorded a provision that amounted to JD 851 which represents the accrued amounts for employees who applied to the plan and management approved their applications.

On 17 August 2020, the Company signed another labor collective contract with the General Trade Union of Workers in Air Transport and Tourism. The agreement covered the period from 19 August 2020 to 18 September 2020, whereas the Company granted its employees the choice to terminate their contracts upon their request. Accordingly, the Company has recorded a provision amounted to JD 4,234 which represents the accrued amounts for employees who are willing to terminate their service.

The Company started a termination process of contracts for local employees in some outstations according to the business needs and based on the rules and regulations of those countries. Accordingly, the Company has recorded a provision amounted to JD 88 during 2020.

(31) EARNINGS PER SHARE

	2020	2019
(Loss) profit for the year attributed to the equity holders of the parent ('000)	(161,017)	10,393
Weighted average number of shares ('000)	274,610	272,910
Basic and diluted earnings per share (JD)	(0.586)	0.038

(32) INCOME TAX

The income tax appearing in the consolidated income statement represents the following:

	2020	2019
Deferred tax assets temporary differences	-	2,598
Income tax expense	-	2,598

No provision for income tax was calculated by the Company for the year ended 31 December 2020 due to the excess of deductible expenses over taxable income in accordance with the Income Tax Law No. (38) of 2014 and its amendments.

The Company filed its tax return for the years from 2017 until 2019 within the statutory period. The Company has reached a final agreement on the tax returns with the Income and Sales Tax Department up to the year ended 31 December 2018 while 2019 tax return has not been reviewed yet.

The Income and Sales Tax Department raised claims to RJ by an amount of JD 2,972 which represents sales tax differences for the years 2012, 2013, 2014 and 2016. The Company appealed the cases at the Tax Court. The cases are still outstanding up to date of the consolidated financial statement. Although results of the cases cannot be determined accurately, management believes that no material liability is likely to result.

Royal Wings Company filed its tax return for the years from 2017 until 2019 within the statutory period. The Income and Sales Tax Department did not review the Company's accounting records up to the date of the consolidated financial statements. Royal Wings Company reached a final settlement with the Income and Sales Tax Department up to the year 2016.

Royal Tours Company filed its tax return for the years of 2017 and 2019 within the statutory period. The Income and Sales Tax Department did not review the Company's accounting records for the years 2017 and 2019 up to the date of the consolidated financial statements. Royal Tours for Travel and Tourism Company reached a final settlement with the Income and Sales Tax Department up to the year 2016 in addition to the year 2018.

Al-Mashriq for Aviation Services Company filed its tax return for the years from 2016 until 2019. The Income and Sales 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 and Sales Tax Department up to the year 2015.

Movement on deferred tax assets was as follows:

	2020	2019
Beginning balance	**12,322**	14,920
Amount released from deferred tax assets	**-**	(2,598)
Ending balance	**12,322**	12,322

Reconciliation between accounting profit and taxable profit

	2020	2019
Accounting (loss) profit	**(161,060)**	12,981
Non-taxable profits	**-**	(2,332)
Non-deductible expenses	**27,462**	2,350
Prior years tax losses	**(108,906)**	(121,905)
Accumulated tax losses	**(242,504)**	(108,906)
Relates to:		
Total loss – Parent Company	**(232,911)**	(108,345)
Total loss – Subsidiaries	**(9,593)**	(561)
Effective income tax rate for subsidiaries	**20%**	20%
Statutory income tax rate	**20%**	20%
Income tax expense	**-**	-

(33) 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:

	2020		2019	
	Accounts receivable	**Accounts payable**	Accounts receivable	Accounts payable
Government of Jordan	**43,778**	**1,318**	42,304	1,460
Employees' Provident Fund (Note 22)	**-**	**5,853**	-	3,796
Jordan Aircraft Maintenance Company	**882**	**-**	-	164
Jordan Flight Catering Company	**-**	**527**	-	3,135
Jordan Aircraft Training and Simulation Company	**-**	**31**	-	163
	44,660	**7,729**	42,304	8,718

Payments in respect of capital increase – included in shareholders' equity:

	2020	2019
Government Investments Management Company (Note 17)	25,000	-

- Following is a summary of the transactions with associated companies included in the consolidated income statement:

	2020	2019
Jordan Aircraft Maintenance Company (JORAMCO):		
Scheduled services revenues	131	257
Repair and maintenance expenses	(2,510)	(4,303)
Jordan Flight Catering Company Ltd.:		
Passenger services expenses	(3,396)	(13,656)
Jordan Aircraft Training and Simulation Company:		
Scheduled services revenues	14	10
Pilots training expenses	(608)	(866)

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 2022.

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:

	2020	2019
Scheduled services revenues – passengers	2,992	3,888
Scheduled services revenues – cargo	937	1,064
Charter flights	285	4,040
	4,214	8,992

- The Company's contribution to the employees' saving fund amounted to JD 3,429 and JD 3,944 for the years 2020 and 2019, respectively.

Compensation of key management personnel

The remuneration of members of key management during the year was as follows:

	2020	2019
Salaries and other benefits *	1,048	1,042
Board of Directors remuneration	42	43

* Included in this amount a one-time payment of JD 223 which represents the end of contract remuneration for the Company's CEO.

(34) 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:

	2020				2019			
	Scheduled	Chartered Flights			Scheduled	Chartered Flights		
	services	Passengers	Cargo	Total	services	Passengers	Cargo	Total
Levant	17,454	-	1,400	18,854	71,127	230	3,345	74,702
Europe	41,405	224	2,841	44,470	160,055	1,544	1,818	163,417
Arab Gulf	47,573	114	421	48,108	137,370	-	-	137,370
America	43,880	-	1,727	45,607	145,265	-	2,376	147,641
Asia	8,970	525	10,778	20,273	50,629	554	-	51,183
Africa	2,978	152	-	3,130	11,527	199	-	11,726
Total Revenue	162,260	1,015	17,167	180,442	575,973	2,527	7,539	586,039

(35) 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.

(36) 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.

31 December 2020	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through other comprehensive income	-	-	2,265	2,265
Derivative financial instruments (within other current assets)	435	-	-	435
	435	-	2,265	2,700

31 December 2019				
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

(37) 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 2020.

The following table demonstrates the sensitivity of the consolidated income statement to reasonably possible changes in interest rates as of 31 December 2020 and 2019, with all other variables held constant.

	Increase in interest rate	**Effect on loss**
2020-	**(points)**	
Currency		
USD	**50**	**(927)**
JD	**50**	**137**

	Decrease in interest rate	**Effect on loss**
	(points)	
Currency		
USD	**(25)**	**464**
JD	**(25)**	**(69)**

	Increase in interest rate	Effect on profit
2019-	(points)	
Currency		
USD	50	(1,004)
JD	50	139

	Decrease in interest rate	Effect on profit
	(points)	
Currency		
USD	(25)	502
JD	(25)	(70)

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 2020 and 2019.

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 2020 and 2019, based on contractual payment dates and current market interest rates.

31 December 2020	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Accounts payables and other current liabilities	73,195	-	-	-	73,195
Bank loans	4,388	24,408	100,569	-	129,365
Lease obligations	23,604	67,755	259,843	79,410	430,612
Other long-term liabilities	-	-	-	413	413
Total	101,187	92,163	360,412	79,823	633,585

31 December 2019	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Bank overdraft	-	3,069	-	-	3,069
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
Total	82,444	87,141	433,488	87,106	690,179

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.

2020 -		
Currency	Increase in foreign currency rate to the JD currency	Effect on loss
	(%)	
Euro	1	(33)
GBP	1	3
SDG	1	3

Currency	Decrease in foreign currency rate to the JD currency	Effect on loss
	(%)	
Euro	(1)	33
GBP	(1)	(3)
SDG	(1)	(3)

2019 -		
Currency	Increase in foreign currency rate to the JD currency	Effect on profit
	(%)	
Euro	1	69
GBP	1	33
SDG	1	15

Currency	Decrease in foreign currency rate to the JD currency	Effect on profit
	(%)	
Euro	(1)	(69)
GBP	(1)	(33)
SDG	(1)	(15)

The Jordanian Dinar exchange rate is fixed against the U.S. Dollars (USD 1.41 for JD 1).

Losses on foreign exchange rates amounted to JD 1,634 for the year ended 31 December 2020 of which JD 940 resulted from the fluctuation in the Sudanese Pound (31 December 2019: foreign exchange loss of JD 1,772 of which JD 969 resulted from the fluctuation in the Sudanese Pound).

(38) 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, payments in respect of capital increase, statutory reserve and accumulated losses and is measured at a deficit of JD 10,193 JD as at 31 December 2020 (2019: JD 125,824).

The Group's accumulated losses of JD 246.4 million as of 31 December 2020 represents 90% of the Company's capital. Also, the Company's current liabilities exceeded its current assets by an amount of JD 143.8 million as of 31 December 2020. These events or conditions indicate that a material uncertainty exists that may cast significant doubt about the entity's ability to continue as a going concern. According to Article (266) of the Jordanian Company's Law No. 22 for the year 1997 and its amendments, if the accumulated losses of the public shareholding company exceed 75% of its capital, the Company shall be liquidated unless the General Assembly of the Company issues a decision on its extraordinary meeting to increase the Company's capital or to deal with the Company's losses. The Prime Ministry of Jordan resolved to authorize the Ministry of Finance to proceed with further procedures to increase the Company's capital by JD 50 million over two phases, subject to a comprehensive turnaround and rightsizing plan across all key operational and financial pillars. The first phase fell during the fourth quarter of 2020 and the second phase will be paid during 2021. Accordingly, the Company has recorded an amount of JD 25 million as payments in respect of capital increase as of 31 December 2020 (Note 17). Capital increase procedures were not completed up to the date of the consolidated financial statements. Furthermore, the Company received a comfort letter from the Ministry of Finance (the Jordanian Government's representative), stating that the Government is in favor of continuing to support the Company's operations in the future.

Also, the Company's management is in the process of performing the restructuring business plan that supports the Company's business continuity and its ability to recover its assets and generate future cash flows to settle its liabilities.

(39) CONTINGENCIES AND COMMITMENTS

Letters of credit and guarantees

As of 31 December 2020, the Group had letters of credit amounted to JD 19,721 and letters of guarantees amounted to JD 476 (31 December 2019: letters of credit: JD 8,596 and letters of guarantees: JD 647).

Claims against the Group

The Group is a defendant in a number of lawsuits amounting to JD 14,821 (2019: JD 7,992) 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 2020 is sufficient to cover any contingent liabilities and claims that may arise from these lawsuits.

Capital commitments

As of 31 December 2020, the Group had capital commitments of USD 453,013,157 (2019: USD 453,013,157), equivalent to JD 321,286 (2019: 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 January 2021, the Company exercised its right to cancel the first aircraft which was due to be delivered by the first quarter of the year 2024 without any liability. The amount of the advances paid for the related aircraft amounted to USD 2,249,060 was deducted from the Company's payables.

(40) 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 and amendments, if applicable, when they become effective.

IFRS 17 Insurance Contracts

IFRS 17 provides a comprehensive model for insurance contracts covering the recognition and measurement and presentation and disclosure of insurance contracts and replaces IFRS 4 -Insurance Contracts. The standard 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. The standard general model is supplemented by the variable fee approach and the premium allocation approach.

The new standard will be effective for annual periods beginning on or after 1 January 2023 with comparative figures required. Early application is permitted provided that the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

The standard is not expected to have a material impact on the Groups consolidated financial statements.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement,
- The right to defer must exist at the end of the reporting period,
- That classification is unaffected by the likelihood,
- That an entity will exercise its deferral right,
- And that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. These amendments are not expected to have a metrical impact on the Group.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. These amendments are not expected to have a material impact on the Group.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities.

General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

The amendments are not expected to have a material impact on the Group.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received by the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

IBOR reform Phase 2

IBOR reform Phase 2, which will be effective on 1 January 2021, includes a number of reliefs and additional disclosures. The reliefs apply upon the transition of a financial instrument from an IBOR to a risk-free-rate (RFR).

Changes to the basis for determining contractual cash flows as a result of interest rate benchmark reform are required as a practical expedient to be treated as changes to a floating interest rate, provided that, for the financial instrument, the transition from the IBOR benchmark rate to RFR takes place on an economically equivalent basis.

IBOR reform Phase 2 provides temporary reliefs that allow the Bank's hedging relationships to continue upon the replacement of an existing interest rate benchmark with an RFR. The reliefs require the Bank to amend hedge designations and hedge documentation. This includes redefining the hedged risk to reference an RFR, redefining the description of the hedging instrument and / or the hedged item to reference the RFR and amending the method for assessing hedge effectiveness. Updates to the hedging documentation must be made by the end of the reporting period in which a replacement takes place.

For the retrospective assessment of hedge effectiveness, the Bank may elect on a hedge by hedge basis to reset the cumulative fair value change to zero. The Bank may designate an interest rate as a non-contractually specified, hedged risk component of changes in the fair value or cash flows of a hedged item, provided the interest rate risk component is separately identifiable, e.g., it is an established benchmark that is widely used in the market to price loans and derivatives. For new RFRs that are not yet an established benchmark, relief is provided from this requirement provided the Bank reasonably expects the RFR to become separately identifiable within 24 months. For hedges of groups of items, the Bank is required to transfer to subgroups those instruments that reference RFRs. Any hedging relationships that prior to application of IBOR reform Phase 2, have been discontinued solely due to IBOR reform and meet the qualifying criteria for hedge accounting when IBOR reform Phase 2 is applied, must be reinstated upon initial application. (if applicable)

The amendments are not applicable to the Company.

Corporate Governance Report for 2020

Implementation of Corporate Governance Regulations within the Company

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 in order to monitor the Company's compliance with the requirements of governance, the Company constantly reviews the policies, procedures and forms used in implementing the governance system, and the members of the Board of Directors and the members of the executive management fill out questionnaires periodically, especially after the elections for the new board, in order to disclose their memberships in other companies' boards of directors, and the ownership of the members and their direct relatives of shares in the company or any companies they control and own shares in Royal Jordanian. On the other hand, a training course was held for the members of the board, after the election of the new board members, which focused on the principles of governance and the governance regulations for the Public Shareholding Listed companies, and how to apply them within the company. In addition, the Incentives and Remunerations Committee, in accordance with the Governance regulations, has carried out an evaluation of the Board's performance to capitalize on the points of strength, and to identify areas for improvement and work on enhancing them.

And in order to comply with the international requirements of governance and to regulate external financial transactions and avoid financial risks, the company has prepared policies and procedures for combating money laundering and terrorist financing, where the company, within the procedures it has developed, has introduced the (KYC: Know Your Customer) form. The KYC form has become one of the first requirements for accepting the company's agents around the world, where they are required to fill out the form and provide the needed documents, in order to comply with the aforementioned procedures before starting to deal with RJ. Finally, to be in compliance with the Governance Regulations for the Public Shareholding Listed companies for the year 2017, this report has been prepared including the following data:

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
Government Investments Management Company			
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	MEMBER	Dependent	Non-Executive
H.E. Dr. Abdelhakim Shibli	MEMBER	Dependent	Non-Executive
H.E. Mr. Malek Salameh Habashneh	MEMBER	Dependent	Non-Executive
H.E. Dr. Emad N. Hejazeen (1)	MEMBER	Dependent	Non-Executive
H.E. Ms. Rand GH. Hannun (2)	MEMBER	Dependent	Non-Executive
Social Security Corporation			
H.E. Mr. Saoud Ahmad Nsairat	MEMBER	Dependent	Non-Executive
“MINT TRADING MIDDLE EAST LIMITED”			
H.E. Mr.“Mohammad Ali” Issam Bdair (3)	MEMBER	Independent	Non-Executive
H.E. Mr. Nizar Khoury (4)	MEMBER	Independent	Non-Executive
Natural Members			
H.E. Mr.Michael Nabeeh Nazzal (5)	MEMBER	Independent	Non-Executive

(1) Appointed on 25/06/2020

(2) Appointed on 25/06/2020

(3) Mr. "Mohamed Ali" Essam Bedair was appointed as the representative of "MINT TRADING MIDDLE EAST LIMITED" on 6/25/2020, as before this date he was one of the natural members of the Board of Directors.

(4) Membership has ended by the end of the Board of Directors cycle on 25/06/2020

(5) Membership has ended by the end of the Board of Directors cycle on 25/06/2020

The Securities Commission agreed to the company's request to exclude it from the requirements of the provisions of Article (4 / c) of the Governance regulations, which stipulate that one-third of the members of the Board shall be independent members, where this exclusion shall be valid until the date of the next Board’s election in 2024, due to the ownership percentages of its major shareholders. The ownership of the Government Investments Management Company in RJ is 82.03%, and it is represented by seven seats on the board according to Article No. 135 of the Companies Law No. 22 of 1997, and the Social Security Corporation as it owns 5.33%. Therefore, it is not possible, given these percentages, to fulfill the aforementioned requirement.

BOARD OF DIRECTORS MEMBERS (CURRENT/RESIGNED, DEPENDENT/ INDEPENDENT & JURISTIC/ NATURAL).

The below table shows the current Juristic /Representatives Board Members, their independency and whether if the board member is executive or non-executive:

Member Name	Name of the company represented	Independency	Executive/ Non-Executive
H.E. Eng. Said Samih Darwazah	Government Investments Management Company	Dependent	Non-Executive
H.E. Eng. Basem Khalil Al-Salem	Government Investments Management Company	Dependent	Non-Executive
H.E. Mr. Omar Zuhair Malhas	Government Investments Management Company	Dependent	Non-Executive
H.E. Dr. Abdelhakim Shibli	Government Investments Management Company	Dependent	Non-Executive
H.E. Mr. Malek Salameh Habashneh	Government Investments Management Company	Dependent	Non-Executive
H.E. Dr. Emad N. Hejazeen	Government Investments Management Company	Dependent	Non-Executive
H.E. Ms. Rand GH. Hannun	Government Investments Management Company	Dependent	Non-Executive
H.E. Mr. Saoud Ahmad Nsairat	Social Security Corporation	Dependent	Non-Executive
H.E. Mr."Mohammad Ali" Issam Bdair	"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:

Name	Position
Mr. Stefan Pichler From 01.06.2017 to 30/09/2020	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

The membership of the Natural Board of Directors members in other Public sharsholding companies:

There are no memberships.

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 14 meetings during the year 2020 as following:

Board Member	1st Meeting 28/1/2020	2nd Meeting 11/3/2020	3rd Meeting 18/3/2020	4th Meeting 15/4/2020	5th Meeting 27/4/2020	6th Meeting 9/6/2020	7th Meeting 25/6/2020
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	√	X	√	√	√	√
H.E. Mr. Malek Habashneh	√	√	√	√	√	√	√
H.E. Dr. Emad Hejazeen	●	●	●	●	●	●	√
H.E. Ms. Rand Hannun	●	●	●	●	●	●	X
H.E. Mr. Nizar Khoury	√	X	X	√	√	√	●
H.E. Mr."Mohammad Ali" Bdair	√	√	√	√	√	√	X
H.E. Mr. Michael Nazzal	√	√	√	√	√	√	●

Board Member	8th Meeting 1/7/2020	9th Meeting 5/8/2020	10th Meeting 19/8/2020	11th Meeting 9/9/2020	12th Meeting 8/10/2020	13th Meeting 26/10/2020	14th Meeting 16/12/2020
H.E. Eng. Said Darwazah	√	√	√	√	√	√	√
H.E. Eng. Basem Al-Salem	√	√	√	√	X	√	√
H.E. Mr. Omar Malhas	√	√	√	X	√	√	√
H.E. Mr. Saoud Nsairat	√	√	√	√	√	√	√
H.E. Dr. Abdelhakim Shibli	√	√	√	X	√	X	√
H.E. Mr. Malek Habashneh	√	√	√	√	√	√	√
H.E. Dr. Emad Hejazeen	√	√	√	√	√	√	√
H.E. Ms. Rand Hannun	√	√	√	√	X	√	√
H.E. Mr. Nizar Khoury	●	●	●	●	●	●	●
H.E. Mr."Mohammad Ali" Bdair	√	X	√	√	√	√	√
H.E. Mr. Michael Nazzal	●	●	●	●	●	●	●

√ 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 Committe	Brief About the Qualifications
H.E Mr. Omar Malhas Since 10/9/2019	Head of the Committee	- Appointed as Minister of Finance from 2015 to 2018. - Has a diverse banking experience of more than thirty years with distinguished accomplishments in all fields of work. - 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. - Mr. Omar 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. Omar 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.
H.E. Mr. Saoud Nsairat Since 14/10/2019	Member	- Mr. Saoud was able to employ his experience as Minister of Transport in several governments from 10/25/2004 to 11/22/2007, 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. - 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 Develpoment (2018-2019). - Mr. Saoud holds a master's degree in Management and Military sciences.

H.E. Dr. Abdelhakim Shibli	Member	- Mr. Abdelhakim 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). - Mr. 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. - 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. - Mr. Shibli has 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. "Mohammad Ali" Bdair	Member	- With a background in management, Bdeir was appointed at Royal Jordanian's Board of Directors in 2008. - 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. - Mr. Bdeir received a BS in Industrial Engineering from Purdue University (USA), and an MS in Engineering Management from the American University of Beirut.

The Audit Committee has conducted 10 meetings during the year 2020 as following:

Board Member	1st Meeting 20/1/2020	2nd Meeting 25/2/2020	3rd Meeting 3/3/2020	4th Meeting 31/5/2020	5th Meeting 15/7/2020
H.E Mr. Omar Malhas	√	√	√	√	√
H.E. Mr. Saoud Nsairat	√	√	√	√	√
H.E. Dr. Abdelhakim Shibli	X	X	X	X	X
H.E. Mr. "Mohammad Ali" Bdair	√	√	√	√	√
Board Member	**6th Meeting 30/7/2020**	**7th Meeting 11/10/2020**	**8th Meeting 26/10/2020**	**9th Meeting 4/11/2020**	**10th Meeting 15/12/2020**
H.E Mr. Omar Malhas	√	√	√	√	√
H.E. Mr. Saoud Nsairat	√	√	√	√	√
H.E. Dr. Abdelhakim Shibli	X	X	X	X	√
H.E. Mr. "Mohammad Ali" Bdair	√	√	√	√	√

√ Attended the meeting

X Did not attend the meeting

● Was not a committee member

*The External Auditors have attended 4 meetings with the Audit Committee during the year 2020

The names of the heads and members of the Remunerations and Incentives Committee, Governance Committee, and the Risk Management Committee, and the number of their meetings during the year 2020:

Remunerations and Incentives 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. Mr. Malek Habashneh	Member
H.E. Mr. Nizar Khoury Until 25/6/2020	Member
H.E. Ms. Rand Hannun Since 1/7/2020	Member

The Remunerations and Incentives Committee has conducted 3 meetings during the year 2020 as following:

Board Member	1st Meeting 28/1/2020	2nd Meeting 9/6/2020	3rd Meeting 29/9/2020
H.E Eng. Said Darwazah	√	√	√
H.E Eng. Basem Al-Salem	√	√	√
H.E. Mr. Malek Habashneh	√	√	√
H.E. Mr. Nizar Khoury	√	√	●
H.E. Ms. Rand Hannun	●	●	√

√ Attended the meeting

X Did not attend the meeting

● Was not a committee member

Governance Committee

Board Member	Position within the Committee
H.E. Mr. Michael Nazzal Until 25/6/2020	Head of the Committee
H.E. Mr. Saoud Nsairat Since 1/7/2020	Head of the Committee
H.E. Mr. Nizar Khoury Until 25/6/2020	Member
H.E. Dr. Emad Hejazeen Since 1/7/2020	Member
H.E. Ms. Rand Hannun Since 1/7/2020	Member

The Governance Committee has conducted 2 meetings during the year 2020 as following:

Board Member	1st Meeting 28/7/2020	2nd Meeting 13/12/2020
H.E. Mr. Michael Nazzal	●	●
H.E. Mr. Saoud Nsairat	√	√
H.E. Mr. Nizar Khoury	●	●
H.E. Dr. Emad Hejazeen	√	√
H.E. Ms. Rand Hannun	√	√

√ Attended the meeting

X Did not attend the meeting

● Was not a committee 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. Omar Malhas	Member
H.E. Mr. Malek Habashneh	Member
H.E Mr. Stefan Pichler Until 30/9/2020	Member

The Risk Management Committee has conducted 2 meetings during the year 2020 as following:

Board Member	1st Meeting 14/1/2020	2nd Meeting 4/12/2020
H.E Eng. Basem Al-Salem	√	√
H.E Mr. Omar Malhas	√	√
H.E. Mr. Malek Habashneh	√	√
H.E Mr. Stefan Pichler	√	●

√ Attended the meeting

X Did not attend the meeting

● Was not a committee member

Chairman of the Board

Eng. Said Samih Darwazah

Board of Directors Declarations

1- كما هو موضح بالبيانات المالية المتضمنة بالتقرير السنوي، تجاوزت الخسائر المتراكمة للشركة نسبة 75% من رأس المال، ويعود ذلك بشكل اساسي لخسائر العام 2020 حيث حققت الشركة خسائر صافية بلغت161,1مليون دينار وذلك بسبب تأثير جائحة كورونا وتداعياتها بإيقاف حركة الطيران الجوي للركاب والتي تسببت بالحاق خسائر جسيمة بالشركة .هذا وتنص المادة رقم 266 من قانون الشركات رقم 22 لسنة 1997 وتعديلاته على أنه في حال زيادة الخسائر المتراكمة للشركة المساهمة العامة عن 75% من رأسمالها فيجب تصفية الشركة، إلا اذا قامت الشركة باعادة هيكلة حقوق المساهمين فيها وزيادة رأسمالها. إن قدرة الشركة على الاستمرارية يعتمد بشكل اساسي على تصويب أوضاعها التشغيلية والمالية بما يتناسب مع أوضاع السوق الحالية والمتوقعة وزيادة رأس المال وتوفير النقد الازم لتمويل نشاطاتها. ويسعى مجلس إدارة الشركة الى تحقيق ذلك من خلال العمل على اعادة هيكلة الشركة التشغيلية والمالية والاتصال مع االمساهمين الرئيسيين بهذف زيادة رأس المال وتوفير السيولة اللازمة.

2- يقر مجلس الإدارة بمسؤوليته عن إعداد البيانات المالية وتوفير نظام رقابة فعال في الشركة.

عمر زهير ملحس عضو	باسم خليل السالم نائب رئيس المجلس	سعيد سميح دروزة رئيس مجلس الإدارة
د. عماد نعيم الحجازين عضو	د. عبد الحكيم موسى الشبلي عضو	سعود أحمد نصيرات عضو
"محمد علي" عصام بدير عضو	رند غازي حلون عضو	مالك سلامه المباشنة عضو

3- نقر نحن الموقعون أدناه بصحة ودقة واكتمال المعلومات والبيانات الواردة في التقرير السنوي لعام 2020

فراس منذر القراعين	(شاغر)	سعيد سميح دروزة
نائب المدير العام التنفيذي	المدير العام / الرئيس التفيذي	رئيس مجلس الإدارة

Addresses of RJ offices in Jordan, the Outstations, and its Subsidiaries

Addresses of RJ Sales Offices in jordan		**European Countrirs**	
Headquarters Sales office – 5th Circle	+962 6 5202000	London	+442078786300
Abdali Sales Office – Opposite to the Parliament Counsil	+962 6 5100000	Paris	+3301- 42 65 99 91
City Terminal Sales Office – 7th Circle	+962 6 5100000	Rome	+39 064 787 055
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	+30 210 9242 602 (3)
Irbid Sales Office – Baghdad Street	+962 6 5100000	Larnaca	+30 210 9242 602 (3)
Addresses of RJ Sales Offices in the Outstations		Nikosia	+35 722 460 044
Arab Gulf Countries		Medrid	+34 915 428 006
Abu Dhabi	+971 26 275 084/85	Barcelona	+34933740551 +34934991361
Dubai	+971 47 024 200	Geneve	+41 228 174 802
Riyadh	+966 112 936 031/32/33/35	Zurich	+41 438 164 018
Jeddah	+966 (012) 638 2500/01/02/03/04/05/06/07/08/09	Vienna	+43 151 205 40
Medina	+966 8189 645 / 8189 646/7	Berlin	+49 304 1014 222
Dammam	+966 3899 2006	Frankfurt	+49 692 4249 422
Doha	+974 4442 3888	Munich	+49 899 7591 396
Kuwait	+965 2292 3021	Moscow	+74 959 337 161
Arab Levant Countries		Istanbul	+90 212 4655 106/07
Baghdad	+964 781 977 7709 / +964 777 3033 3393	**Far East Countries**	
Basra	+964 780 1982 285	Bankgog	+66 2638 2960
Najaf	+964 773 0888 660 / +964 780 9235 390	Hong Kong	+852 2804 1203
Erbil	+964 750 4052 299	Kuala Lumpor	+603 2148 7500
Sulaymaniyah	+964 0770 888 7106	**North American Countries**	
Beirut	+961 137 9990/91	NewNork	+121 2949 0060
Cairo	+257 509 05 / +257 508 75	Chicago	+122 4539 8300
Tel Aviv	+972 3571 2826	Detroit	+122 4539 8300
African Countries		Montreal	+514 6312 403
Tunis	+216 7125 5194 / +216 7133 0514	**Subsidiaries**	
Algiers	+213 2167 5621/22	Royal Jordanian for Tourism & Travel – Royal Tours	+962 6 5822 811 www.royaltours.com.jo
		Tikram for Aviation Services	+962 6 5204 030 www.tikram.jo

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