

**ALIA -THE ROYAL JORDANIAN AIRLINES COMPANY
(ROYAL JORDANIAN)**

A PUBLIC SHAREHOLDING COMPANY

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

31 March 2020

**Report on Review of Interim Condensed Consolidated Financial Statements
To the Board of Directors of
Alia -The Royal Jordanian Airlines Company (Royal Jordanian)
Amman - Jordan**

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Alia- The Royal Jordanian Airlines Company and its subsidiaries (together referred to as "the Group") as at 31 March 2020, comprising the interim consolidated statement of financial position as at 31 March 2020 and the related interim consolidated income statement, consolidated statements of comprehensive income, changes in equity and cash flows for the three month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Emphasis of a matter

Without qualifying our conclusion, we draw attention to note (3) to the interim condensed consolidated financial statements, which describes the potential effect of COVID-19 pandemic on the Groups' operating environment including its interim results and related uncertainties.

Amman – Jordan
7 July 2020



Alia - The Royal Jordanian Airlines Company (Royal Jordanian)
Public Shareholding Company
Interim Consolidated Statement of Financial Position
At 31 March 2020
(In Thousands of Jordanian Dinars)

	Notes	31 March 2020 (Unaudited)	31 December 2019 (Audited)
<u>ASSETS</u>			
Non- current assets			
Right-of-use assets	5	484,240	501,886
Property and equipment	6	102,879	106,845
Advances on purchase and modification of aircrafts		4,813	4,813
Financial assets at fair value through other comprehensive income		2,307	2,697
Investments in associates		18,287	18,760
Restricted cash against lease contracts		30,589	37,129
Deferred tax assets		12,322	12,322
		<u>655,437</u>	<u>684,452</u>
Current assets			
Other current assets		20,097	21,158
Spare parts and supplies, net		7,443	7,409
Accounts receivable, net		63,103	68,011
Cash and bank balances	7	88,686	79,462
		<u>179,329</u>	<u>176,040</u>
TOTAL ASSETS		<u>834,766</u>	<u>860,492</u>
<u>EQUITY AND LIABILITIES</u>			
Shareholders' equity			
Paid in capital	9	274,610	274,610
Share discount	9	(78,205)	(78,205)
Statutory reserve	9	14,808	14,808
Fair value reserve		133	523
Cash flow hedges		(346)	119
Accumulated losses		(110,850)	(85,389)
		<u>100,150</u>	<u>126,466</u>
Non-controlling interests		261	266
Total shareholders' equity		<u>100,411</u>	<u>126,732</u>
<u>LIABILITIES</u>			
Non- current liabilities			
Long-term loans	8	76,922	72,598
Long-term lease obligations	5	396,362	399,177
Other long-term liabilities		404	393
		<u>473,688</u>	<u>472,168</u>
Current liabilities			
Bank overdrafts	7	1,940	2,895
Current portion of long-term loans	8	12,825	22,865
Accrued expenses		84,820	74,738
Accounts payable and other current liabilities		66,963	57,545
Deferred revenues		49,993	50,271
Short-term lease obligations	5	44,126	53,278
		<u>260,667</u>	<u>261,592</u>
Total liabilities		<u>734,355</u>	<u>733,760</u>
TOTAL EQUITY AND LIABILITIES		<u>834,766</u>	<u>860,492</u>

The attached notes from 1 to 16 form part of these interim condensed consolidated financial statements

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)
Public Shareholding Company
Interim Consolidated Income Statement
For The Three Months Ended 31 March 2020 (Unaudited)
(In Thousands of Jordanian Dinars)**

	Notes	For the three months ended 31 March	
		2020	2019
Revenues from contracts with customers	10	114,113	145,713
Cost of revenues		(116,925)	(124,767)
Gross (loss) profit		(2,812)	20,946
Administrative expenses		(4,965)	(4,700)
Selling and marketing expenses		(9,296)	(11,988)
Other provisions		-	(194)
Net operating (loss) profit		(17,073)	4,064
Group's share of profits of associates		328	690
Other expenses, net		(321)	(1,260)
Provision for voluntary termination	15	(910)	-
Loss on foreign currency exchange		(363)	(641)
Finance costs		(7,778)	(8,542)
Interest income		651	497
Loss before tax		(25,466)	(5,192)
Income tax expense	11	-	(6)
Loss for the period		(25,466)	(5,198)
Attributable to:			
Equity holders of the parent		(25,461)	(5,196)
Non-controlling interests		(5)	(2)
		(25,466)	(5,198)
Earnings per share			
Basic and diluted earnings per share attributable to equity holders of the parent		JD (0.0958)	JD (0.0199)

The attached notes from 1 to 16 form part of these interim condensed consolidated financial statements

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)
Public Shareholding Company
Interim Consolidated Statement of Comprehensive Income
For The Three Months Ended 31 March 2020 (Unaudited)
(In Thousands of Jordanian Dinars)**

	For the three months ended 31 March	
	2020	2019
Loss for the period	(25,466)	(5,198)
Other comprehensive income		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):		
Net loss on cash flow hedges	(465)	(142)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):		
Change in fair value reserve of financial assets at fair value through other comprehensive income	(390)	-
Total comprehensive income for the period	(26,321)	(5,340)
Attributable to:		
Equity holders of the parent	(26,316)	(5,338)
Non-controlling interests	(5)	(2)
	(26,321)	(5,340)

The attached notes from 1 to 16 form part of these interim condensed consolidated financial statements

Alia - The Royal Jordanian Airlines Company (Royal Jordanian) – Public Shareholding Company
Interim Consolidated Statement of Changes in Equity
For The Three Months Ended 31 March 2020 (Unaudited)
(In Thousands of Jordanian Dinars)

	<i>Attributable to equity holders of the parent</i>									
	<i>Paid in capital</i>	<i>Share discount</i>	<i>Advances in respect of capital increase</i>	<i>Statutory reserve</i>	<i>Fair value reserve</i>	<i>Cash flow hedges</i>	<i>Accumulated losses</i>	<i>Total</i>	<i>Non – controlling interests</i>	<i>Total equity</i>
For the three months ended 31 March 2020										
Balance as of 1 January 2020	274,610	(78,205)	-	14,808	523	119	(85,389)	126,466	266	126,732
Total comprehensive income for the period	-	-	-	-	(390)	(465)	(25,461)	(26,316)	(5)	(26,321)
Balance as of 31 March 2020	274,610	(78,205)	-	14,808	133	(346)	(110,850)	100,150	261	100,411
For the three months ended 31 March 2019										
Balance as of 1 January 2019	246,405	(61,000)	8,000	13,509	3,771	-	(94,483)	116,202	276	116,478
Total comprehensive income for the period	-	-	-	-	-	(142)	(5,196)	(5,338)	(2)	(5,340)
Advances in respect of capital increase (note 9)	-	-	3,000	-	-	-	-	3,000	-	3,000
Capital increase	28,205	(17,205)	(11,000)	-	-	-	-	-	-	-
Balance as of 31 March 2019	274,610	(78,205)	-	13,509	3,771	(142)	(99,679)	113,864	274	114,138

The attached notes from 1 to 16 form part of these interim condensed consolidated financial statements

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)
Public Shareholding Company
Interim Consolidated Statement of Cash Flows
For The Three Months Ended 31 March 2020 (Unaudited)
(In Thousands of Jordanian Dinars)**

	Notes	For the three months ended 31 March	
		2020	2019
OPERATING ACTIVITIES			
Loss for the period before income tax		(25,466)	(5,192)
Adjustments for:			
Depreciation of property and equipment		5,162	5,314
Depreciation of right of use assets	5	17,135	16,176
Share of results of associates		(328)	(690)
Finance costs		7,778	8,542
Provision for slow moving inventory		-	194
Provision for end of service indemnity		11	-
Provision for voluntary termination	15	910	-
Interest income		(651)	(497)
Amortization of deferred revenue – Jordan Flight Catering Company Ltd		(75)	(75)
Working capital changes:			
Accounts receivable		4,908	(15,541)
Spare parts and supplies		(34)	(718)
Other current assets		1,681	2,162
Deferred revenues		(203)	22,001
Accounts payable and other current liabilities		9,418	2,970
Accrued expenses		9,407	5,768
Voluntary termination program payments		(565)	(32)
Net cash flows from operating activities		29,088	40,382
INVESTING ACTIVITIES			
Purchase of property and equipment	6	(1,196)	(5,508)
Change in restricted cash against lease contracts		6,540	(397)
Interest income received		907	679
Short term deposits		22,172	847
Dividends received from associates		801	492
Net cash flows from (used in) investing activities		29,224	(3,887)
FINANCING ACTIVITIES			
Bank overdrafts		(955)	-
Capital increase		-	3,000
Repayment of term loans		(5,849)	(5,114)
Payments of lease obligations	5	(17,219)	(18,374)
Interest paid		(1,938)	(1,931)
Net cash flows used in financing activities		(25,961)	(22,419)
Net increase in cash and cash equivalents		32,351	14,076
Cash and cash equivalents at the beginning of the period		52,283	67,193
Cash and cash equivalents at the end of the period	7	84,634	81,269

The attached notes from 1 to 16 form part of these interim condensed consolidated financial statements

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)
Public Shareholding Company
Notes to The Interim Condensed Consolidated Financial Statements
31 March 2020 (unaudited)
(In Thousands of Jordanian Dinars except for amounts in US Dollars)**

1. GENERAL

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

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

The interim condensed consolidated financial statements were authorized for issue by the Board of Directors in their meeting held on 9 June 2020.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting.

The interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the Group's annual financial statements as of 31 December 2019. In addition, results of the three months period ended 31 March 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

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

Changes in accounting polices

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following new standards starting from 1 January 2020:

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 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 clarified that a business can exist without including all of the inputs and processes needed to create outputs.

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

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

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide 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 do not have any impact on the Group's interim condensed consolidated financial statements.

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

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

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 suspension of travel and closure of boundaries with other countries. The Covid-19 pandemic along with the measures necessary to contain the virus have triggered an economic downturn and caused an unprecedented economic crisis. At this point, there is great uncertainty about its severity and length. 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 until further notice, all Company's scheduled flights were suspended except for cargo flights. This has significantly affected the Company's gross revenues to unprecedented levels.
- Cancellation of scheduled flights resulted in tickets refunds of around JD 19 million up to the date of the interim condensed consolidated financial statements.

Alia - The Royal Jordanian Airlines Company (Royal Jordanian)
Public Shareholding Company
Notes to The Interim Condensed Consolidated Financial Statements
31 March 2020 (unaudited)
(In Thousands of Jordanian Dinars except for amounts in US Dollars)

- As part of the Company's action plan to manage cashflows, management entered into discussions with Aircrafts' lessors and lenders to reschedule the leases and loan payments during the lockdown period.
- The Company 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 subsequent to September 2020 on a proportional basis.
- The board of directors resolved in its meeting 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 received a comfort letter from Government of Hashemite Kingdom of Jordan represented by the Ministry of Finance in which the Government intends to support the Company's operations in the future. Furthermore, the Company's management is going through an ongoing discussion with the Government to obtain the needed support. Accordingly, a committee has been formed comprised representatives from 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 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 or loan guarantees and tax relieves.

The situation, including Government and Management responses to the operational and liquidity challenges, continue to progress and rapidly evolve.

4. BASIS OF CONSOLIDATION

The interim condensed 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 of 31 March 2020:

	<u>Ownership Interest</u>	<u>Country</u>
Royal Wings Company	100%	Jordan
Royal Tours for Travel and Tourism Company	80%	Jordan
Al Mashriq for Aviation services	100%	Jordan

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)
Public Shareholding Company
Notes to The Interim Condensed Consolidated Financial Statements
31 March 2020 (unaudited)
(In Thousands of Jordanian Dinars except for amounts in US Dollars)**

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

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

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
 - The contractual arrangement with the other vote holders of the investee
 - Rights arising from other contractual arrangements
 - The Group's voting rights and potential voting rights

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

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

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

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

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

Alia - The Royal Jordanian Airlines Company (Royal Jordanian)
Public Shareholding Company
Notes to The Interim Condensed Consolidated Financial Statements
31 March 2020 (unaudited)
(In Thousands of Jordanian Dinars except for amounts in US Dollars)

Shareholders who have a significant influence over the Group

The Government of the Hashemite Kingdom of Jordan presented by Investment Management Company, Mint Trading Middle East Ltd. and Social Security Corporation own 82.03%, 4.99% and 5.33%, respectively from the Company's shares as at 31 March 2020 (31 December 2019: 82.03%, 4.99% and 5.33% respectively)

5. Leases

The schedule below illustrates the carrying amount of the Group's right-of-use assets and lease obligations along with the movement during the period ended 31 March 2020:

	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
Lease-term modifications	(511)	-	-	(511)	(588)
Depreciation	(15,572)	(650)	(913)	(17,135)	-
Finance costs	-	-	-	-	5,840
Payments	-	-	-	-	(17,219)
At 31 March 2020	420,549	39,118	24,573	484,240	440,488

* Lease obligations details are as follows:

31 March 2020			31 December 2019		
(unaudited)			(audited)		
Short term	Long term	Total	Short term	Long term	Total
44,126	396,362	440,488	53,278	399,177	452,455

6. PROPERTY AND EQUIPMENT

During the three months ended 31 March 2020, the Group acquired property and equipment with a cost of JD 1,196 (31 March 2019: JD 5,508).

7. CASH AND CASH EQUIVALENTS

	31 March 2020	31 December 2019
	(unaudited)	(audited)
Cash and bank balances	79,946	29,239
Short term deposits*	-	6,095
Cash in transit **	6,628	19,844
Total cash and short-term deposits	86,574	55,178
Short-term deposits mature after 3 months ***	2,112	24,284
	88,686	79,462

Alia - The Royal Jordanian Airlines Company (Royal Jordanian)
Public Shareholding Company
Notes to The Interim Condensed Consolidated Financial Statements
31 March 2020 (unaudited)
(In Thousands of Jordanian Dinars except for amounts in US Dollars)

- * This item represents deposits in Jordanian Dinar in Jordanian Banks as of 31 December 2019 with an interest rate ranging between 4.275% - 5.00% (31 March 2020: nil).
- ** This item represents cash received on tickets sales and other sales during March that were deposited in the Group's bank accounts during April.
- *** This item represents deposits in Banks in Sudanese Pound (228,723 thousand Sudanese Pound which is equivalent to JD 922). In addition to Libyan Dinar and Syrian Lira equivalent to JD 1,190 as at 31 March 2020 (31 December 2019: deposits in Jordanian Dinar of 21,780 and 214,804 Thousand Sudanese pound which is equivalent to JD 1,324 in addition to Libyan Dinar and Syrian Lira equivalent to JD 1,180) with an average interest rate of 4.9% (31 December 2019: 5.5%) and are due within ten months (31 December 2019: four months).

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

	<u>31 March 2020</u> (Unaudited)	<u>31 March 2019</u> (Unaudited)
Cash on hand and at banks	86,574	81,269
Less: bank overdraft ****	(1,940)	-
	<u>84,634</u>	<u>81,269</u>

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

8. LOANS

	<u>31 March 2020</u> (unaudited)		<u>31 December 2019</u> (audited)	
	<u>Loans' installments</u>		<u>Loans' installments</u>	
	<u>Short</u> <u>term</u>	<u>Long</u> <u>term</u>	<u>Short</u> <u>term</u>	<u>Long</u> <u>term</u>
Syndicated loan*	13,360	78,437	23,400	74,246
Less: directly attributable transaction costs	(535)	(1,515)	(535)	(1,648)
	<u>12,825</u>	<u>76,922</u>	<u>22,865</u>	<u>72,598</u>

- * 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.

Alia - The Royal Jordanian Airlines Company (Royal Jordanian)
Public Shareholding Company
Notes to The Interim Condensed Consolidated Financial Statements
31 March 2020 (unaudited)
(In Thousands of Jordanian Dinars except for amounts in US Dollars)

On 5 February 2019, the Company signed a loan restructuring agreement for the syndicated loan. The loan installments were extended until 2024. The first installment amounting to JD 1.9 million fell due on 5 March 2019 with an annual interest rate of one-month LIBOR plus 2.65%.

The loan agreement contains loan covenants which require the Company to meet certain financial ratios. The Company is compliant with those covenants as of the date of the interim condensed consolidated financial statements.

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.

According to the loan agreement, the Company is obliged to transfer the proceeds from its sales from travel agents in 23 stations that are collected through IATA to the Company's account at Al-Mashreq Bank as a collateral.

Principal installments payable for the period ended 31 March 2020 and after are as follows:

<u>Period</u>	<u>Amount</u>
1 April 2020– 31 March 2021	13,360
1 April 2021– 31 March 2022	26,719
1 April 2022– 31 March 2023	27,037
1 April 2023– 31 March 2024	24,681

9. SHAREHOLDERS' EQUITY

- Paid in capital

	<u>31 March</u> <u>2020</u> <u>(unaudited)</u>	31 December 2019 <u>(audited)</u>
Authorized capital (Par value of Jordanian Dinar per share)	<u>274,610</u>	<u>274,610</u>
Paid in capital	<u>274,610</u>	<u>274,610</u>

- Share discount

Share discount amounted to JD 78.2 million as at 31 March 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.

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)
Public Shareholding Company
Notes to The Interim Condensed Consolidated Financial Statements
31 March 2020 (unaudited)
(In Thousands of Jordanian Dinars except for amounts in US Dollars)**

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

Subscription was completed during January 2019, whereas, the Company's authorized and paid in capital became JD 274,610 along with a share discount of JD 78,205 as at 31 March 2020 and 31 December 2019.

- Statutory Reserve

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

Alia - The Royal Jordanian Airlines Company (Royal Jordanian)
Public Shareholding Company
Notes to The Interim Condensed Consolidated Financial Statements
31 March 2020 (unaudited)
(In Thousands of Jordanian Dinars except for amounts in US Dollars)

10. REVENUES

	For the three months ended 31 March	
	<u>2020</u>	<u>2019</u>
Scheduled Services		
Passengers	86,960	115,305
Cargo	6,799	8,111
Excess baggage	1,583	1,580
Airmail	2,058	1,933
Total scheduled services (note 13)	<u>97,400</u>	<u>126,929</u>
Chartered flights (note 13)	2,183	2,167
Commercial revenues from arriving and departing aircrafts of other companies	2,558	2,751
Revenues from technical and maintenance services provided to other companies	1,028	1,156
Cargo warehouse revenues	3,480	3,780
First class services revenues	1,064	1,551
Change and cancellation of reservation revenues	2,512	2,558
Revenues from National Distribution Center (Galileo)	504	846
Other revenues	3,384	3,975
	<u>114,113</u>	<u>145,713</u>

11. INCOME TAX

No provision for income tax was calculated by the Company for the periods ended 31 March 2020 and 2019 due to the excess of deductible expenses over taxable income in accordance with the Income Tax Law No. (38) of 2018.

Provision for income tax charge during the period ended 31 March 2019 amounting to JD 6 represents the income tax expense incurred by Al Mashriq for Aviation Services (subsidiary) for the period ended 31 March 2019.

The Company filed its tax return for the years from 2015 till 2018. The Income Tax Department has not reviewed the Company's accounting records up to the date of the interim condensed consolidated financial statements.

The Income and Sales Tax Department raised a claim to RJ by an amount of JD 701 which represents sales tax differences for the years 2012, 2013 and 2014. The Company appealed the case at the Tax Court. The case is still outstanding up to date of the interim condensed consolidated financial statement. Although results of the case cannot be determined accurately, management believes that no material liability is likely to result.

The Company reached a final settlement with the Income and Sales Tax Department up to 2014.

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)
Public Shareholding Company
Notes to The Interim Condensed Consolidated Financial Statements
31 March 2020 (unaudited)
(In Thousands of Jordanian Dinars except for amounts in US Dollars)**

Royal Wings Company filed its tax return for the years of 2018 and 2017. The Income Tax Department has not reviewed the Company's accounting records up to the date of the interim condensed consolidated financial statements. Royal Wings Company reached a final settlement with the Income Tax Department up to the year 2016.

Royal Tours Company filed its tax return for the years of 2018 and 2017. The Income Tax Department has not reviewed the Company's accounting records up to the date of the interim condensed consolidated financial statements. Royal Tours for Travel and Tourism Company reached a final settlement with the income tax department up to the year 2016.

Al-Mashriq for Aviation Services Company filed its tax return for the years from 2016 to 2018. The Income Tax Department has not reviewed the Company's accounting records up to the date interim condensed of the consolidated financial statements. Al-Mashriq for Aviation Services Company reached a final settlement with the income tax department up to the year 2015.

12. COMMITMENTS AND CONTINGENCIES

- Letters of credit and guarantees

At 31 March 2020, the Group had letters of credit amounted to JD 27,113 and letters of guarantees amounted to JD 433 (31 December 2019: letters of credit amounted to JD 8,596 and letters of guarantees amounted to JD 647).

- Claims against the Group

The Group is a defendant in a number of lawsuits amounting to JD 10,145 as at 31 March 2020 (31 December 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 March 2020 is sufficient to cover any contingent liabilities and claims that may arise from these lawsuits.

- Capital Commitments

As of 31 March 2020, the Group had capital commitments of USD 453,013,157 (31 December 2019: USD 453,013,157), equivalent to JD 321,286 (31 December 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.

Alia - The Royal Jordanian Airlines Company (Royal Jordanian)
Public Shareholding Company
Notes to The Interim Condensed Consolidated Financial Statements
31 March 2020 (unaudited)
(In Thousands of Jordanian Dinars except for amounts in US Dollars)

13. 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.

	For the three months ended 31 March 2020 (Unaudited)				For the three months ended 31 March 2019 (Unaudited)			
	Scheduled	Chartered Flights		Total	Scheduled	Chartered Flights		Total
	services	Passengers	Cargo		services	Passengers	Cargo	
Levant	12,450	-	572	13,022	18,304	-	999	19,303
Europe	24,759	-	692	25,451	32,902	201	286	33,389
Arab Gulf	27,608	-	56	27,664	31,659	-	-	31,659
America	21,683	-	546	22,229	27,840	-	681	28,521
Asia	8,542	317	-	8,859	13,453	-	-	13,453
Africa	2,358	-	-	2,358	2,771	-	-	2,771
Total revenues	97,400	317	1,866	99,583	126,929	201	1,966	129,096

14. RELATED PARTY TRANSACTIONS

Following is a summary of balances due to/ from related parties included in the interim consolidated statement of financial position:

	31 March 2020		31 December 2019	
	Accounts receivable	Accounts payable	Accounts receivable	Accounts payable
	(unaudited)	(unaudited)	(audited)	(audited)
Government of the Hashemite Kingdom of Jordan	3,458	1,961	3,545	1,460
Employees Provident Fund	-	4,558	-	3,796
Jordan Aircraft Maintenance Company	-	645	-	164
Jordan Flight Catering Company	-	2,731	-	3,135
Jordan Aircraft Training and Simulation Company	-	21	-	163
	3,458	9,916	3,545	8,718

Alia - The Royal Jordanian Airlines Company (Royal Jordanian)
Public Shareholding Company
Notes to The Interim Condensed Consolidated Financial Statements
31 March 2020 (unaudited)
(In Thousands of Jordanian Dinars except for amounts in US Dollars)

The following is a summary of the transactions with associated companies included in the interim consolidated income statement:

	For the three months ended 31 March	
	2020	2019
	(unaudited)	(unaudited)
Jordan Aircraft Maintenance Company (JORAMCO):		
Scheduled services revenues	72	78
Repair and maintenance expenses	(671)	(852)
Jordan Flight Catering Company:		
Passenger services expenses	(2,458)	(3,293)
Jordan Aircraft Training and Simulation Company:		
Scheduled services revenues	14	-
Pilots training expenses	(254)	(100)

The following is a summary of the transactions with the Government of the Hashemite Kingdom of Jordan included in the interim consolidated income statement:

	For the three months ended 31 March	
	2020	2019
	(unaudited)	(unaudited)
Scheduled services revenues – passengers	547	966
Scheduled services revenues – cargo	350	286
Chartered flights	198	637
	1,095	1,889

Compensation of key management personnel:

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

	For the three months ended 31 March	
	2020	2019
	(unaudited)	(unaudited)
Salaries and other benefits	238	225
Board of Directors remuneration	12	8

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)
Public Shareholding Company
Notes to The Interim Condensed Consolidated Financial Statements
31 March 2020 (unaudited)
(In Thousands of Jordanian Dinars except for amounts in US Dollars)**

15. 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 covering 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 amounted to JD 910 for the period ended 31 March 2020 which represents the accrued amounts for employees who applied to the plan and management approved their applications.

16. COMPARATIVE FIGURES

Some of the comparative figures for the period ended 31 March 2019 have been reclassified to correspond with 31 March 2020 presentation with no effect on equity or loss for the period ended 31 March 2019.