

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

A PUBLIC SHAREHOLDING COMPANY

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 June 2020



Building a better
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**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 (the "Company") and its subsidiaries (together referred to as the "Group") as at 30 June 2020, comprising the interim consolidated statement of financial position as at 30 June 2020 and the related interim consolidated income statement, consolidated statements of comprehensive income, changes in equity and cash flows for the six 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 Matters

- The Company's accumulated losses of JD 152.1 million as at 30 June 2020 represents 55% of the Company's capital. Also, the Company's current liabilities exceeded its current assets by an amount of JD 106.8 million as at 30 June 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 exceeds 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 a five-year period starting from 1 January 2021, resulting in amount of JD 10 million each year. The Company is currently holding discussions with the Prime Ministry of Jordan and Ministry of Finance to reschedule the payments of capital increase process of JD 50 million to be over a two-year period starting from the current year for an amount of JD 25 million each year. Furthermore, the Company received a comfort letter from the Ministry of Finance (the Jordanian Government's representative), stating that the Government intends to support the Company's operations in the future. Our conclusion is not qualified in respect of this 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 Group's operating environment including its interim results and related uncertainties.

Amman – Jordan
5 August 2020

Ernst + Young

Alia - The Royal Jordanian Airlines Company (Royal Jordanian)
Public Shareholding Company
Interim Consolidated Statement of Financial Position
At 30 June 2020
(In Thousands of Jordanian Dinars)

	Notes	30 June 2020	31 December 2019
		(Unaudited)	(Audited)
ASSETS			
Non- current assets			
Right-of-use assets	5	467,118	501,886
Property and equipment	6	102,849	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		17,148	18,760
Restricted cash against lease contracts		26,786	37,129
Deferred tax assets		12,322	12,322
		<u>633,343</u>	<u>684,452</u>
Current assets			
Other current assets		18,885	21,158
Spare parts and supplies, net		7,603	7,409
Accounts receivable, net		63,989	68,011
Cash and bank balances	7	49,845	79,462
		<u>140,322</u>	<u>176,040</u>
TOTAL ASSETS		<u>773,665</u>	<u>860,492</u>
EQUITY AND LIABILITIES			
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		(129)	119
Accumulated losses		(152,120)	(85,389)
		<u>59,097</u>	<u>126,466</u>
Non-controlling interests		240	266
Total shareholders' equity		<u>59,337</u>	<u>126,732</u>
LIABILITIES			
Non- current liabilities			
Long-term loans	8	70,376	72,598
Long-term lease obligations	5	396,372	399,177
Other long-term liabilities		415	393
		<u>467,163</u>	<u>472,168</u>
Current liabilities			
Bank overdrafts	7	-	2,895
Current portion of long-term loans	8	19,505	22,865
Accrued expenses		69,526	74,738
Accounts payable and other current liabilities		76,694	57,545
Deferred revenues		42,618	50,271
Short-term lease obligations	5	38,822	53,278
		<u>247,165</u>	<u>261,592</u>
Total liabilities		<u>714,328</u>	<u>733,760</u>
TOTAL EQUITY AND LIABILITIES		<u>773,665</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 Six Months Ended 30 June 2020 (Unaudited)
(In Thousands of Jordanian Dinars)

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2020	2019	2020	2019
Revenues from contracts with customers	10	22,823	170,947	136,936	316,659
Cost of revenues		(47,164)	(141,450)	(164,089)	(265,904)
Gross (loss) profit		(24,341)	29,497	(27,153)	50,755
Administrative expenses		(3,573)	(5,870)	(8,538)	(10,884)
Selling and marketing expenses		(4,689)	(9,924)	(13,985)	(21,912)
Other provisions		-	(29)	-	(223)
Net operating (loss) profit		(32,603)	13,674	(49,676)	17,736
Group's share of (losses) profits of associates		(807)	346	(479)	1,036
Other (expenses) income, net		(713)	303	(1,034)	(955)
Provision for voluntary termination	15	-	-	(910)	-
Loss on foreign currency exchange		(533)	(184)	(896)	(825)
Finance costs		(6,722)	(7,931)	(14,500)	(16,473)
Interest income		87	465	738	962
(Loss) profit for the period before tax		(41,291)	6,673	(66,757)	1,481
Income tax expense	11	-	(9)	-	(15)
(Loss) profit for the period		(41,291)	6,664	(66,757)	1,466
Attributable to:					
Equity holders of the parent		(41,270)	6,676	(66,731)	1,480
Non-controlling interests		(21)	(12)	(26)	(14)
		(41,291)	6,664	(66,757)	1,466
Earnings per share					
Basic and diluted earnings per share attributable to equity holders of the parent		<u>JD (0.150)</u>	<u>JD 0.025</u>	<u>JD (0.243)</u>	<u>JD 0.005</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 Statement of Comprehensive Income
For The Six Months Ended 30 June 2020 (Unaudited)
(In Thousands of Jordanian Dinars)**

	For the three months ended 30 June		For the six months ended 30 June	
	2020	2019	2020	2019
(Loss) profit for the period	(41,291)	6,664	(66,757)	1,466
Other comprehensive income				
Other comprehensive income items that will be reclassified to profit or loss in subsequent periods (net of tax):				
Net gain (loss) on cash flow hedges	217	51	(248)	(91)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):				
Change in fair value of financial assets at fair value through other comprehensive income	-	-	(390)	-
Total comprehensive income for the period	(41,074)	6,715	(67,395)	1,375
Attributable to:				
Equity holders of the parent	(41,053)	6,727	(67,369)	1,389
Non-controlling interests	(21)	(12)	(26)	(14)
	(41,074)	6,715	(67,395)	1,375

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 Six Months Ended 30 June 2020 (Unaudited)
(In Thousands of Jordanian Dinars)

	<i>Attributable to equity holders of the parent</i>									
	Paid-in capital	Share discount	Advances in respect of capital increase	Statutory reserve	Fair value reserve	Cash flow hedges	Accumulated losses	Total	Non – controlling interests	Total equity
For the six months ended 30 June 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)	(248)	(66,731)	(67,369)	(26)	(67,395)
Balance as of 30 June 2020	274,610	(78,205)	-	14,808	133	(129)	(152,120)	59,097	240	59,337
For the six months ended 30 June 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	-	-	-	-	-	(91)	1,480	1,389	(14)	1,375
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 30 June 2019	274,610	(78,205)	-	13,509	3,771	(91)	(93,003)	120,591	262	120,853

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 Six Months Ended 30 June 2020 (Unaudited)
(In Thousands of Jordanian Dinars)**

	Notes	For the Six months ended 30 June	
		2020	2019
OPERATING ACTIVITIES			
(Loss) profit for the period before income tax		(66,757)	1,481
Adjustments for:			
Depreciation of property and equipment		11,681	10,512
Depreciation of right-of-use assets	5	34,257	32,476
Share of losses (profits) of associates		479	(1,036)
Finance costs		14,500	16,473
Gain on sale of property and equipment		-	(11)
Provision for slow moving inventory		-	223
Provision for end of service indemnity		22	-
Provision for voluntary termination	15	910	-
Interest income		(738)	(962)
Amortization of deferred revenue – Jordan Flight Catering Company Ltd		(150)	(150)
Working capital changes:			
Accounts receivable		4,022	(25,970)
Spare parts and supplies		(194)	(1,618)
Other current assets		3,584	434
Deferred revenues		(7,503)	31,254
Accounts payable and other current liabilities		19,149	17,578
Accrued expenses		(4,231)	9,993
Voluntary termination program payments		(582)	-
End of service payments		-	(32)
Net cash flows from operating activities		8,449	90,645
INVESTING ACTIVITIES			
Purchase of property and equipment	6	(7,685)	(11,086)
Change in restricted cash against lease contracts		10,343	(2,077)
Proceeds from sale of property and equipment		-	11
Interest income received		955	737
Short term deposits		21,344	928
Dividends received from associates		1,133	759
Net cash flows from (used in) investing activities		26,090	(10,728)
FINANCING ACTIVITIES			
Bank overdrafts		(2,895)	-
Capital increase		-	3,000
Repayment of term loans		(5,849)	(10,964)
Payments of lease obligations	5	(27,837)	(37,519)
Interest paid		(3,336)	(6,262)
Net cash flows used in financing activities		(39,917)	(51,745)
Net (decrease) increase in cash and cash equivalents		(5,378)	28,172
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	46,905	95,365

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
30 June 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 5 August 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 consolidated financial statements as of 31 December 2019. In addition, results of the six months period ended 30 June 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 amendments 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. On 21 July 2020, the Government of the Hashemite Kingdom of Jordan announced that airports in Jordan will re-open gradually for specific "Green countries" starting on 5 August 2020, which has been further postponed until 18 August 2020.

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

- Cancellation of scheduled flights resulted in tickets refunds of around JD 26.1 million up to the date of the interim condensed consolidated financial statements.
- 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 Company has also obtained a credit facility granted from Arab Bank with a ceiling of JD 20 million and 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 at 30 June 2020. (31 December 2019: the utilized balance amounted to JD 2,895).
- 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 implemented Defense order No.(1) related to reduction of the Company's share of old age retirement contribution for the months of March, April, and May 2020.
- The Company implemented Defense order No.(6) related to reduction of employees' salaries by a range of 20% and 40% according to their assignments during the months of March, April, May, June and the 13th salary of the year 2020.
- The Company implemented Defense order No.(9) "Tadamun (Solidarity) Program No.1" related to unassigned employees during the months of April and May 2020, whereas the Social Security Corporation contributes by a range of JD 165 to JD 500 per employee per month, under the condition that the Company pays 20% of employee's salaries per month by maximum of JD 250 per employee on monthly basis.
- The Company implemented Defense order No.(14) "Tamkeen (Economic empowerment) Program No.1" by reducing the Company's contribution of old-age and early retirement insurance for the months from June until December 2020.

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)
Public Shareholding Company
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The Company received a comfort letter from the Ministry of Finance (the Jordanian Government's representative), stating that 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 30 June 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

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

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)
Public Shareholding Company
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The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

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

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

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

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

Shareholders who have a significant influence over the Group

The Government of the Hashemite Kingdom of Jordan presented by Investment Management Company, Mint Trading Middle East Ltd. and Social Security Corporation own 82.03%, 4.99% and 5.33%, respectively from the Company's shares as at 30 June 2020 (31 December 2019: 82.03%, 4.99% and 5.33% respectively).

Alia - The Royal Jordanian Airlines Company (Royal Jordanian)
Public Shareholding Company
Notes to The Interim Condensed Consolidated Financial Statements
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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 30 June 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	(31,066)	(1,300)	(1,891)	(34,257)	-
Finance costs	-	-	-	-	11,164
Payments	-	-	-	-	(27,837)
At 30 June 2020	405,055	38,468	23,595	467,118	435,194

* Lease obligations details are as follows:

30 June 2020			31 December 2019		
(unaudited)			(audited)		
Short term	Long term	Total	Short term	Long term	Total
38,822	396,372	435,194	53,278	399,177	452,455

6. PROPERTY AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired property and equipment with a cost of JD 7,685 (30 June 2019: JD 11,086).

7. CASH AND CASH EQUIVALENTS

	30 June 2020	31 December 2019
	(unaudited)	(audited)
Cash and bank balances	25,993	29,239
Short term deposits*	20,034	6,095
Cash in transit **	878	19,844
Total cash and short-term deposits	46,905	55,178
Short-term deposits mature after 3 months ***	2,940	24,284
	49,845	79,462

* This item represents deposits in Jordanian Dinar in Jordanian Banks as of 30 June 2020 with an interest rate ranging between 2.750% - 3.250% (31 December 2019: 4.275% - 5.00%).

** This item represents cash received on tickets and airwaybills sales and other sales during June that were deposited in the Group's bank accounts during July.

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*** 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 and a deposit of 150,000 Thousand Algerian Dinar equivalent to JD 828 as at 30 June 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 3.50% - 4.00%. (31 December 2019: 5.5%) and are due after seven months (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>30 June 2020</u> (unaudited)	<u>30 June 2019</u> (unaudited)
Cash on hand and at banks	46,905	95,365
Less: bank overdraft ****	-	-
	<u>46,905</u>	<u>95,365</u>

**** 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 30 June 2020. (31 December 2019: the utilized balance amounted to JD 2,895).

8. LOANS

	<u>30 June 2020</u> (unaudited)		<u>31 December 2019</u> (audited)	
	<u>Loans' installments</u>		<u>Loans' installments</u>	
	<u>Short term</u>	<u>Long term</u>	<u>Short term</u>	<u>Long term</u>
Syndicated loan*	20,039	71,757	23,400	74,246
Less: directly attributable transaction costs	(534)	(1,381)	(535)	(1,648)
	<u>19,505</u>	<u>70,376</u>	<u>22,865</u>	<u>72,598</u>

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

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

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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 30 June 2020.

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 30 June 2020 and after are as follows:

<u>Period</u>	<u>Amount</u>
1 July 2020 – 30 June 2021	20,039
1 July 2021 – 30 June 2022	26,719
1 July 2022 – 30 June 2023	27,080
1 July 2023 – 30 June 2024	17,958

9. SHAREHOLDERS' EQUITY

- Paid-in capital

	<u>30 June 2020</u> <u>(unaudited)</u>	<u>31 December 2019</u> <u>(audited)</u>
Authorized capital (Par value of 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 30 June 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.

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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 30 June 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.

10. REVENUES

	For the three months ended 30 June		For the six months ended 30 June	
	2020	2019	2020	2019
Scheduled Services				
Passengers	8,076	138,047	95,036	253,120
Cargo	3,943	8,422	10,742	16,533
Excess baggage	249	1,769	1,832	3,349
Airmail	2,578	1,806	4,636	3,739
Total scheduled services (note 13)	14,846	150,044	112,246	276,741
Chartered flights (note 13)	3,587	2,621	5,770	4,788
Commercial revenues from arriving and departing aircrafts of other companies	675	2,319	3,233	5,441
Revenues from technical and maintenance services provided to other companies	132	1,220	1,160	2,376
Cargo warehouse revenues	2,859	4,339	6,339	8,119
First class services revenues	-	1,765	1,064	3,316
Change and cancellation of reservation revenues	495	3,042	3,007	5,600
Revenues from National Distribution Center (Galileo)	-	840	481	1,686
Other revenues	229	4,757	3,636	8,592
	22,823	170,947	136,936	316,659

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11. INCOME TAX

No provision for income tax was calculated by the Company for the periods ended 30 June 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 30 June 2019 amounting to JD 15 represents the income tax expense incurred by Al Mashriq for Aviation Services (subsidiary) for the period ended 30 June 2019.

The Company filed its tax return for the years from 2017 until 2019. 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 2016.

Royal Wings Company filed its tax return for the years from 2017 until 2019. 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 until 2019. 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 30 June 2020, the Group had letters of credit amounted to JD 26,859 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).

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- Claims against the Group

The Group is a defendant in a number of lawsuits amounting to JD 14,761 as at 30 June 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 30 June 2020 is sufficient to cover any contingent liabilities and claims that may arise from these lawsuits.

- Capital Commitments

As of 30 June 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 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.

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 30 June (unaudited):

	2020 (Unaudited)				2019 (Unaudited)			
	Scheduled	Chartered Flights		Total	Scheduled	Chartered Flights		Total
	services	Passengers	Cargo		services	Passengers	Cargo	
Levant	488	-	249	737	18,445	17	1,152	19,614
Europe	4,218	119	559	4,896	42,102	145	626	42,873
Arab Gulf	4,090	-	-	4,090	36,117	-	-	36,117
America	5,581	-	532	6,113	38,155	-	681	38,836
Asia	325	-	2,085	2,410	12,238	-	-	12,238
Africa	144	43	-	187	2,987	-	-	2,987
Total revenues	14,846	162	3,425	18,433	150,044	162	2,459	152,665

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For the six months ended 30 June (unaudited):

	2020 (Unaudited)				2019 (Unaudited)			
	Scheduled	Chartered Flights		Total	Scheduled	Chartered Flights		Total
	Services	Passengers	Cargo		services	Passengers	Cargo	
Levant	12,938	-	821	13,759	36,714	16	2,152	38,882
Europe	28,977	119	1,251	30,347	74,947	346	912	76,205
Arab Gulf	31,698	-	56	31,754	67,716	-	-	67,716
America	27,273	-	1,078	28,351	65,944	-	1,362	67,306
Asia	8,867	317	2,085	11,269	25,667	-	-	25,667
Africa	2,493	43	-	2,536	5,753	-	-	5,753
Total revenues	<u>112,246</u>	<u>479</u>	<u>5,291</u>	<u>118,016</u>	<u>276,741</u>	<u>362</u>	<u>4,426</u>	<u>281,529</u>

14. RELATED PARTY TRANSACTIONS

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

	30 June 2020		31 December 2019	
	Accounts receivable (unaudited)	Accounts payable (unaudited)	Accounts receivable (audited)	Accounts payable (audited)
Government of the Hashemite Kingdom of Jordan	3,393	2,832	3,545	1,460
Employees Provident Fund	-	6,132	-	3,796
Jordan Aircraft Maintenance Company	551	-	-	164
Jordan Flight Catering Company	-	1,565	-	3,135
Jordan Aircraft Training and Simulation Company	28	-	-	163
	<u>3,972</u>	<u>10,529</u>	<u>3,545</u>	<u>8,718</u>

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

	For the three months ended 30 June		For the six months ended 30 June	
	2020	2019	2020	2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Jordan Aircraft Maintenance Company (Joramco):				
Scheduled services revenues	8	78	80	156
Repair and maintenance expenses	(396)	(1,608)	(1,067)	(2,460)
Jordan Flight Catering Company:				
Passenger services expenses	(130)	(3,892)	(2,588)	(7,185)
Jordan Aircraft Training and Simulation Company:				
Scheduled services revenues	-	-	14	10
Pilots training expenses	(47)	(190)	(301)	(290)

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 30 June		For the six months ended 30 June	
	2020	2019	2020	2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Scheduled services revenues – passengers	427	988	974	1,954
Scheduled services revenues – cargo	102	283	452	569
Chartered flights	87	922	285	1,559
	616	2,193	1,711	4,082

Compensation of key management personnel:

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

	For the three months ended 30 June		For the six months ended 30 June	
	2020	2019	2020	2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Salaries and other benefits	218	286	456	511
Board of Directors remuneration	-	11	12	19

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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 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 910 for the period ended 30 June 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 30 June 2019 have been reclassified to correspond with 30 June 2020 presentation with no effect on equity or profit for the period ended 30 June 2019.