

**Jazeera Airways K.S.C.P.  
Kuwait**

**Condensed Consolidated Interim Financial Information (Unaudited)  
and  
Independent Auditor's Review Report  
30 September 2020**

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## **REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF JAZEERA AIRWAYS K.S.C.P.**

### *Introduction*

We have reviewed the accompanying condensed consolidated statement of financial position of Jazeera Airways K.S.C.P. ("the Company") and its subsidiary (together called "the Group") as at 30 September 2020 and the related condensed consolidated statements of income and comprehensive income for three-month and nine-month periods then ended and the related condensed consolidated statements of changes in equity and cash flows for the nine-month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 - Interim Financial Reporting. Our responsibility is to express a conclusion on this condensed consolidated interim financial information 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 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 - Interim Financial Reporting.

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

Furthermore, based on our review, the condensed consolidated interim financial information is in agreement with the books of account of the Company. We further report that, to the best of our knowledge and belief, we have not become aware of any material violations of the Companies Law No. 1 of 2016 and its executive regulations or of the Memorandum of Incorporation and Articles of Association, as amended, of the Company, during the nine months period ended 30 September 2020, that might have had a material effect on the business of the Company or on its financial position.

We further report that, during the course of our review, nothing has come to our attention that causes us to believe that there is any violations of the provisions of Law No 7 of 2010, as amended, concerning the Capital Markets Authority and its related regulations during the nine-month period ended 30 September 2020 that might have had a material effect on the business of the Company or on its financial position.



**Talal Y. Al-Muzaini**  
**License No. 209A**  
**Deloitte & Touche**  
**Al-Wazzan & Co.**

**Condensed Consolidated Statement of Financial Position (Unaudited)**  
**As at 30 September 2020**

		Kuwaiti Dinars		
	Note	30 September 2020 (Unaudited)	31 December 2019 (Audited)	30 September 2019 (Unaudited)
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property and equipment	4	20,157,839	20,819,335	26,579,010
Right of use asset	5	92,441,278	82,691,386	48,494,097
Advance for maintenance		14,178,308	11,613,952	13,357,026
Security deposits		1,666,709	3,043,855	2,326,522
		<u>128,444,134</u>	<u>118,168,528</u>	<u>90,756,655</u>
<b>Current assets</b>				
Inventories		404,684	312,557	287,312
Security deposits		1,655,991	1,172,192	2,226,004
Trade and other receivables		20,868,086	23,245,301	15,543,451
Cash and bank balances	6	23,343,239	23,754,647	18,429,813
		<u>46,272,000</u>	<u>48,484,697</u>	<u>36,486,580</u>
<b>Total assets</b>		<u>174,716,134</u>	<u>166,653,225</u>	<u>127,243,235</u>
<b>LIABILITIES AND EQUITY</b>				
<b>Equity</b>				
Share capital	7	20,000,000	20,000,000	20,000,000
Legal reserve		5,835,242	5,835,242	4,294,462
Hedge reserve		(2,373,001)	837,562	(18,826)
Retained earnings		(1,972,510)	13,569,535	16,883,573
<b>Total equity</b>		<u>21,489,731</u>	<u>40,242,339</u>	<u>41,159,209</u>
<b>Non-current liabilities</b>				
Post-employment benefits		2,692,605	2,454,600	2,750,118
Maintenance payables		11,338,781	8,552,150	2,486,411
Lease liabilities	8	92,431,099	76,931,616	44,469,196
Murabaha payables	9	5,932,168	-	-
		<u>112,394,653</u>	<u>87,938,366</u>	<u>49,705,725</u>
<b>Current liabilities</b>				
Trade and other payables		17,395,389	21,728,149	23,952,135
Bank overdrafts	6	6,440,307	-	-
Lease liabilities	8	14,933,482	12,031,667	9,665,603
Murabaha payables	9	1,053,839	-	-
Deferred revenue		1,008,733	4,712,704	2,760,563
		<u>40,831,750</u>	<u>38,472,520</u>	<u>36,378,301</u>
<b>Total liabilities and equity</b>		<u>174,716,134</u>	<u>166,653,225</u>	<u>127,243,235</u>

The accompanying notes are an integral part of this condensed consolidated interim financial information.



**Marwan Marzouq Boodai**  
**Chairman**

**Condensed Consolidated Statement of Income (Unaudited) -  
Nine months ended 30 September 2020**

		Kuwaiti Dinars			
		<b>Three months ended 30 September</b>		<b>Nine months ended 30 September</b>	
	Note	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Revenue	10	6,079,357	35,502,324	32,778,159	82,828,454
Operating costs	11	(11,073,542)	(23,214,962)	(42,653,117)	(60,642,224)
<b>Gross (loss)/profit</b>		<b>(4,994,185)</b>	<b>12,287,362</b>	<b>(9,874,958)</b>	<b>22,186,230</b>
Other operating income		308,122	148,168	139,033	257,085
General, administrative and selling expenses	12	(1,559,507)	(1,820,742)	(4,842,875)	(5,149,903)
Finance costs		(134,081)	(160)	(404,062)	(2,045)
Expected Credit Loss (ECL) - financial assets		13,501	(158,339)	(121,685)	(222,024)
Foreign currency gain/(loss)		770,170	(85,568)	(437,498)	(183,464)
<b>(Loss)/profit before contribution and taxes</b>		<b>(5,595,980)</b>	<b>10,370,721</b>	<b>(15,542,045)</b>	<b>16,885,879</b>
Zakat		-	(105,925)	-	(174,491)
Contribution to Kuwait Foundation for the Advancement of Sciences		-	(94,189)	-	(153,808)
National Labour Support Tax		-	(264,812)	-	(436,228)
<b>(Loss)/profit for the period</b>		<b>(5,595,980)</b>	<b>9,905,795</b>	<b>(15,542,045)</b>	<b>16,121,352</b>
<b>Attributable to:</b>					
Shareholders of the Company		<b>(5,595,980)</b>	<b>9,905,795</b>	<b>(15,542,045)</b>	<b>16,121,352</b>
<b>(Loss)/earnings per share (fils) -</b>					
Basic & diluted	13	<b>(27.97)</b>	<b>49.53</b>	<b>(77.71)</b>	<b>80.61</b>

The accompanying notes are an integral part of this condensed consolidated interim financial information.

**Condensed Consolidated Statement of Comprehensive Income (Unaudited) -**  
**Nine months ended 30 September 2020**

	Kuwaiti Dinars			
	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
(Loss)/profit for the period	(5,595,980)	9,905,795	(15,542,045)	16,121,352
<b>Other comprehensive income</b>				
Items that may be reclassified subsequently to statement of income				
Hedge Reserve – Cash flow hedge	891,740	(18,826)	(3,210,563)	(18,826)
<b>Total comprehensive income for the period</b>	<u>(4,704,240)</u>	<u>9,886,969</u>	<u>(18,752,608)</u>	<u>16,102,526</u>
<b>Attributable to:</b>				
Shareholders of the Company	<u>(4,704,240)</u>	<u>9,886,969</u>	<u>(18,752,608)</u>	<u>16,102,526</u>

The accompanying notes are an integral part of this condensed consolidated interim financial information.

**Condensed Consolidated Statement of Changes in Equity (Unaudited) –  
Nine months ended 30 September 2020**

	Kuwaiti Dinars				
	<b>Share capital</b>	<b>Legal reserve</b>	<b>Hedge reserve</b>	<b>Retained earnings</b>	<b>Total Equity</b>
At 1 January 2020	20,000,000	5,835,242	837,562	13,569,535	40,242,339
Total comprehensive income for the period	-	-	(3,210,563)	(15,542,045)	(18,752,608)
At 30 September 2020	<u>20,000,000</u>	<u>5,835,242</u>	<u>(2,373,001)</u>	<u>(1,972,510)</u>	<u>21,489,731</u>
At 1 January 2019	20,000,000	4,294,462	-	13,541,950	37,836,412
Transition adjustment on adoption of IFRS 16 at 1 January 2019	-	-	-	(5,779,729)	(5,779,729)
Balance as at 1 January 2019 (restated)	<u>20,000,000</u>	<u>4,294,462</u>	<u>-</u>	<u>7,762,221</u>	<u>32,056,683</u>
Total comprehensive income for the period	-	-	(18,826)	16,121,352	16,102,526
Dividend	-	-	-	(7,000,000)	(7,000,000)
At 30 September 2019	<u>20,000,000</u>	<u>4,294,462</u>	<u>(18,826)</u>	<u>16,883,573</u>	<u>41,159,209</u>

The accompanying notes are an integral part of this condensed consolidated interim financial information.

**Condensed Consolidated Statement of Cash Flows (Unaudited) –  
Nine months ended 30 September 2020**

		Kuwaiti Dinars	
		30 September 2020 (Unaudited)	30 September 2019 (Unaudited)
Note			
<b>Cash flows from operating activities</b>			
		(15,542,045)	16,121,352
<i>Adjustments for:</i>			
	4,5	12,184,499	8,904,206
		3,311,766	1,669,677
		437,498	183,464
		561,407	659,286
		(48,466)	(174,203)
		121,685	222,024
		1,026,344	27,585,806
		(92,127)	(40,199)
		2,398,087	(2,923,977)
		1,027,616	(160,447)
		2,786,631	1,180,597
		(2,564,356)	809,534
		(7,826,613)	6,653,345
		(3,703,971)	(1,534,633)
		(323,402)	(279,950)
		(7,271,791)	31,290,076
<b>Cash flows from investing activities</b>			
	4	(1,711,582)	(3,971,429)
		(1,711,582)	(3,971,429)
<b>Cash flows from financing activities</b>			
		-	(7,000,000)
	8	(4,450,286)	(8,352,095)
	9	7,000,000	-
		(13,994)	-
		(404,062)	(2,045)
		2,131,658	(15,354,140)
<b>Net (decrease)/increase in cash and cash equivalents</b>		(6,851,715)	11,964,507
	6	23,754,647	6,465,306
<b>Cash and cash equivalents at end of period</b>		<b>16,902,932</b>	<b>18,429,813</b>

The accompanying notes are an integral part of this condensed consolidated interim financial information.



**1. Constitution and activities**

Jazeera Airways K.S.C.P. (the "Company") was incorporated by Amiri Decree on 3 March 2004 as a Kuwaiti Public Shareholding Company under the laws of Kuwait and is engaged in the business of air transportation and commercial passenger services under a license from the Directorate General of Civil Aviation.

The objects of the Parent Company are –

- Air transportation and related activities
- Investing surplus funds in investment and real estate portfolios managed by specialized companies or entities.

The Parent Company and its subsidiary are together referred to in these condensed consolidated interim financial position as the Group.

The address of the registered office of the Parent Company is Kuwait International Airport, P.O. Box 29288, Safat 13153, Kuwait.

The condensed consolidated interim financial information was approved for issue by the Board of Directors on 3 November 2020.

**2. Basis of preparation and significant accounting policies**

This condensed consolidated interim financial information of the Group is prepared in accordance with International Accounting Standard ("IAS") 34: Interim Financial Reporting.

This condensed consolidated interim financial information does not contain all information and disclosures required for complete consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included in this condensed consolidated interim financial information. Operating results for the nine months ended 30 September 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020. For more details, refer to the annual audited consolidated financial statements of the Group for the financial year ended 31 December 2019.

The condensed consolidated financial interim information is presented in Kuwaiti Dinars ("KD").

**Impact of COVID-19 and current economic scenario**

The outbreak of the novel Coronavirus (Covid-19) in early 2020 in most countries has caused widespread disruptions to business, with a consequential negative impact on economic activities.

Effective from March 7, 2020 the Director General of Civil Aviation (DGCA), Kuwait suspended inbound and outbound flights to Kuwait from 7 countries as a preventive measure to contain the spread of COVID-19. Further, the oil prices also witnessed unprecedented volatility during this period.

From March 13, 2020 the aircraft were completely grounded and with limited operation in April to June 2020 for repatriation flight and cargo-only flights. The DGCA have announced a gradual resumption of operations from 1 August 2020. The economic fallout of COVID-19 crisis is significant and is evolving impacting the key performance indicators of the Group.

**Business continuity planning and liquidity management**

The Group is closely monitoring the situation and has activated its business continuity plan and other risk management practices to manage the business disruption in order to boost the liquidity and sustain the business.

The management made a number of decisions, including reorienting aircraft for cargo flights, reducing costs, negotiating with lessors for deferral and concessions of lease payments, identifying additional opportunities to increase liquidity such as cancellation of dividend and postponing planned capital expenses. To date, the Group has reached agreements with a number of counterparties on deferral and/or restructuring of payments; negotiations are underway with lessors and aircraft manufacturers to delay the delivery of aircraft. Following is the summary measures adopted by the Group:

**Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 30 September 2020**

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- No dividend distribution during the period (see note 7).
- Deferral of all non-essential costs and all capital expenditures;
- Voluntary salary reduction for all employees of 50% effective March 1, 2020 for a period of 7 months;
- Reduction in the total head count of staff.
- Seeking waivers from the Kuwait Government for all charges levied by airports authorities and other government organisations.
- Obtained waivers and reduction in charges from the various key service providers;
- Obtained waivers and exemption from aircraft and engine Lessors from payment of lease rent for the aircraft in lieu of extension of the lease term;
- Drawing down from Murabaha facility which was earlier not used and new facilities to help build a war chest to weather the challenges. As at the reporting date, the Group has a sound liquidity position with KD 23.3 million of available funds;

The Group also constructed a medical facility at the Kuwait Airport to conduct medical checks on all arriving passengers under the supervision of the Ministry of Health to help in identifying infected passengers for quarantining.

Following DGCA's permission for gradual resumption of operations, the Group resumed its flights to and from some of its destinations subject to regulatory conditions. Depending on the easing of lockdowns and travel restrictions around the world, the Group will make a gradual return to other destinations to serve its passengers. The Group has adopted operating procedures to ensure its passengers and its people are properly protected in this new environment and in line with any new requirements in the industry.

The Group has considered whether any adjustments and changes in judgments, estimates and risk management are required to be considered and reported in the condensed consolidated interim financial information. Below are the key assumptions about the future and other key sources of estimation that may have a significant risk of causing a material adjustments to the condensed consolidated interim financial information. Refer note 18 on the impact of COVID-19 on the significant accounting estimates and judgements.

Going concern

The Group has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. However, there exists a risk of another wave of pandemic and plausible prolongation of its consequential impact on air travel and the industry. The projections have been prepared covering the Group's future performance, capital and liquidity (refer note 18). At the present time the projections show that the Group has sufficient resources to continue in operational existence and its going concern position remains largely unchanged from 31 December 2019. As a result, these condensed consolidated interim financial information have been appropriately prepared on a going concern basis.

### **3. Changes in accounting policy and disclosures**

The accounting policies used in the preparation of the condensed consolidated interim financial information are consistent with those used in the preparation of the annual consolidated financial information for the year ended 31 December 2019.

Lease Modification

In May 2020, IASB issued amendment to IFRS 16 that allowed lessees to apply a practical expedient which permits them not to assess whether rent concessions that occur as a direct consequence of the COVID-19 pandemic and meets below specified conditions are lease modifications and, instead, to account for those rent concessions as if they were not lease modifications.

- a. the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b. any reduction in lease payments affects only payments originally due on or before 30 September 2021; and
- c. there is no substantive change to other terms and conditions of the lease.

Accordingly the Group has reassessed the lease liability based on the concession terms agreed with the lessors and elected not to apply the above practical expedient.

**Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 30 September 2020**

**4. Property and equipment**

	Kuwaiti Dinars					
	<b>Engines &amp; rotables</b>	<b>Leasehold improvements</b>	<b>Furniture &amp; equipment</b>	<b>Vehicles</b>	<b>Capital work-in-progress</b>	<b>Total</b>
<b>Cost</b>						
As at 31 December 2019	7,164,800	16,256,087	3,773,931	28,986	624,181	27,847,985
Additions	-	664,161	93,010	-	990,003	1,747,174
Disposal	-	-	-	-	(35,592)	(35,592)
As at 30 September 2020	<u>7,164,800</u>	<u>16,920,248</u>	<u>3,866,941</u>	<u>28,986</u>	<u>1,578,592</u>	<u>29,559,567</u>
<b>Depreciation</b>						
As at 31 December 2019	1,609,004	2,921,053	2,470,689	27,904	-	7,028,650
Charge for the period	<u>1,093,996</u>	<u>973,957</u>	<u>304,043</u>	<u>1,082</u>	<u>-</u>	<u>2,373,078</u>
As at 30 September 2020	<u>2,703,000</u>	<u>3,895,010</u>	<u>2,774,732</u>	<u>28,986</u>	<u>-</u>	<u>9,401,728</u>
<b>Net book value</b>						
As at 30 September 2020	<u>4,461,800</u>	<u>13,025,238</u>	<u>1,092,209</u>	<u>-</u>	<u>1,578,592</u>	<u>20,157,839</u>
As at 31 December 2019	<u>5,555,796</u>	<u>13,335,034</u>	<u>1,303,242</u>	<u>1,082</u>	<u>624,181</u>	<u>20,819,335</u>
As at 30 September 2019	<u>11,300,130</u>	<u>13,342,964</u>	<u>1,164,941</u>	<u>1,438</u>	<u>769,537</u>	<u>26,579,010</u>

Depreciation has been allocated in the condensed consolidated statement of income as follows:

	Kuwaiti Dinars		Kuwaiti Dinars	
	<b>Three months ended 30 September (Unaudited)</b>		<b>Nine months ended 30 September (Unaudited)</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Operating costs	809,322	711,087	2,069,117	1,887,607
General and administrative expenses	<u>102,198</u>	<u>79,365</u>	<u>303,961</u>	<u>178,192</u>
	<u>911,520</u>	<u>790,452</u>	<u>2,373,078</u>	<u>2,065,799</u>

**5. Right of use assets**

	Kuwaiti Dinars			
	<b>Aircraft</b>	<b>Aircraft engines</b>	<b>Leasehold land</b>	<b>Total</b>
<b>Cost</b>				
As at 31 December 2019	86,965,637	2,913,926	2,514,013	92,393,576
Additions	10,811,884	-	1,108,276	11,920,160
Modification	<u>7,641,153</u>	<u>-</u>	<u>-</u>	<u>7,641,153</u>
As at 30 September 2020	<u>105,418,674</u>	<u>2,913,926</u>	<u>3,622,289</u>	<u>111,954,889</u>
<b>Depreciation</b>				
As at 31 December 2019	9,394,795	40,420	266,975	9,702,190
Charge for the period	<u>9,305,061</u>	<u>233,493</u>	<u>272,867</u>	<u>9,811,421</u>
As at 30 September 2020	<u>18,699,856</u>	<u>273,913</u>	<u>539,842</u>	<u>19,513,611</u>
<b>Net book value</b>				
As at 30 September 2020	<u>86,718,818</u>	<u>2,640,013</u>	<u>3,082,447</u>	<u>92,441,278</u>
As at 31 December 2019	<u>77,570,842</u>	<u>2,873,506</u>	<u>2,247,038</u>	<u>82,691,386</u>
As at 30 September 2019	<u>46,201,510</u>	<u>-</u>	<u>2,292,587</u>	<u>48,494,097</u>

**Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 30 September 2020**

**6. Cash and bank balances**

	Kuwaiti Dinars		
	<b>30 September 2020 (Unaudited)</b>	<b>31 December 2019 (Audited)</b>	<b>30 September 2019 (Unaudited)</b>
Cash on hand	76,335	34,820	30,492
Current account with banks	2,127,714	3,520,247	4,212,016
Time deposits with banks	21,144,968	20,204,968	14,204,968
	<u>23,349,017</u>	<u>23,760,035</u>	<u>18,447,476</u>
Expected credit loss	(5,778)	(5,388)	(17,663)
Cash and cash equivalents in the statement of cash flows	<u>23,343,239</u>	<u>23,754,647</u>	<u>18,429,813</u>
Less : Overdrafts	<u>(6,440,307)</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents in the statement of cash flows	<u>16,902,932</u>	<u>23,754,647</u>	<u>18,429,813</u>

The effective interest rate as of 30 September 2020 was 1.45% to 3.125% (31 December 2019: 2.80% to 3.90%, 30 September 2019: 2.80% to 3.89%). Overdraft facility is from local banks and carries effective interest rate of 1% to 1.5% per annum over the Central Bank of Kuwait discount rate ("CBDR").

**7. Share capital**

The authorised, issued and fully paid up share capital of the Parent Company as at 30 September 2020 is KD 20,000,000 paid in cash (31 December 2019: KD 20,000,000; 30 September 2019: KD 20,000,000) comprising of 200,000,000 shares of 100 fils each (31 December 2019: 200,000,000 shares of 100 fils each; 30 September 2019: 200,000,000 shares of 100 fils each).

*Dividend*

The Annual General Assembly of the shareholders of the Group held on 22 June 2020 approved Board of Director's recommendation to not distribute dividends to the shareholders for the year ended 31 December 2019 (31 December 2018: KD 7,000,000: 35 fils per share).

**8. Lease liabilities**

	Kuwaiti Dinars		
	<b>30 September 2020 (Unaudited)</b>	<b>31 December 2019 (Audited)</b>	<b>30 September 2019 (Unaudited)</b>
At the beginning of the period/year	88,963,283	60,784,175	60,784,175
Additions	11,920,160	37,617,177	-
Modification	7,641,153	-	-
Finance costs	2,907,704	2,495,034	1,143,354
Payments	(4,450,286)	(11,977,076)	(8,352,095)
Foreign currency loss	382,567	43,973	559,365
At the end of the period/year	<u>107,364,581</u>	<u>88,963,283</u>	<u>54,134,799</u>

  

	Kuwaiti Dinars		
	<b>30 September 2020 (Unaudited)</b>	<b>31 December 2019 (Audited)</b>	<b>30 September 2019 (Unaudited)</b>
Current	14,933,482	12,031,667	9,665,603
Non-current	92,431,099	76,931,616	44,469,196
	<u>107,364,581</u>	<u>88,963,283</u>	<u>54,134,799</u>

The Group's weighted average incremental borrowing rate applied to the modified lease contracts was 4%.

**Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 30 September 2020**

**9. Murabaha payables**

During the period, the Company had drawn an amount of KD 7,000,000 from an existing facility with a commercial bank repayable in 5 years. The facility carries finance cost of 1% over CBDR.

**10. Revenue**

	Kuwaiti Dinars			
	Three months ended		Nine months ended	
	30 September		30 September	
	(Unaudited)		(Unaudited)	
	2020	2019	2020	2019
Passenger revenue	5,122,049	31,872,871	28,208,283	73,490,827
Ancillary revenue	335,092	2,330,815	2,363,706	5,922,086
Facility ancillary revenue	63,797	223,253	250,264	621,672
Rental revenue	91,403	608,049	548,775	1,581,363
Passenger service fees	51,359	330,688	305,486	855,556
Cargo revenue	415,657	136,648	1,101,645	356,950
	<u>6,079,357</u>	<u>35,502,324</u>	<u>32,778,159</u>	<u>82,828,454</u>

**11. Operating costs**

	Kuwaiti Dinars			
	Three months ended		Nine months ended	
	30 September		30 September	
	(Unaudited)		(Unaudited)	
	2020	2019	2020	2019
Aircraft fuel	1,058,976	6,316,111	6,554,212	16,414,569
Overflying, landing and ground handling charges	1,033,430	3,662,907	5,269,081	9,388,511
Staff costs	1,275,600	3,030,767	5,466,848	8,506,681
Depreciation	4,026,876	2,746,560	11,880,538	8,726,014
Finance cost	1,026,480	799,924	2,907,704	1,667,633
Lease maintenance	515,534	1,789,224	2,532,609	4,822,640
Aircraft maintenance	1,149,768	1,657,939	4,052,032	4,477,246
Catering expenses	62,676	221,309	552,460	1,139,077
Insurance	196,829	119,441	613,503	328,603
Lease rental (short term)	259,804	1,262,526	758,262	1,625,062
Others	467,569	1,608,254	2,065,868	3,546,188
	<u>11,073,542</u>	<u>23,214,962</u>	<u>42,653,117</u>	<u>60,642,224</u>

**12. General and administrative expenses**

	Kuwaiti Dinars			
	Three months ended		Nine months ended	
	30 September		30 September	
	(Unaudited)		(Unaudited)	
	2020	2019	2020	2019
Staff costs	909,313	779,409	2,752,537	2,274,573
Marketing	86,380	337,829	421,365	894,586
Depreciation	102,198	79,365	303,961	178,192
Professional and consultancy	67,314	69,621	210,189	190,458
Travel	6,023	34,530	52,450	105,748
Lease rental (short term)	5,286	35,546	18,351	106,606
Others	382,993	484,442	1,084,022	1,399,740
	<u>1,559,507</u>	<u>1,820,742</u>	<u>4,842,875</u>	<u>5,149,903</u>

**Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 30 September 2020**

**13. (Loss)/earnings per share**

Earnings per share is calculated based on the earnings attributable to the equity shareholders of the Parent Company for the period and the weighted average number of shares outstanding, as follows:

	<b>Three months ended 30 September (Unaudited)</b>		<b>Nine months ended 30 September (Unaudited)</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Loss/earnings for the period (in Kuwaiti Dinar)	(5,595,980)	9,905,795	(15,542,045)	16,121,352
Weighted average number of shares outstanding	200,000,000	200,000,000	200,000,000	200,000,000
<b>(Loss)/earnings per share (fils) – Basic &amp; Diluted</b>	<b>(27.97)</b>	<b>49.53</b>	<b>(77.71)</b>	<b>80.61</b>

**14. Related party transactions and balances**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In the ordinary course of business, the Group enters into transactions with related parties (directors, key managerial personnel and group companies). Pricing policies and terms of these transactions are approved by the Group's management. Transactions and balances with related parties not disclosed elsewhere in this condensed consolidated interim financial information are as follows:

	Kuwaiti Dinars		
	<b>30 September 2020 (Unaudited)</b>	<b>31 December 2019 (Audited)</b>	<b>30 September 2019 (Unaudited)</b>
<b>Balances</b>			
Due from related parties	99,079	47,038	73,702
	Kuwaiti Dinars		
	<b>Three months ended 30 September (Unaudited)</b>	<b>Nine months ended 30 September (Unaudited)</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>
<b>Transactions</b>			
Sales and services	57,266	131,687	146,546
General and administrative expenses	105,774	190,133	271,735
			565,401
<b>Key management compensation</b>			
Salaries and other employment benefits	133,768	176,897	413,957
			560,070

**Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 30 September 2020**

**15. Segment information**

The Group's operating segment is the operation of passenger airline service and operation and maintenance of Terminal.

Following is the segment information of the nine months ended 30 September:

	Kuwaiti Dinars					
	<b>Passenger airline Service</b>		<b>Terminal operations</b>		<b>Total</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Segment revenue	31,625,576	79,706,618	1,152,583	3,121,836	32,778,159	82,828,454
Segment expenses	43,075,294	62,993,933	2,072,167	2,302,461	45,147,461	65,296,394
Interest income (included in Other income)	139,033	257,085	-	-	139,033	257,085
Finance cost	3,237,934	1,585,882	73,842	81,911	3,311,776	1,667,793
Segment results	<u>(14,548,619)</u>	<u>15,383,888</u>	<u>(993,426)</u>	<u>737,464</u>	<u>(15,542,045)</u>	<u>16,121,352</u>
<b>Assets:</b>						
Segment assets	159,350,679	111,302,333	15,365,455	15,940,902	<u>174,716,134</u>	<u>127,243,235</u>
<b>Liabilities:</b>						
Segment liabilities	148,559,252	82,630,381	4,667,151	3,453,645	<u>153,226,403</u>	<u>86,084,026</u>
Capital expenditure	838,264	5,553,468	872,864	1,125,740	<u>1,711,128</u>	<u>6,679,208</u>
Depreciation	11,247,806	8,030,450	936,693	873,756	<u>12,184,499</u>	<u>8,904,206</u>

**16. Derivative financial instruments**

The table below shows the notional amounts analysed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the period-end and are not indicative of either market or credit risk. All derivative contracts are fair valued based on observable market data.

The Company's fuel forward contracts are treated as cash-flow hedges of forecast fuel purchases for risks arising from the commodity price of fuel.

**30 September 2020:**

Kuwaiti Dinars	Nominal quantity by term to maturity		
	Within 3 months	3- 24 months	Notional quantity
Negative fair value			Barrels

*Derivatives held for hedging:*

Cash flow hedges-Commodity (oil) forward contracts 2,373,001 140,000 345,000 485,000

**31 December 2019:**

Kuwaiti Dinars	Nominal quantity by term to maturity		
	Within 3 months	3- 24 months	Notional quantity
Positive fair value			Barrels

*Derivatives held for hedging:*

Cash flow hedges-Commodity (oil) forward contracts 837,562 75,000 425,000 500,000

**Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 30 September 2020**

30 September 2019:	Kuwaiti Dinars	Nominal quantity by term to maturity		
	Negative fair value	Within 3 months	3- 24 months	Notional quantity
				Barrels
<i>Derivatives held for hedging:</i>				
<i>Cash flow hedges-Commodity (oil) forward contracts</i>	18,826	75,000	500,000	575,000

**17. Commitments and contingent liabilities**

	Kuwaiti Dinars		
	30 September 2020 (Unaudited)	31 December 2019 (Audited)	30 September 2019 (Unaudited)
Capital commitments	577,268	383,800	473,524
Bank guarantees	27,805,019	22,351,703	17,218,663
	<u>28,382,287</u>	<u>22,735,503</u>	<u>17,692,187</u>

The above bank guarantee include guarantee to the lessors amounting to KD 24,830,852 (30 September 2019: KD 15,035,458) for the aircraft maintenance in lieu of payments of Maintenance Reserve under the lease agreement.

**18. Impact of COVID-19**

The financial results of the Group in the future periods will continue to depend on the pace of recovery in demand for air travel in the world.

The management cannot, at this stage, reliably estimate recovery. Given the unpredictability of the duration and magnitude of the COVID-19 pandemic in the world, the actual impact on the Group's future profitability, financial position and cash flows may differ from current estimates and assumptions made.

**Impairment of non-financial assets**

In accordance with IAS 36 "Impairment of assets", at the end of each reporting period, an entity is required to assess whether there is any indication that any non-monetary assets, like ROU asset, may be impaired. The impact of COVID - 19 on the airline industry is such a trigger event. The Group has conducted the impairment test with the recoverable value determined by reference to the value in use. To forecast cash flows, the Group's business plan was adopted as the basis, considering the reduction in demand for air transportation in 2020-2021 in connection with a COVID-19 pandemic and return to pre-crisis performance after that with the following assumptions:

- The economic situation in Kuwait: maintaining the growth rate of the economy, maintaining demand through savings, maintaining the supply volume on the scheduled passenger transportation market;
- After cancellation of restrictions will be 2-3 flights per week to the capitals of large countries. Recovery due to deferred demand and maintaining business traffic;
- Pre-crisis assumptions are adopted going forward from 2022.

The discount rate used (WACC) was 11.2% p.a. for the entire forecasting period and no terminal growth rate was assumed. Based on the aforementioned test, no impairment was recognised.

The Group has also performed a sensitivity analysis by varying these input factors by a reasonably possible margin and assessing whether the change in input factors results in any impairment.

**Derivative financial instruments**

The Group has outstanding derivative contracts which were purchased to reduce commodity price risk arising from variability in the price of oil. These fuel forward contracts are treated as cash-flow hedges of forecast fuel purchases for risks arising from the commodity price of fuel.



#### Hedge ineffectiveness and discontinuation

As a result of the reduction in the operations due to COVID-19 pandemic, the Group's consumption for jet fuel were significantly reduced, causing a proportion of derivatives previously considered as hedge to become ineffective. As a result, a net charge for nine months ended 30 September 2020 of KD 1,020,169 (three months ended 30 September 2020: KD 326,803) was recognised in other operating (expenses)/income in the condensed consolidated statement of income primarily due to the discontinuation of hedge accounting for impacted derivatives.

In assessing whether future exposures are still expected to occur, the Group made estimates regarding future jet fuel consumption requirements (Refer Note 16). These estimates used assumptions based on the length of anticipated fleet grounding, the expected recovery of customer demand and subsequent flying schedule.

#### Expected Credit Losses (ECL) and impairment of financial assets

The Group has assessed the relevant macroeconomic factors, relative to the economic climate in which the financial assets are exposed and the exposures in potentially affected sectors for any indicators of impairment and concluded that there is no material impact.

#### Commitments and contingent liabilities

The Group has assessed the impact of any operational disruptions, including any contractual challenges and changes in business or commercial relationships among the Group, customers and suppliers, with a view of potential increase in contingent liabilities and commitments. Based on management assessment there are no additional provision to be recognized or contingent liabilities to be disclosed.

### **19. Comparative figures**

Certain comparative figures have been reclassified to conform to current year's presentation. Such reclassifications do not affect previously reported net profit or equity.