



Ref.: \_\_\_\_\_

الرقم: ٨٠١٧ / ١/١/٥١/٢٥/٢

Date: \_\_\_\_\_

التاريخ: ٢٠٢٠/١١/٨

معالي رئيس هيئة الأوراق المالية الأكرم

الموضوع: الإفصاح.

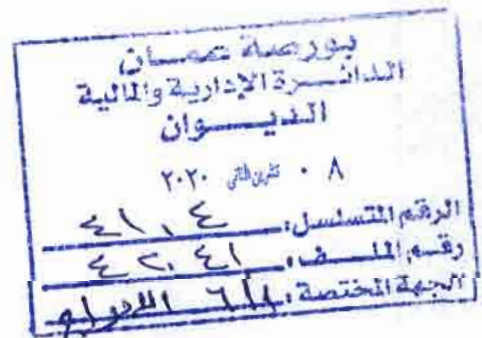
تحية طيبة وبعد،،،

بالإشارة إلى تعليمات إفصاح الشركات المصدرة والمعايير المحاسبية ومعايير التدقيق ولاحقاً لكتابنا رقم ٧٧١٩/١/١/٥١/٢٥/٢ تاريخ ٢٨/١٠/٢٠٢٠ يسرنا أن نرفق لمعاليكم المعلومات المالية الموحدة المرحلية الموجزة للتسعة أشهر المنتهية في ٣٠ أيلول ٢٠٢٠ باللغة الإنجليزية .

وتفضلوا بقبول فائق الإحترام،،،

المهندس عبد الكريم علاوين

الرئيس التنفيذي



نسخة: مركز ايداع الأوراق المالية



**Ref.:** \_\_\_\_\_

الرقم: ٥٥١٩ / ١/١/٥١/٢٥/٢

Date: \_\_\_\_\_

التاريخ : ٢٠٢٠/١٠/٢٨

معالي رئيس هيئة الأوراق المالية المحرم

الموضوع : الإفصاح.

تحية طيبة وبعد،،،

بالإشارة إلى تعليمات إفصاح الشركات المصدرة والمعايير المحاسبية ومعايير التدقيق يسرنا أن نرفق

لمعالجكم القوائم المالية الموحدة المرحلية الموجزة للتسعة أشهر المنتهية في ٣٠ أيلول ٢٠٢٠ مع

تقرير مدقق الحسابات المستقل باللغة العربية، كما سيتم تزويدكم بالقوائم المالية باللغة الإنجليزية

خلال الفترة القادمة.

وتفضلوا بقبول فائق الإحترام،،

المهندس عبد الكريم علاوين

الرئيس التنفيذي

[illegible]

اعب الادل

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تلفون: ٤٦٣٠١٥١ ، ٤٦٥٧٦٠٠ (٦) (٩٦٢)

(۹۶۲) (۶) ۴۶۵۷۹۳۹، ۴۶۵۷۹۳۴ : فاکس

ص. ب: ٣٣٩٦ عمان ١١١٨١ - الأردن

د. د. ۱۰۷۹ عمان ۱۱۱۱۸ - الأردن

JORDAN PETROLEUM REFINERY COMPANY  
(A PUBLIC SHAREHOLDING LIMITED COMPANY)  
AMMAN - JORDAN

CONDENSED CONSOLIDATED INTERIM FINANCIAL  
INFORMATION FOR THE NINE MONTHS  
ENDED SEPTEMBER 30, 2020  
TOGETHER WITH THE INDEPENDENT  
AUDITOR'S REVIEW REPORT

JORDAN PETROLEUM REFINERY COMPANY  
(A PUBLIC SHAREHOLDING LIMITED COMPANY)  
AMMAN – JORDAN  
CONDENSED CONSOLIDATED INTERIM FINANCIAL  
INFORMATION FOR THE NINE MONTHS  
ENDED SEPTEMBER 30, 2020

TABLE OF CONTENTS

	<u>Page</u>
Review Report	1 - 2
Condensed Consolidated Interim Statement of Financial Position	3
Condensed Consolidated Interim Statement of Profit or Loss	4
Condensed Consolidated Interim Statement of Comprehensive Income	5
Condensed Consolidated Interim Statement of Changes in Owners' Equity	6
Condensed Consolidated Interim Statement of Cash Flows	7
Notes to the Condensed Consolidated Interim Financial Information	8 - 62





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## Review Report

AM/ 000573

H.E. the Chairman and Members of the Board of Directors  
Jordan Petroleum Refinery Company  
(A Public Shareholding Limited Company)  
Amman - Jordan

### **Introduction**

We have reviewed the accompanying interim condensed consolidated statement of financial position of Jordan Petroleum Refinery Company ("the Company") and its subsidiaries ("the Group") as of September 30, 2020 and the related interim condensed consolidated statements of profit or loss for the three-month and nine-month period ended September 30, 2020, and the interim condensed consolidated statements of comprehensive income, changes in owners' equity and cash flows for the nine-month period then ended. Management is responsible for the preparation and fair presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34 Interim Financial Reporting. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

### **Scope of Review**

Except as explained in the following paragraph, we conducted our review in accordance with International Standard on Review Engagements No. 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Company". A review of interim condensed consolidated 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.

### **Basis for Qualified Conclusion**

1. Receivables and other debit balances and payables and other credit balances, which are carried in the condensed consolidated statement of financial position, include amounts due from the Ministry of Finance of JD 194,763,517, and amounts due to the Ministry of Finance of JD 137,667,786, respectively. Moreover, we were unable to obtain sufficient appropriate audit evidence about the carrying value of the amounts due from the Ministry of Finance and the amounts due to the Ministry of Finance for the period ended September 30, 2020, because we were unable to confirm the amounts with the Ministry of Finance, nor were we able to perform any alternative audit procedures. Therefore, we were unable to determine whether any adjustments to these amounts were necessary, although our opinions in the years 2018 and 2019 were qualified regarding this matter. However, we were able to obtain sufficient appropriate audit evidence about the carrying value of the amounts due from the Ministry of Finance of JD 267,790,407, and the amount due to the Ministry of Finance of JD 137,522,830 as of December 31, 2018, which are included in the balances of the years 2019 and as of September 30, 2020 after the issuance of our report, according to the confirmation letter received from the Ministry of Finance.



2. The Company did not eliminate some transactions between the Company and its subsidiaries reported in the condensed consolidated statement of profit or loss, a matter which constitutes a departure from IFRSs. In addition, we were unable to determine the necessary adjustments to the condensed consolidated financial statements as a result of this matter. This matter does not have any impact on the condensed consolidated statement of profit or loss.

**Qualified Conclusion**

Based on our review above, with the exception of matter number 1 described in the preceding paragraph and the adjustments to the interim financial information that we might have become aware of had it not been for the situation described in matter number 2 in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared in all material respects, in accordance with International Accounting Standard (34) Interim Financial Reporting.

**Emphasis of Matter**

We draw attention to Note (11/h) of the consolidated financial statements, which describes that there are negotiations between Jordan Petroleum Products Marketing Company, a subsidiary of the Group and the Ministry of Finance over entitlement rights of oil derivatives import pricing differences from the refinery gate price included in the selling prices bulletin of oil derivatives (IPP).

Our conclusion is not modified in respect of this matter.

**Other Matters**

The accompanying condensed consolidated interim financial statements are a translation of the statutory interim condensed consolidated financial information which is in the Arabic language and to which reference should be made.

Amman - Jordan  
October 28, 2020

  
Deloitte & Touche (M.E.) - Jordan  
Deloitte & Touche (M.E.)  
ديلويت آند توش (الشرق الأوسط)  
010103

JORDAN PETROLEUM REFINERY COMPANY  
(A PUBLIC SHAREHOLDING LIMITED COMPANY)  
AMMAN - JORDAN

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	September 30, 2020 (Reviewed) JD	December 31, 2019 (Audited) JD
<b>ASSETS</b>			
Current Assets:			
Cash on hand and at banks		30,765,223	21,855,935
Receivables and other debit balances	8	609,346,217	598,548,250
Crude oil, finished oil products and supplies	9	324,506,674	395,845,361
Total Current Assets		964,618,114	1,017,250,546
Non-Current Assets:			
Deferred tax assets		19,028,263	9,125,534
Financial assets at fair value through comprehensive income		2,086,631	2,294,639
Investment property - net	24	818,125	825,286
Right-of-use assets		57,262,915	60,798,663
Total Non-Current Assets		2,582,034	3,249,522
Total Assets		967,200,148	1,020,770,068
<b>LIABILITIES AND EQUITY</b>			
Current Liabilities:			
Due to banks		21,855,935	21,855,935
Payables and other credit balances		598,548,250	598,548,250
Income tax provision		395,845,361	395,845,361
Lease liability - current portion		1,017,250,546	1,017,250,546
Commitments resulted from acquisition of a subsidiary		-	-
Total Current Liabilities		1,935,490,092	1,935,490,092
Non-Current Liabilities:			
Due to death, compensation and end-of-service indemnity fund	13	40,805,283	41,461,108
End-of-service indemnity provision		37,859	236,369
Lease liability - non-current portion		47,357,194	51,085,142
Total Non-Current Liabilities		88,900,336	92,782,619
Total Liabilities		2,024,390,428	2,028,272,711
Equity:			
Shareholders' equity:			
Authorized and fully paid-up capital (100,000,000 shares at JD 1 per share)	1	100,000,000	100,000,000
Statutory reserve		45,834,122	45,834,122
Voluntary reserve		26,784,557	17,261,761
Fourth expansion reserve		10,005,483	-
Financial assets valuation reserve - net		1,706,907	1,914,915
Difference resulted from purchased of non-controlling interest		(86,472)	(86,472)
Retained earnings		36,756,040	73,284,319
(Loss) for the period		(31,724,668)	-
Total Shareholders' Equity		189,275,969	238,208,645
Non - controlling interests		8,759,440	8,690,469
Total Owners' Equity		198,035,409	246,899,114
TOTAL LIABILITIES AND OWNERS' EQUITY		2,222,425,837	2,275,171,825
<b>CONTRA ACCOUNTS</b>			
Death, compensation and end-of-service indemnity fund	13	49,483,388	50,317,022
Total Contra Accounts		49,483,388	50,317,022
Total Liabilities and Contra Accounts		2,273,908,816	2,325,488,847

Chairman of the Board of Directors.

Chief Executive Officer.

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION  
AND SHOULD BE READ WITH THEN AND WITH THE ACCOMPANYING REVIEW REPORT.



**JORDAN PETROLEUM REFINERY COMPANY**  
**(A PUBLIC SHAREHOLDING LIMITED COMPANY)**  
**AMMAN - JORDAN**

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**(REVIEWED NOT AUDITED)**

Item	For the Three Months Ended on September 30,				For the Nine Months Ended on September 30,			
	2020 (Reviewed)		2019 (Reviewed)		2020 (Reviewed)		2019 (Reviewed)	
	Total	JD	Total	JD	Total	JD	Total	JD
Net Sales	216,885,602	353,475,844	267,915,159	15,430,034	434,348,824	-	717,694,617	381,716,532
Less: Cost of sales	(179,460,120)	(235,943,584)	(306,798,888)	(8,181,803)	(417,302,235)	-	(726,263,009)	(348,855,794)
Gross (loss) profit from sales	37,425,482	27,532,260	(32,883,729)	7,248,141	17,046,589	-	(6,568,399)	32,760,738
Add: Operating income and other	4,283,684	5,258,599	12,355,577	24,838	1,769,897	-	14,150,312	13,541,206
Gross (loss) profit from trading	41,709,166	32,790,859	(20,528,152)	7,272,979	18,816,486	-	5,561,323	46,302,044
Less: Selling and distribution expenses	(11,692,229)	(12,174,160)	(22,294,119)	(943,346)	(12,639,653)	-	(35,937,198)	(25,276,289)
General and administrative expenses	(2,719,275)	(2,962,623)	(7,499,025)	(206,568)	(3,105,500)	-	(6,921,513)	(229,558)
Bank interest and commissions	(5,840,343)	(13,386,579)	(15,434,351)	(1,057)	(2,868,671)	64,971	(17,425,168)	(32,377,270)
Income of interest losses	-	(457,251)	-	-	-	-	(1,371,759)	-
Released from investments provision	86,842	(1,500,154)	113,842	-	-	-	-	-
(Provision) for expected credit losses	(722,565)	(1,841,627)	163,201	(221,751)	(4,479,765)	-	(4,538,215)	(185,813)
Released from (Provision) for slow-moving and obsolete inventory and other	1,719,897	(561,227)	8,293,361	-	-	-	(1,128,082)	-
(Provision) for storage fees	450,935	(1,262,400)	(2,093,865)	-	-	-	(3,787,200)	-
Released (Provision) from employees' vacations	96,842	54,071	159,658	-	-	-	159,658	(171,045)
Income from storage of strategic inventory	-	(151,445)	-	-	-	-	3,234,886	(236,337)
Interest income resulting from government's delay	1,437,331	2,853,975	6,593,625	-	-	-	6,500,625	10,432,679
Lease liabilities interest	3,231,129	10,155,335	9,406,632	-	-	-	9,406,632	29,571,870
Interest resulting from the acquisition of a subsidiary	(585,067)	(32,459)	-	-	(1,474,627)	-	(1,474,627)	-
Intangible asset amortization	-	(266,864)	-	-	(88,955)	-	-	-
(Loss) Profit for the period before Income Tax	(750,050)	(797,864)	-	-	(2,250,000)	-	(2,350,000)	-
(Loss) Profit for the period before Income Tax	27,183,780	11,354,470	(39,514,207)	5,480,217	(7,490,675)	64,971	(41,059,694)	13,442,292
(Surplus) Income tax expense for the period	(2,735,594)	(1,939,424)	2,774,052	56,984	1,573,041	-	9,405,997	(1,257,334)
(Loss) Profit for the period	24,448,186	9,275,046	(36,740,155)	5,537,171	(5,917,634)	64,971	(31,653,697)	12,184,958
Attributable to:								
Company's shareholders	24,448,186	9,275,046	(36,740,155)	5,537,171	(5,917,634)	64,971	(31,653,697)	12,184,958
Non-controlling interests	-	-	-	-	-	-	-	-
(Loss) Profit per share for the period to the Company shareholders - Basic & Dilute	-724	-7093	-724	-7093	-724	-7093	-724	-7093

Chairman of the Board of Directors

Chief Executive Officer

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION  
AND SHOULD BE READ WITH THEM AND WITH THE ACCOMPANYING REVIEW REPORT.

JORDAN PETROLEUM REFINERY COMPANY  
(A PUBLIC SHAREHOLDING LIMITED COMPANY)  
AMMAN - JORDAN  
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
(REVIEWED NOT AUDITED)

	<u>For the Nine Months Ended September 30,</u>	
	<u>2020 (Reviewed)</u>	<u>2019 (Reviewed)</u>
	JD	JD
(Loss) Profit for the period	(31,655,697)	32,948,289
Items that can not be reclassified subsequently to the condensed consolidated statement of profit or loss:		
Change in financial assets valuation reserve - net	(208,008)	221,045
Total Comprehensive (Loss) Income for the Period	<u>(31,863,705)</u>	<u>33,169,334</u>
Total Consolidated Comprehensive (Loss) Income Attributable to:		
Company's shareholders	(31,932,676)	32,927,234
Non-controlling interests	68,971	242,100
	<u>(31,863,705)</u>	<u>33,169,334</u>

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**JORDAN PETROLEUM REFINERY COMPANY**  
**(A PUBLIC SHAREHOLDING LIMITED COMPANY)**

AMMAN - JORDAN

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY**  
**(REVIEWED, NOT AUDITED)**

	Paid-up Capital	Statutory Reserve	Voluntary Reserve **	Fourth Expansion Project Reserve **	Financial Assets		Retained Earnings ***	(Loss) Profit for the Period	Total Shareholders' Equity		Non-controlling Interests	Total Owners' Equity
					Valuation Reserve - Net	Purchasing Non-controlling Interests			Shareholders' Equity			
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
<b>For the Nine Months Ended September 30, 2020 (Reviewed)</b>												
Balance at the beginning of the period	100,000,000	45,834,122	17,261,761	-	1,914,915	(86,472)	73,384,319	-	238,208,645	8,590,469	246,899,114	
Total comprehensive (loss) for the period	-	-	-	-	(208,008)	-	-	(31,724,688)	(31,932,676)	68,971	(31,863,705)	
Deducted for reserves	-	-	10,428,215	10,428,215	-	-	(20,856,430)	-	-	-	-	
Transfer from voluntary reserve to fourth expansion reserve ****	-	-	(905,419)	905,419	-	-	1,328,151	-	-	-	-	
Transfer from fourth expansion reserve to retained earnings	-	-	-	(1,328,151)	-	-	-	-	-	-	-	
Dividends distributed to shareholders*****	-	-	-	-	-	-	(17,000,000)	-	(17,000,000)	-	(17,000,000)	
Balance at the End of the Period	100,000,000	45,834,122	26,784,557	10,005,483	1,706,907	(86,472)	36,756,040	(31,724,688)	189,275,969	8,759,440	198,035,409	
<b>For the Nine Months Ended September 30, 2019 (Reviewed)</b>												
Balance at the beginning of the period	100,000,000	43,134,425	16,143,555	-	1,627,645	(368,400)	58,245,250	-	219,772,475	11,136,726	229,909,201	
Total Comprehensive Income for the Period	-	-	-	-	221,045	-	-	32,706,189	32,927,234	242,100	33,169,334	
Deducted for reserves	-	-	8,539,579	8,539,579	-	-	(17,077,158)	-	-	-	-	
Transfer from voluntary reserve to fourth expansion reserve*****	-	-	(5,352,235)	5,352,235	-	-	-	-	-	-	-	
Transfer from fourth expansion reserve to retained earnings	-	-	-	(13,800,202)	-	-	13,800,202	-	-	-	-	
Dividends distributed to shareholders*****	-	-	-	-	-	-	(25,000,000)	-	(25,000,000)	-	(25,000,000)	
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	(2,741,844)	(2,741,844)	
Difference resulting from purchasing non-controlling interests	-	-	-	-	-	281,928	-	-	281,928	-	281,928	
Balance at the End of the Period	100,000,000	43,134,425	19,259,899	30,612	1,848,690	(86,472)	29,866,294	32,706,189	226,981,637	8,636,982	235,618,619	

\* In its ordinary meeting held on June 15, 2020, the General Assembly decided to allocate JD 10,428,215 to the voluntary reserve account from the retained earnings account.

\*\* In its ordinary meeting held on June 15, 2020, the General Assembly decided to allocate JD 10,428,215 to the fourth expansion project reserve account from the retained earnings account. Moreover, during the period ended September 30, 2020, the Company paid JD 1,328,151 from the fourth expansion project reserve account, which represents payments for the basic and detailed design works and the technical and financial consultations related to the project.

\*\*\* Retained earnings include an amount of JD 15,038,263 as of September 30, 2020, representing the value of deferred tax assets restricted according to the Jordan Securities Commission's instructions.

\*\*\*\* The Company transferred an amount of JD 905,419 from the voluntary reserve to the fourth expansion project reserve during the period ended September 30, 2020, based on the General Assembly of Shareholders' prior approval dated April 27, 2019.

\*\*\*\*\* In its ordinary meeting held on June 15, 2020, the General Assembly decided to distribute 17% of the authorized and paid-up capital as cash dividends, equivalent to JD 17 million for the year 2019 profits (JD 25 million for year 2018 profits).

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION  
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JORDAN PETROLEUM REFINERY COMPANY  
(A PUBLIC SHAREHOLDING LIMITED COMPANY)  
AMMAN - JORDAN  
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
(REVIEWED NOT AUDITED)

		For the Nine Months Ended September 30,	
	Note	2020 (Reviewed)	2019 (Reviewed)
CASH FLOWS FROM OPERATING ACTIVITIES:		JD	JD
(Loss) Profit for the period before income tax		(41,059,694)	39,118,257
Adjustments for:			
Depreciation of property, equipment, and investment property		9,474,910	6,223,203
Intangible assets amortization		2,250,000	2,393,954
Depreciation of right-of-use assets		2,463,816	2,616,755
Interest income resulting from government's delay		(9,806,632)	(28,571,870)
Interest resulting from the acquisition of a subsidiary		88,955	800,593
Indian cylinders losses	17	-	1,371,753
(Released) from the provision for slow-moving and obsolete inventory and sediments	9	(8,293,361)	1,128,082
Expected credit losses	8/j	4,538,215	2,505,004
(Released) from the provision for work injuries compensation		(3,234,886)	226,337
(Released) from the lawsuits provision		(113,842)	-
Lease liabilities interest		1,674,627	647,792
Net Cash Flows (used in) from Operating Activities before Changes in Working Capital Items		(42,017,892)	28,459,860
(Increase) in receivables and other debit balances		(5,529,550)	(118,777,463)
Decrease (Increase) in crude oil, finished oil products, and supplies		80,632,048	(141,438,147)
(Decrease) Increase in payables and other credit balances		(94,402,910)	95,075,579
(Decrease) Increase in death, compensation, and end-of-service indemnity fund		(555,825)	4,340,038
Net Cash Flows (used in) Operating Activities before tax		(61,874,129)	(132,340,133)
Income tax paid	12/a	(7,710,464)	(6,898,092)
Net Cash Flows (used in) Operating Activities		(69,584,593)	(139,238,225)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Change in property, equipment, projects under construction, and investment property - Net		(12,193,853)	12,113,944
Paid from commitments resulted from acquisition of a subsidiary		(9,506,617)	-
Increase in payments for purchasing investments after change in non-controlling interests		-	281,928
Net Cash Flows (used in) from Investing Activities		(21,700,470)	12,395,872
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase in due to banks		121,586,000	159,288,422
Paid from lease liabilities		(4,392,649)	(3,237,177)
Dividends distributed to shareholders		(17,000,000)	(25,000,000)
Net Cash Flows from Financing Activities		100,193,351	131,051,245
Net Increase in Cash		8,908,288	4,208,892
Cash on hand and at banks at the beginning of the period		21,856,935	16,966,903
Cash on Hand and at Banks at the End of the Period		30,765,223	21,175,795

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION  
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JORDAN PETROLEUM REFINERY COMPANY  
(A PUBLIC SHAREHOLDING LIMITED COMPANY)  
AMMAN - JORDAN  
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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1. Incorporation and Activities

The Company was established on July 8, 1956, with a capital of JD 4 million, which was subsequently increased in stages, with the latest being on April 28, 2016, where the Company's General Assembly of Shareholders, in their extraordinary meeting, approved the capitalization and distribution of JD 25 million to the shareholders. As a result, the Company's authorized and paid-up capital became JD 100 million.

In addition to the main units of refining, segregating, and converting the imported crude oil components to a set of finished oil derivatives, the Company owns a factory for producing and filling lube-oils, the Jordan Petroleum Products Marketing Company (JPPMC) (a subsidiary), and three liquefied gas-filling stations. Moreover, the process of repairing gas cylinders is conducted in a special workshop to reduce the cost of writing off the cylinders. Meanwhile, the condensed consolidated interim financial information includes the operations of the main refining units, factories, as well as directly and indirectly owned subsidiaries.

In addition to refining, producing, manufacturing, and importing oil derivatives it, the Company transports and distributes these oil derivatives to a number of consumers who receive these supplies directly from the Company. The Company also produces, mixes, fills, and markets lube-oil products; and it produces, fills, and distributes liquid gas and fixes, maintains, and imports the empty gas cylinders. Moreover, Jordan Petroleum Products Marketing Company (a subsidiary company) imports, distributes, supplies, and sells finished oil derivatives to its stations, other stations, and other parties. It also maintains these stations.

According to the concession termination agreement with the Jordanian Government, dated February 25, 2008, the Company was obliged to segregate some of its activities through establishing new companies which could be wholly or partially owned by the Jordan Petroleum Refinery Company. Accordingly, the Jordan Petroleum Refinery Company established two wholly-owned subsidiary companies during the year 2008, namely: Jordan Liquefied Petroleum Gas Manufacturing and Filling Company, and Jordan Lube Oil Manufacturing Company, in order to separate the activities of producing lube oil and filling gas. However, none of these companies have conducted any commercial activities yet, and the Company is still in the process of completing the segregation procedures. Moreover, during the year 2013, the Company established the Jordan Petroleum Products Marketing Company, which is wholly owned by the Jordan Petroleum Refinery Company.



## 2. The Concession Agreement

- a. The concession agreement between the Company and the Jordanian Government expired on March 2, 2008. Consequently, the Company signed a settlement agreement with the Jordanian Government on February 25, 2008, concerning the expiry of the concession, which was approved by the Company's General Assembly in its extraordinary meeting dated March 22, 2008. Moreover, no agreement has been reached regarding the eligibility for retaining the balances of the provision for expected credit losses and the provision for slow-moving and obsolete inventory and sediments at that date. As a result of the agreement between the Company and the Jordanian Government, the Ministry of Finance issued Letter No. 4/18/28669, dated August 29, 2019. The letter stated the ministry's approval that the Company should clear its tanks from sediments and water, that the Government should bear the associated costs, and that the Company should write off the materials, spare parts, and supplies no longer needed and transfer the surplus balance from the provision for slow-moving and obsolete inventory and sediments to the Ministry of Finance. The letter also included the ministry's approval for the Company to retain the balance of expected credit losses provision. In the event the Company recovers any amounts recorded within the provision, such amounts will be taken to the account of the Ministry of Finance.
- b. The Company calculated the profit for the period ended April 30, 2018, and for the years 2012 until the end of the year 2017, according to the resolution of the Council of Ministers, in their meeting held on September 13, 2012, which was illustrated in the Prime Minister's Letter No. 31/17/5/24694, dated September 17, 2012, and approved by the Company's General Assembly, in their extraordinary meeting held on November 8, 2012. Which included the following:
  1. Through the oil derivatives pricing mechanism, annual net profit of JD 15 million after tax shall be achieved for Jordan Petroleum Refinery Company while keeping the changes in the Company's expenses within the normal rates. Otherwise, the Government should be consulted and coordinated with concerning any deviations therefrom.
  2. The Government has the right to appoint an external auditor (certified public accountant) to audit the Company's records for the purposes stipulated by the Government.
  3. Profit from the marketing company owned by the Jordan Petroleum Refinery Company, and any other profit that arises in the future from the companies owned by it and operating according to the licenses issued by the Ministry of Energy and Mineral Resources or the industry legislator, shall be excluded from the above-mentioned profit, provided that their financial statements or accounts are separated.
  4. The Lube-Oil Factory profit shall be excluded from the profit referred to above, provided that the Lube-Oil Factory is charged with the related fixed and variable costs whether directly or indirectly, as long as the financial statements or accounts are separated.
  5. The liquefied petroleum gas (LPG) activity profit shall be excluded from the profit referred to above, provided that the financial statements or accounts are separated.

6. The profit granted to Jordan Petroleum Refinery Company of 10 cents/barrel from refining the Iraqi crude oil is also excluded from the above profit, provided that this income is subject to income tax.
7. The current or future financial statements shall not be charged with any prior years' provisions or expenditures, except for the committed provisions or expenditures (provisions and employees' rights, expected credit losses, written-off gas cylinders provisions, lawsuits raised against the Company provisions, slow-moving provisions, self-insurance provisions, etc.), provided that these provisions and financial statements be audited by the Government.
8. All the above points apply to the year 2011, until the end of the transitional period of 5 years, starting from the operations commencement date of the marketing companies on September 1, 2012. Moreover, Jordan Petroleum Products Marketing Company started its operations on May 1, 2013. The financial relationship between the Company and Government has been terminated, and the above decision was stopped from May 1, 2018, pursuant to the Council of Ministers' Decision No. (7633) adopted in its meeting held on April 30, 2018.

The calculated profit difference was recorded according to this method when calculating the profit according to the commercial basis in the Ministry of Finance's account for the period ended April 30, 2018, and for the years from 2012 until the end of the year 2017, under the item of profit settlement with the Government. Moreover, the results of the liquefied gas business activities were not excluded from the profit mentioned in item No.(5) above, despite the fact that the Council of Ministers' Decision No. (7633), adopted in its meeting held on April 30, 2018, has set the commission for filling gas cylinders for the period from May 1, 2018 to December 31, 2018 at JD 43 per ton sold, and the filling liquefied gas rate of return on investment for calculating the commission amount at 12% per annum. Any surplus/shortage arising from the increase/decrease in the rate of return on investment compared to the targeted value shall be treated, when calculating the filling stations' commission amount, in the subsequent period either upward or downward. Meanwhile, the above mechanism may not cause any increase in the cylinder's cost charged to citizens or entail a subsidy by the Treasury / Ministry of Finance in this regard. Moreover, the Company has already provided the Energy Sector Regulatory Authority with all the information and data related to the gas activity for determining the commission amount for the years 2019 and 2020. In addition, the Ministry of Energy and Mineral Resources has appointed an auditor and an external studies company to determine the commission amount for the years 2019 and 2020. At the same time, the Company has provided the entities appointed by the said Ministry with all the required data, and no decision has been reached by the government regarding the final commission that covers a 12% investment rate of return according to the above-mentioned Council of Ministers' Decision No. (7633).



### 3. End of Relationship with the Government

According to the meeting minutes regarding the Company's future operations signed on September 13, 2012, the financial relationship between Jordan Petroleum Refinery Company and the Government of Jordan ended on May 1, 2018. In its meeting held on April 30, 2018, the Council of Ministers issued Decision No. (7633), extending the exemption of oil derivatives from Jordan Petroleum Refinery Company's refining activity from implementing the Jordanian specifications throughout the period of implementation of the Fourth Expansion Project as of May 1, 2018, provided that commitment is made regarding the project implementation stages and that Jordan Petroleum Refinery Company's production may not exceed 46% of the local market needs for non-conforming oil derivatives. The decision also mandated the Ministry of Finance to follow up on the procedures' implementation concerning the below points, and submit any related observations to the Council of Ministers:

1. The Ministry of Finance shall calculate the amounts due to the Jordan Petroleum Refinery Company until April 30, 2018, and such amounts shall be paid in installments during the years 2018, 2019 and 2020 with interest thereon of (30%, 40% and 30%). Moreover, these amounts shall be paid after issuance of the General Budget Law and before the end of the second quarter of each year for the same year until full repayment in the year 2020. Meanwhile, the Ministry of Finance shall provide the Jordan Petroleum Refinery Company with a letter stating the amounts due to the Refinery as of April 30, 2018 and guaranteeing their payment with interest at the actual cost borne by the Company during the above period at the said rates.

As a result of the Government's failure to comply with the above decision, and based on the agreement between the Company and the Government, the Council of Ministers' Decision No. (6399) was adopted at its meeting held on September 9, 2019. This decision stipulated that the Company shall borrow an amount equivalent to around JD 457 million from banks to pay part of the debt balances due to the Company from the Government until December 31, 2018. In return, the Ministry of Finance shall pledge to pay the loans and interest thereon to the assigned banks. Consequently, during the first half of October 2019, the Company withdrew an amount of JD 455,505,000 from the banks assigned by the Ministry of Finance. Accordingly, the Ministry of Finance issued pledges to these banks that it shall pay the loans installments and interest thereon to the assigned banks. As a result, the Company reduced the withdrawn amount from banks of JD 455,505,000 from receivables due from security agencies, ministries, government agencies, and departments, and part of the Ministry of Finance's debt under the signed agreement between the Company and the Ministry of Finance on June 6, 2020, signed by the Minister of Finance, after the Council of Ministers' approval and authorization to the Minister of Finance to sign it on behalf of the Jordanian Government, in accordance with Council of Ministers' Resolution No. (9158), at its meeting held on March 24, 2020.

Moreover, the Ministry of Finance committed to paying all the bank loans and interest amounts, as these amounts were encumbered within the General Budget Law for the year 2020, under the item of loans' installments to address government arrears, according to the Ministry of Finance's Letter No. (18/4/9200) dated May 14, 2020. Moreover, the Jordanian government has paid all of the loans and interest due to the assigned banks on their due dates. In the opinion of the Company's management and its legal advisors, the Company does not have any liability regarding the above-mentioned loans and pledges (Note 8/e).

2. Jordan Petroleum Refinery Company shall treat the sediments and water in the tanks, and it shall dispose of those idle materials that are no longer needed. Moreover, the slow-moving materials shall be evaluated on April 30, 2018; the cost of the sediments and water, as well as the disposal costs thereof, shall be calculated; and the surplus shall be transferred to the Ministry of Finance. As a result of the agreement between the Company and the Government, the Ministry of Finance issued Letter No. (4/18/28669), dated August 29, 2019, which included its approval for the Company to clean its tanks from sediments and water at the Government's expense, write off the materials, spare parts and supplies no longer needed, and transfer the surplus balance of the slow-moving and obsolete inventory and sediments to the Ministry of Finance. Accordingly, the Company tendered the treatment of sediments and water, whereby the Company which was awarded the tender cleaned the major part of the sediments, and it is in process of treating the remaining part. Moreover, a specialized committee was appointed to study the stock of spare parts and other supplies and to determine the materials and supplies that could be used instead of buying similar materials, as well as the materials and supplies no longer needed in order to write them off, and this matter is still under process (Note 9).
3. Jordan Petroleum Refinery Company shall maintain JD 5 million as a provision for the write-off, repair, and replacement of the gas cylinders, and transfer the remaining JD 5 million to the Ministry of Finance's account. In case the actual value of the write-off, repair, and replacement of the cylinders exceeds the said amount, the difference shall be transferred from the Ministry of Finance from the deposits item. But, if the actual value is lower, the difference shall be transferred to the Ministry of Finance, provided that this matter be addressed in the future through the pricing mechanism. Accordingly, the Company released an amount of JD 5 million during the period ended April 30, 2018, which was taken to the Ministry of Finance's account, and the Ministry of Finance approved this action, pursuant to the Ministry of Finance's Letter No. (4/18/28669), dated August 29, 2019 (Note 11/d).
4. Jordan Petroleum Refinery Company shall omit the interest of JD 79.2 million on the National Electricity Company's borrowings, provided that settlement be reached between the National Electricity Company and the Government. Moreover, the Company has deleted these amounts from the consolidated statement of financial position based on the Ministry of Finance's Letter No. 18/73/33025, dated November 25, 2018, addressed to the National Electricity Company. The letter states that the Ministry of Finance has recorded the interest as an advance due from the National Electricity Company to the Government at the Ministry of Finance until full payment. In addition, the Ministry of Finance issued its approval to write off the interest of JD 79.2 million on the National Electricity Company's borrowings, pursuant to the Ministry of Finance's Letter No. 4/18/28669, dated August 29, 2019. Accordingly, the Company has omitted the interest on the National Electricity Company's borrowings from the Company's records.
5. Jordan Petroleum Refinery Company's tax status shall be rectified, as the tax has been included in the oil derivatives selling prices bulletin (IPP) after the refinery gate price. In this respect, the refinery gate price does not include general and special taxes. Instead, taxes are included afterwards, collected from the marketing companies, and forwarded to the State Treasury (Note 8/f).



6. The Government shall bear any taxes, government fees, or tax differences during its relationship with the Company, since the Company is guaranteed profit after tax during that period (Note 8/f).
7. Gasoline (95) used for the mixing process to produce gasoline (90) and (95) shall be exempted from the tax differences between import and sale in accordance with the Council of Ministries' Decision No. (6953), adopted in its meeting held on March 19, 2018. Moreover, the necessary procedures shall be facilitated concerning the implementation of the Council of Ministers' Decision No. (13363), adopted in its meeting held on January 3, 2016, related to exempting the Company's imports sold to the marketing companies inside the kingdom. The decision stipulates exempting Jordan Petroleum Refinery Company from general and special taxes on the quantities sold exclusively to the marketing companies inside the Kingdom as of May 1, 2013. The decision also prescribes resolving all pending issues with the Customs Department and completing all customs statements, whether pending at the Customs Department or the Jordan Standards and Metrology Organization before the relationship with the Government expired. Moreover, a committee was formed by the Ministry of Finance and the Ministry of Energy and Mineral Resources comprising representatives from the Jordan Customs Department, the Income and Sales Tax Department, and the Jordan Petroleum Refinery Company. During October 2019, the said committee completed its work and submitted its final report to the Ministry of Finance and the Ministry of Energy and Mineral Resources. Accordingly, the Ministry of Finance and the Ministry of Energy and Mineral Resources approved the quantities stated in the committee's report, and the Customs Department prepared the customs statements and exempted the customs statements according to the above decisions. Meanwhile, the customs statements amounts subject to general and special tax were determined. Moreover, the Company submitted a request to the Ministry of Finance to offset the general and special sales taxes, included in the un-exempted customs statements that are not part of the above-mentioned decision, with part of the Ministry of Finance receivables (primary account). The General Customs Department approved the offset request dated March 16, 2020. Moreover, the Offsetting Committee agreed, based on the instructions, policies, procedures, and basis for performing offset No. (1) for the year 2018, on performing the offset between the amounts due to the Jordan Petroleum Refinery Company and those of the General Customs Department. The offset, dated on July 6, 2020, represents the general and special sales taxes of JD (58,042,756), pertaining to the Jordan Petroleum Refinery Company's imports. In the meantime, the above-mentioned offsetting was performed, and all pending customs statements have been completed. (Note 8/f).
8. The Government's strategic inventory, which has been quantified and valued, shall be transferred to the Jordan Oil Terminals Company (JOTC), provided that the value of the inventory is settled later. Additionally, Jordan Petroleum Refinery Company started transferring the strategic inventory to the Jordan Oil Terminals Company (JOTC) during April 2018, and the Company is still transferring the quantities to the Jordan Oil Terminals Company (JOTC) according to the quantities requested by the Jordan Oil Terminals Company (JOTC) and the Ministry of Energy and Mineral Resources as per JOTC's storage capacity. This action was approved by the Ministry of Finance, and the inventory amount was settled according to the Ministry of Finance's Letter No. (4/18/28669), dated August 29, 2019. The letter stated the Ministry of Finance's approval on transferring the strategic inventory as quantities to the Jordan Oil Terminals Company (JOTC). In addition, the financial matters related to the strategic inventory amount have been irrevocably settled (Note 19).



9. The Ministry of Finance shall retain the doubtful debts provision (expected credit losses provision). If any debt that was raised during the relationship with the Government is written off, the Ministry of Finance shall commit to paying it to the Jordan Petroleum Refinery Company. Under the agreement between the Ministry of Finance and the Company, the Ministry of Finance agreed that the Company shall retain the balance of the provision for doubtful debts (provision for expected credit losses). In case the Company recovers any receivable amount recorded within the provision, the recovered amount shall be taken to the Ministry of Finance's account, pursuant to the Ministry of Finance's Letter No. (4/18/28669), dated August 29, 2019 (Note 8/j).
10. The rate of return on investment shall be determined for liquid petroleum gas filling stations for the purpose of calculating the commission at (12%). Moreover, the commission amount for the period from May 1, 2018 to December 31, 2018 shall be set at JD 43 per ton. Any surplus/shortage arising from the increase/decrease in the rate of return on investment compared to the targeted value shall be treated when calculating the filling stations' commission amount in the subsequent period whether it increased or decreased. Meanwhile, the above mechanism may not cause any increase in the cylinder's cost charged to citizens or entail a subsidy by the Treasury / Ministry of Finance in this regard. Moreover, the Company has already provided the Energy Sector Regulatory Authority with all information and data related to the gas activity for determining the commission amount for the years 2019 and 2020. In addition, the Ministry of Energy and Mineral Resources has appointed an auditor and an external studies company to determine the commission amount for the years 2019 and 2020. At the same time, the Company has provided the entities appointed by the said ministry with all the required data, and these entities provided the ministry of energy and mineral resources with their final report, but no decision has been reached by the government regarding the final commission amount that covers a 12% investment rate of return according to the above-mentioned Council of Ministers' Decision No. (7633) (Note 17).
11. The rental value of the assets transferred from the Company to Jordan Petroleum Products Marketing Company (JPPMC) shall be calculated according to the Land and Survey Department's approved rate of (8%) on the land and buildings valued at JD 4.9 million from these buildings transfer date up to date. Moreover, the Company insists on rejecting the above clause, as the transferred assets are owned by the Jordan Petroleum Refinery Company under the concession expiry agreement which stipulated that the gas stations are owned by Jordan Petroleum Refinery Company and that they are transferred to the Jordan Petroleum Products Marketing Company owned by Jordan Petroleum Refinery Company. In addition, the Company has the right to dispose of its assets legally, pursuant to Article (236) of the Civil Law. Meanwhile, the assets were transferred at their net book value similar to the assets transferred at their net book value to other marketing companies under the agreement signed between the three marketing companies and the Ministry of Energy and Mineral Resources. Moreover, the concession expiry agreement stipulated that the Jordan Petroleum Products Marketing Company owned by Jordan Petroleum Refinery Company applies to other marketing companies. Moreover, negotiations took place between the Company and the Government, resulting in an agreement that the Ministry of Finance would recommend to the Council of Ministers the cancellation of this item, and this matter is still under process. In addition, the estimated lease amount according to the Council of Ministers' above-mentioned decision is approximately JD 1.9 million (Note 18/d).

- In implementation of the Council of Ministers' Decision No. (11110), taken in its meeting held on August 16, 2015, and the decision of the Company's General Assembly, taken in its meeting held on November 8, 2012, the land swap between Aqaba Special Economic Zone Authority (ASEZA) and the Jordan Petroleum Refinery Company took place during September 2019. In the swap, ASEZA ceded (6) plots of land of an area of four hundred forty-two thousand square meters (442,000 M<sup>2</sup>) to Jordan Petroleum Refinery Company. In return, the Company ceded its own plot of land no. (23), Parcel (13), Tract (13) of an area of approximately eighty-eight thousand square meters (88,000 M<sup>2</sup>), located within the southern port tract, to ASEZA.

4. Commencing Operations on Commercial Terms after the End of Relationship with the Government

1. The Company recorded delay interest on the Ministry of Finance's due and unpaid balances at the effective borrowing rate starting from May 1, 2018, according to the Council of Ministers' Decision No. (7633), adopted in its meeting held on April 30, 2018.
2. Effective from May 1, 2018, the Company has discontinued the calculation of interest at 0.5% per annum on the debts of Alia Company - Royal Jordanian Airlines, and has applied the effective borrowing rate based on the debt repayment agreement signed between the two parties. In addition, these companies' balances have been matched, and the balance due from Alia Company - Royal Jordanian Airlines and the discount deposits due to this company have been offset under the agreement signed between the two companies on November 26, 2019 (Note 8/c).
3. The Company has recorded fees for storing the Government-owned strategic inventory at an amount of JD 3.5 per cubic meter according to the storage capacity for each material based on the Ministry of Finance's Letter No. (18/4/33072), dated November 25, 2018.
4. Profit settlement with the Government calculation has been discontinued, and the related balance has been recognized in the consolidated statement of profit or loss up to April 30, 2018, according to the Council of Ministers' Decision No. (7633), adopted in its meeting held on April 30, 2018. The decision terminated the relationship between the Company and the Jordanian Government, and consequently, the Company resumed its operations on commercial terms from the first of May 2018 (Note 17).
5. The Company recorded an amount of JD 5,505,668 during the period as revenue against the commission difference of filling the cylinders according to the Council of Ministers' Decision No. (7633), adopted in its meeting held on April 30, 2018. This decision has set the commission amount for the period from May to December 2018 at JD 43 per ton sold. Accordingly, the Company recorded an amount of JD 18 per ton sold, representing the commission difference included in the (IPP), and pursuant to the aforementioned decision in consistency with the year 2018. Meanwhile, the Government has not amended the oil derivatives price bulletin (IPP) up to date, and the final commission for the years 2019 and 2020 has not been determined yet. After agreement on the final commission amount is reached, its financial impact will be reflected in the subsequent periods.



## 5. Basis of Preparation

- The condensed consolidated interim financial information for the Company and its subsidiaries for the nine months ended September 30, 2020 has been prepared in accordance with International Accounting Standard (34) (Interim Financial Reporting).
- The condensed consolidated interim financial information is stated in Jordanian Dinar, which is the functional and presentation currency of the Company and its subsidiaries.
- The condensed consolidated interim financial information does not include all information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2019. The results for the nine months ended September 30, 2020 are not necessarily indicative of the expected results for the financial year ended December 31, 2020.

The Company owns directly and indirectly the following subsidiaries as of September 30, 2020:

Company's Name	Authorized		Location	Establishment Date	Note
	Capital	Ownership			
	JD	%			
Jordan Petroleum Products Marketing Company	65,000,000	100	Amman	February 12, 2013	Operating
Hydron Energy Company LLC	5,000,000	100	Amman	April 29, 2003	Operating
Jordan Liquefied Petroleum Gas Manufacturing and Filling Company (Paid 50%)	4,000,000	100	Amman	May 28, 2008	Non-operating
Jordan Lube - Oil Manufacturing Company (Paid 50%)	3,000,000	100	Amman	May 28, 2008	Non-operating
AL-Nuzha and Istiklal Gas Station for Fuel and Oil Company	5,000	60	Amman	January 8, 2014	Operating
Al-Markzeya Gas Station for Fuel Trade Company	10,000	100	Amman	May 28, 2014	Operating
Al-Karak Central Gas Station for Fuel Company	5,000	60	Al Karak	November 26, 2014	Operating
Al-Khairat for Fuel Company	5,000	100	Al Karak	November 11, 2014	Operating
Rawaby Al-Queirah Gas Station for Fuel and Oil Company	5,000	60	Al Aqaba	June 22, 2015	Operating
Al-Aon for Marketing and Distribution Fuel products Company	1,005,000	60	Amman	January 10, 2016	Operating
Jordanian German for Fuel Company	125,000	60	Amman	October 8, 2015	Operating
Qaws Al-Nasser for Fuel Stations Management Company	3,000	100	Irbid	December 29, 2014	Operating
Al-Tariq Al-Da'ari Gas Station for Fuel Company	5,000	60	Amman	June 10, 2015	Operating
Al Kamel Gas Station for Oil and Fuel Company	5,000	60	Amman	February 26, 2017	Operating
Al-Wadi Al-A'biad Gas station for Fuel Company	5,000	60	Amman	August 4, 2015	Operating
Al-Muneirah Gas Station for Fuel and Oil Company	5,000	100	Amman	November 6, 2014	Operating
Al-Tanmweh Al-A'ola Gas Station for Fuel Company	5,000	60	Amman	November 19, 2015	Operating
Al Qastal Gas Station for Fuel and Oil Company	5,000	60	Amman	June 19, 2017	Operating
Taj Amon Gas Station for Fuel Company (Paid 50%)	5,000	80	Amman	September 20, 2017	Operating
Al Shira' Gas Station for Fuel and Oil Company (Paid 50%)	5,000	95	Al Aqaba	February 19, 2017	Non-operating
					under renovation
Al Failaq for Fuel and Oil Company (Paid 50%)	5,000	60	Amman	July 7, 2020	Non-operating
					under renovation

- Jordan Petroleum Products Marketing Company (JPPMC) was established on February 12, 2013, and has total assets of its own and of its subsidiaries of JD 313,869,585, while its total liabilities and those of its subsidiaries amounted to JD 234,168,464 as of September 30, 2020. The Company's consolidated loss amounted to JD 5,917,634, which includes non-controlling interest profit of JD 68,971 for the period ended September 30, 2020. Moreover, the company has started operating gradually since May 1, 2013, and part of Jordan Petroleum Refinery Company's distribution activity assets have been transferred at their net book value to JPPMC (subsidiary). The said transfer was mandatory due to transferring the distribution activity to JPPMC. In addition, some employees of the Jordan Petroleum Refinery Company have been assigned to work for JPPMC, which shall bear their employment costs. In the meantime, the task of providing consumers with oil derivatives has been transferred to JPPMC, except for asphalt, fuel oil, and gas clients, and some oil clients of the security authorities. The required legal procedures to conclude the assets ownership transfer to JPPMC were completed as follows:
  1. Land and buildings: part of the gas stations' lands and buildings were transferred to Jordan Petroleum Products Marketing Company (JPPMC) related to the concession expiry agreement, which stated that JPPMC's assets shall include the gas stations owned by Jordan Petroleum Refinery Company with a historical cost of JD 4,903,283, which are to be transferred to (JPPMC) at their net book value of JD 4,183,956 as of May 1, 2013, according to official and taxable invoices.
  2. Vehicles: Part of the distribution activity vehicles with a historical cost of JD 5,483,410 were transferred to JPPMC at their net book value of JD 109,881 as of May 1, 2013, according to official and taxable invoices. Moreover, the Company has transferred part of the distribution activity vehicles with a historical cost of JD 3,504,609 to JPPMC at their net book value of JD 1,095,191 as of July 1, 2019, according to official and taxable invoices.
  3. Other property and equipment: part of other property and equipment of the distribution activity with a historical cost of JD 4,460,927 were transferred to JPPMC at their net book value of JD 1,446,738, according to official and taxable invoices.
  4. Employees and their benefits: Most of the employees' contracts were transferred from Jordan Petroleum Refinery Company to Jordan Petroleum Products Marketing Company. Moreover, Jordan Petroleum Products Marketing Company has also been charged with the cost and benefits of the employees assigned to work in this Company.
  5. Jordan Petroleum Products Marketing Company received a marketing commission of 12 fils per each liter sold and a retail commission of 15 fils per each liter sold until August 31, 2018. The retail commission has been amended to 18 fils per each liter sold as of September 1, 2018. Moreover, Jordan Petroleum Products Marketing Company receives other commissions, representing evaporation loss allowance and transport fees according to the oil derivatives selling price bulletin (IPP).



- The concession expiry settlement agreement, signed between Jordan Petroleum Refinery Company and the Government on February 25, 2008, stipulated that Jordan Petroleum Refinery Company shall be granted part of the distribution activity (one of the licensed distribution companies with a share of not less than 25 % of the market) subject to all conditions and terms applicable to the other distribution companies. Moreover, the agreement stipulated that the assets of this company shall include the gas stations owned by Jordan Petroleum Refinery Company. It also stipulated that Jordan Petroleum Refinery Company shall have the right to separate and sell the gas stations owned by Jordan Petroleum Refinery Company to the distribution companies. In addition, the agreement stated that Jordan Petroleum Refinery Company is the owner of the tanks and pumps and has the right to sell them to the distribution companies. This agreement also prescribed that the Government shall own some entities within Jordan Petroleum Refinery Company (storage and loading facilities in Aqaba and facilities within the Jordanian airports. In the beginning, Jordan Petroleum Refinery Company was involved as a partner, and subsequently, it was fully owned by the Government according to the minutes of the meeting held in September 2012, regarding the Company's future operations). Meanwhile, Jordan Petroleum Refinery Company shall retain the remaining properties and other assets, including maintaining its ownership of the oil derivatives loading and distribution facilities. Since Jordan Petroleum Refinery Company established Jordan Petroleum Products Marketing Company (JPPMC), which started its operations in May 1, 2013, and transferred the distribution activities to JPPMC, it became mandatory to transfer the distribution activities facilities and gas stations to JPPMC. In this connection, the Council of Ministers issued Decision No. (7633), adopted in its meeting held on April 30, 2018, mandating the Ministry of Finance to follow up on the procedures related to the calculation of the rental value of the assets of the gas stations that were transferred from Jordan Petroleum Refinery Company to Jordan Petroleum Products Marketing Company at the rate approved by the Land and Survey Department of 8% on lands and buildings of JD 4.9 million. In this respect, the Company rejects this procedure for the above-mentioned reasons. In addition, Article (236) of the Civil Law stipulates that the company shall have the right to dispose of its assets from a legal perspective. However, negotiations are going on between the Company and the Government that resulted in an agreement, whereby the Ministry of Finance shall recommend to the Council of Ministers cancellation of this item. This matter is still under process. According to the above decision, the lease value is estimated at about JD 1.9 million.



## 6. Significant Accounting Policies

The accounting policies adopted in preparing the condensed consolidated interim financial information are consistent with the accounting policies followed in preparing the consolidated financial statements for the year-ended December, 31 2019, except for the effect of the application of the new and revised international financial reporting standards which became effective during the current period and are illustrated below:

### **Amendments to IAS No. (1) and IAS No. (8) related to the Definition of Materiality**

The amendments are intended to make the definition of materiality in IAS No. (1) easier to understand, and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of materiality in IAS No. (8) has been replaced by a reference to the definition of materiality in IAS No. (1). In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of materiality or refer to the term 'material' to ensure consistency.

The amendments are applied prospectively for the annual periods beginning on or after January 1, 2020, with earlier application permitted.

### **Amendments to IFRS No. (3) related to the Definition of a Business**

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired 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 outputs.

Additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is in or after the first annual reporting period beginning on or after January 1, 2020.

### **Amendments to References to the Conceptual Framework in IFRS Standards**

Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS No. (2), (3), (6) and (14), IAS No. (1), (8), (34) and (38), and IFRIC numbered (12), (19), (20) and (22), and SIC No. (32).

Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASB Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Conceptual Framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The amendments, when they are actually updated, are effective for annual periods beginning on or after January 1, 2020.

### **7. Changes in Critical Accounting Judgments and Key Sources of Estimation Uncertainty**

The preparation of the condensed consolidated interim financial statements and the adoption of accounting policies require the management to make judgments, estimates, and assumptions that affect the amounts of financial assets and financial liabilities and the disclosure of contingent liabilities. These estimates and judgments also affect revenues, expenses, and provisions, in general, as well as expected credit losses, and changes in fair value shown in the condensed consolidated interim statement of comprehensive income and in owners' equity. In particular, the Company's management is required to make judgments to estimate the amounts and timing of future cash flows. The above-mentioned estimates are based on multiple hypotheses and factors with varying degrees of estimation and uncertainty. Actual results may differ from estimates as a result of changes in these conditions and circumstances in the future.

Management believes that its estimates in the financial statements are reasonable and similar to the estimates adopted in preparing the consolidated financial statements for the year 2019, except for the following:

Given that the crude-oil-producing countries, also known as OPEC+, did not reach an agreement on reducing production during March 2020, which was also accompanied by the Corona virus pandemic, the crude oil and finished oil derivatives' prices were negatively affected by the increase in supply and the decrease in demand, as well as the decrease in demand caused by the change in social behavior resulting from the curfew applied in the Kingdom and different countries around the world. The demand for finished oil derivatives in the Kingdom was also affected, specifically, during the period from March 18, 2020 until the end of May. Moreover, Jet-fuel sales are still being affected due to the precautionary measures to prevent the spread of the coronavirus implemented by countries on the movement of aircraft and transportation between countries.

In addition, during September 30, 2020, the Group was affected by the decrease in the value of its inventory, as the Company evaluates the inventory at the lower of cost or market value, according to the International Accounting Standards. This matter led the Company to incur losses resulting from the devaluation of its inventory.



The Group hopes that its inventory value will increase in subsequent periods, especially in light of the agreement reached by the OPEC+ Group to reduce its production and increase the demand for crude oil and finished oil derivatives. Moreover, crude oil and finished oil derivatives prices began to recover and life began to return to normal within the Kingdom. Moreover, the local oil derivatives selling price bulletin (IPP) is linked to the international prices for crude oil and finished oil derivatives, and the composition of the selling price for the local finished oil derivatives depends on the global prices of the previous month.

#### 8. Receivables and Other Debit Balances

This item consists of the following:

	September 30, 2020 (Reviewed) JD	December 31, 2019 (Audited) JD
Governmental departments and institutions, security authorities and electricity companies – fuel (a)	194,610,479	162,364,992
Fuel clients and others (b)	55,108,598	55,114,291
Alia Company - Royal Jordanian Airlines (c)	7,827,690	9,525,690
Checks under collection (d)	22,700,006	31,450,028
Total receivables	280,246,773	258,455,001
Ministry of Finance – relationship (e)	199,345,261	211,270,511
General sales tax deposits (f)	123,340,168	116,488,695
Other debit balances (g)	3,797,605	3,278,878
Employees' receivables	1,835,766	1,641,262
Advances, letters of credit deposits and purchase orders – subsidiary company	1,373,238	2,642,685
Prepaid expenses (h)	14,688,264	15,487,756
Contract acquisition expenses – subsidiary company (i)	6,239,779	6,265,884
	630,866,854	615,530,672
<u>Less: Expected credit loss provision (j)</u>	<u>(21,520,637)</u>	<u>(16,982,422)</u>
	<u>609,346,217</u>	<u>598,548,250</u>

The Company has adopted a policy of dealing with only creditworthy counterparties in order to reduce the risk of financial loss from credit defaults. The following table shows the aging of accounts receivable:

	September 30, 2020 (Reviewed) JD	December 31, 2019 (Audited) JD
1 day – 119 days	72,801,193	90,344,865
120 days – 179 days	18,381,687	14,798,171
180 days – 365 days	18,057,287	45,736,617
More than a year *	171,006,606	107,575,348
Total	280,246,773	258,455,001

- The Company studies the aging of the receivables and the sufficiency of the booked provision at the end of each financial period.

- \* This item includes receivables of JD 155,762,769, whose maturity exceeded one year, due from Governmental agencies or guaranteed by the Government. The Company's management believes that it has the ability to collect these receivables, and there is no need to record any provisions against them. The receivables include amounts due from partners in subsidiaries of JD 4,624,685, which are past due for over one year. The Company's Management believes that there is no need to record any additional provisions against these receivables, as agreements have been signed with these partners for them to repay these receivables against real estate mortgages along with the transfer of profits resulting from the subsidiaries' operations to the Company.
- a. This item includes receivables for fuel withdrawals by the ministries, governmental departments and entities, security agencies, National Electricity Company, and power-generating companies of JD 168,191,059 for the refining and gas activities, JD 8,576,804 for the lube oil factory, and JD 17,842,616 for the Jordan Petroleum Products Marketing Company as of September 30, 2020.
- This item represents amounts due from the National Electric Power Company and power-generating companies against fuel withdrawals of JD 72,182,479 as of September 30, 2020 (JD 72,193,099 as of December 31, 2019).
- Upon the offsetting request of the Jordan Petroleum Refinery Company submitted to the Ministry of Finance, and approved on March 16, 2020 by the Customs Department, and on July 6, 2020, by the Offsetting Committee, part of the Ministry of Finance's debt (the Ministry of Finance relationship account) was offset with the general and special tax on the customs' statements held at the Customs Department for a total amount of JD 58,042,756. The above-mentioned offsetting was completed during July 2020.
- Upon the offsetting request by Jordan Petroleum Products Marketing Company submitted to the Ministry of Finance, and approved on December 12, 2018, for offsetting the Public Security Directorate's debts against the special tax due from the Company, the Public Security Directorate's debts of JD 9,010,973 have been offset against part of the special tax due from the Company during the year 2018.
- Upon the offsetting request of Jordan Petroleum Products Marketing Company, approved on June 7, 2020 by the Offsetting Committee for offsetting the Jordanian Royal Medical Services debt of JD 2,651,001, the debt of the Civil Defense agency of JD 3,449,364, the debt of the Jordanian Armed Forces – Arab Army of JD 3,768,905, and the debt of the Ministry of Health of JD 1,827,031, against the amount due to the Income and Sales tax Department of JD 11,696,301, the above-mentioned offsets were completed.
- Upon the offsetting request of Jordan Petroleum Products Marketing Company submitted to the Ministry of Finance, and approved on January 16, 2019, for offsetting the Public Security Directorate's debts against the special tax due from the Company, the Public Security Directorate's debts of JD 9,489,474 have been offset against part of the special tax due from the Company during the year 2019.
- Upon the offsetting request of the Jordan Petroleum Products Marketing Company submitted to the Ministry of Finance, and approved on March 27, 2019, for offsetting the Public Security Directorate's debts against the special tax due from the Company, the Public Security Directorate's debts of JD 5,373,483 have been offset against part of the special tax due from the Company during the year 2019.
- Upon the offsetting request of the Jordan Petroleum Products Marketing Company submitted to the Ministry of Finance, and approved on January 31, 2019, for offsetting the debts of the General Directorate of Civil Defense against the general tax due from the Company, the debts of the General Directorate of Civil Defense of JD 4,644,685 have been offset against part of the general tax due from the Company during the year 2019.



- Upon the offsetting request of the Jordan Petroleum Products Marketing Company submitted to the Ministry of Finance, for offsetting the debts of the Ministry of Health of JD 2,454,472 and the Jordanian Armed Forces of JD 2,730,983 against part of the special tax due from the Company and approved on November 25, 2019, the above offsetting has been performed.
- b. This item includes fuel customers and other receivables of JD 11,940,963 related to the refining and gas activities, JD 4,220,810 related to the oil factory, and JD 38,946,825 related to Jordan Petroleum Products Marketing Company as of September 30, 2020.
- c. On March 6, 2016, the Company signed a settlement agreement related to the outstanding debt with Alia Company - Royal Jordanian Airlines, whereby 10% of the debt balance was paid during March 2016. Meanwhile, Alia Company - Royal Jordanian Airlines commits to paying the remaining amount in 60 installments, the first of which is due on March 31, 2016, and the last on February 28, 2021 at the effective borrowing average rate incurred by Jordan Petroleum Refinery Company. Moreover, Alia Company - Royal Jordanian Airlines undertakes to pay all the subsequent invoices on their due date. Accordingly, Jordan Petroleum Refinery Company has not recorded any additional provisions as a result of this settlement. Furthermore, the Ministry of Finance has informed Jordan Petroleum Refinery Company in Letter No. (18/4/15391) dated September 26, 2016, that the provision recorded for Alia Company - Royal Jordanian Airlines should be reversed, since Alia Company - Royal Jordanian Airlines is committed to paying its payments, provided that Alia Company - Royal Jordanian Airlines continues to comply with the settlement according to the agreement signed with the Company on March 2016 and pay its monthly withdrawals on time. Accordingly, Jordan Petroleum Refinery Company has reversed the provision recorded for Alia Company - Royal Jordanian Airlines of about JD 31 million in year 2016.
- In accordance with the Council of Minister's Decision No. (11131), taken in its meeting held on August 16, 2015, a quantity discount was granted to jet fuel consumers on the selling price of Jet fuel approved by the monthly Fuel Pricing Committee according to the consumption segments from August 1, 2015 to December 31, 2016, provided that the said discount is calculated annually. Moreover, the Council of Ministers issued Decision No. (293), adopted in its meeting held on October 23, 2016, which stipulated amendment of the Jet fuel consumption segments for one year as of October 31, 2016. Additionally, in its meeting held on February 26, 2017, the Council of Ministers issued Decision No. (1958), which retroactively approved amendment of the implementation commencement date of the decision amending the discount segments under the Council of Ministers' Decision No. (293), retrospective effective from August 1, 2015, instead of October 31, 2016. Based on the above decisions, the discount due to Alia Company - Royal Jordanian Airlines for the period from August 1, 2015 to July 31, 2017 amounted to JD 29,947,993.

- Pursuant to the Company's Board of Directors' Decision No. (5/2/1), adopted in its meeting No. (1/2018), dated March 12, 2018, the Company reduced the amount of JD 15,523,797 from Alia Company – Royal Jordanian Airlines debt during the year 2017, provided that the remaining discount balance is reduced from the Company's monthly withdrawal invoices after deducting the outstanding and unpaid invoices from the date of signing a new agreement between the two Companies until July 31, 2018. The discount due for the period from August 1, 2017 to the expiry of the specified discount shall be treated under the Council of Ministers' decisions by reducing (40%) of Alia Company – Royal Jordanian Airlines debts, and (60%) of the Company's monthly withdrawals. In case the relationship with the Government is terminated, the discount shall be calculated up to April 30, 2018, according to the same rates stated above. After this date, the Council of Ministers' decisions shall be applied independently from Jordan Petroleum Refinery Company. Pursuant to the Council of Ministers' Decision No. (4141), adopted in its meeting held on August 20, 2017, the extension of the discount period granted to Alia Company – Royal Jordanian Airlines was approved for an additional year effective from October 31, 2017.
- Pursuant to the Council of Ministers' Decision No. (5614), adopted in its meeting held on December 17, 2017, the interest rate charged on Alia Company – Royal Jordanian Airlines' debt due to Jordan Petroleum Refinery Company, which was 4.4% per annum on December 20, 2016, has been reduced to 0.5% per annum. Moreover, interest income for the years 2015 and 2016 to date has been reversed in the form of a future balance, so that the resulting financial impact will be settled within the financial relationship between the Ministry of Finance and Jordan Petroleum Refinery Company. As of May 1, 2018, the Company has calculated the effective borrowing average interest rate annually in accordance with the debt settlement agreement with Alia Company. Moreover, implementation of the above decision has been suspended.
- Pursuant to the Council of Ministers' Decision No. (1958), adopted in its meeting held on February 26, 2017, it was approved to charge the discount granted to Alia Company to the Ministry of Finance's account directly without reducing the discount from the Company's sales revenue.
- During the period ended April 30, 2018, the Company recorded an amount of JD 11,659,699 to the Ministry of Finance's account as a discount to Alia Company according to the above-mentioned Council of Ministers' decisions. The amount of JD 4,663,880 has been reduced from the balance of the debt settlement agreement, and the amount of JD 6,995,819 was recorded as deposits to Alia Company, pursuant to the Company's Board of Directors' Decision No. (5/2/1). The Company did not calculate any discounts as of May 1, 2018.



- The Company addressed its Letter No. (2/25/51/1/1/6814), dated September 30, 2018, to Alia Company – Royal Jordanian Airlines, stating that if Alia Company is willing to continue to implement the decisions of the Council of Ministers regarding the discount and reduce the interest rate through Jordan Petroleum Refinery Company, the Company shall be provided with a letter from the Ministry of Finance stating its approval to record the amount of the discount and interest difference directly to the Ministry of Finance’s accounts. These amounts shall be taken within the settlement of the financial relationship between Jordan Petroleum Refinery Company and the Government, pursuant to the Council of Ministers’ Decision No. (7633), adopted in its meeting held on April 30, 2018.
- Alia Company – Royal Jordanian Airlines has invited licensed Companies to tender for supplying Royal Jordanian aircraft with jet fuel according to the decision of the Ministry of Energy and Mineral Resources, which includes the decision for the licensed marketing companies to start the activity of supplying jet fuel. The tender was awarded to the Jordan Petroleum Products Marketing Company – a subsidiary. As a result, an agreement for the jet-fuel supply was signed between Alia Company – Royal Jordanian Airlines and Jordan Petroleum Products Marketing Company on November 1, 2018. Consequently, the direct supply activity to Alia Company – Royal Jordanian Airlines has been transferred from Jordan Petroleum Refinery Company to Jordan Petroleum Products Marketing Company – a subsidiary company.
- Pursuant to the Council of Ministers’ Decision No. (2674), adopted in its meeting held on January 9, 2019, the quantity discount granted to Alia Company - Royal Jordanian Airlines was extended to November and December of 2018.
- Pursuant to the Council of Ministers’ Decision No. (3874), adopted in its meeting held on March 27, 2019, the quantity discount granted to Alia Company – Royal Jordanian Airlines was extended from January 1, 2019 to December 31, 2019, provided that the discount is settled on the financial relationship between the Government and the Jordan Petroleum Refinery Company.
- Pursuant to the Ministry of Finance’s Letter No. (18/4/20267), dated September 27, 2019, which included the request of the Ministry of Finance to charge the discount difference due to Alia Company - Royal Jordanian Airlines, according to the above-mentioned decisions, to the financial relationship between the Government and Jordan Petroleum Refinery Company until the end of the due discount, Jordan Petroleum Refinery Company has recalculated the due discount up to July 31, 2018, but has not calculated the discount after this date, as the direct supply relationship between Jordan Petroleum Refinery Company and Alia Company – Royal Jordanian Airlines ended on October 31, 2018. This resulted in recording an amount of JD 9,645,385 in the balance of the financial relationship between the Company and the Government, accompanied by a decrease in Alia Company - Royal Jordanian Airlines debt settlement agreement of JD 3,858,154, and the recording of an amount of JD 5,787,231, as discount deposits due to Alia Company –Royal Jordanian Airlines within accounts payable and other credit balances.

- Based on the agreement between the Jordan Petroleum Refinery Company and Alia Company - Royal Jordanian Airlines signed on November 26, 2019, and after all the balances between the two Companies have been matched, both parties agreed to offset the accrued outstanding balance due from Alia Company - Royal Jordanian Airlines related to the refining and gas activity against the discount deposits balances and interest deposit balances of Alia Company - Royal Jordanian Airlines. Accordingly, the offsetting took place and resulted in an amount of JD 11,253,235, payable to Alia Company - Royal Jordanian Airlines, which was booked in the Company's records for the refining and gas activity (Note 11/k).
- This item includes accounts receivable of JD 17,294, related to the oil factory, and JD 7,810,396, related to the Jordan Petroleum Products Marketing Company as of September 30, 2020.
- d. The maturity date of checks under collection for the refining and gas activities extends up to October 5, 2020, and amounted to JD 1,624,005. Meanwhile, the maturity date of checks under collection of the oil factory extends up to December 31, 2020, and amounted to JD 3,356,595. Moreover, the maturity date of checks under collection for Jordan Petroleum Products Marketing Company extends up to November 1, 2021, and amounted to JD 17,719,406.
- e. The Ministry of Finance's receivables (the relationship) includes an amount of JD 194,763,517, related to the refining and gas activity, and an amount of JD 4,581,744 related to Jordan Petroleum Products Marketing Company as of September 30, 2020.
- As per the Ministry of Finance's Letter No. (8AR/4/5197), dated February 18, 2020, the balance of the financial relationship with the Government as of December 31, 2018 of JD 591,669,659 was confirmed, provided that the National Electricity Company match its debt as per its own records with that as per the records of Jordan Petroleum Refinery Company. Accordingly, the National Electricity Company confirmed the balance in its letter No. (726/2503), dated March 11, 2020, and requested that it be allowed to pay the balance over three years in monthly installments. The company is still in the negotiation stage regarding the installment period.
- The Ministry of Finance's balances related to Jordan Petroleum Products Marketing Company activity were confirmed as of December 31, 2018 through the Ministry of Finance's approval of the Jordan Petroleum Products Marketing Company's Letter No. (111/2/936), dated February 19, 2019.
- The Ministry of Finance's balances for Jordan Petroleum Products Marketing Company activity were confirmed as of December 31, 2019 through the Ministry of Finance's approval of the Jordan Petroleum Products Marketing Company's Letter No. (111/2/1645), dated March 4, 2020.



#### End of Relationship with the Government

Pursuant to the Council of Minister's Decision No. (7633), adopted in its meeting held on April 30, 2018, the Ministry of Finance shall calculate the amounts due to the Jordan Petroleum Refinery Company until April 30, 2018, and such amounts shall be paid in installments during the years 2018, 2019 and 2020 with interest thereon of (30%, 40% and 30%). Moreover, these amounts shall be paid after issuance of the General Budget Law and before the end of the second quarter of each year for the same year until full repayment in the year 2020. Meanwhile, the Ministry of Finance shall provide the Jordan Petroleum Refinery Company with a letter stating the amounts due to the Refinery as of April 30, 2018 and guaranteeing their payment with interest at the actual cost borne by the Company during the above period at the said rates.

As a result of the Government's failure to comply with the above decision, and based on the agreement between the Company and the Government, the Council of Ministers' Decision No. (6399) was adopted at its meeting held on September 9, 2019. This decision stipulated that the Company shall borrow an amount of equivalent to about JD 457 million from banks to pay part of the debt balances due to the Company from the Government until December 31, 2018. In return, the Ministry of Finance shall pledge to pay the loans and interest thereon to the assigned banks. Consequently, during the first half of October 2019, the Company withdrew an amount of JD 455,505,000 from the banks, which were assigned by the Ministry of Finance. Accordingly, the Ministry of Finance issued pledges to these banks that it shall pay the loans installments and interest thereon to the assigned banks. As a result, the Company reduced the withdrawn amount of JD 455,505,000 from receivables due from security agencies, ministries, government agencies and departments, and part of the Ministry of Finance's debt under the signed agreement between the Company and the Ministry of Finance on June 6, 2020, signed by the Minister of Finance, after the Council of Ministers' approval and authorization to the Minister of Finance to sign it on behalf of the Jordanian Government, in accordance with Council of Ministers' Decision No. (9158), adopted in its meeting held on March 24, 2020.

The Ministry of Finance committed to paying all the bank loans and interest amounts, as these amounts were encumbered within the General Budget Law for the year 2020 under the item of loans' installments to address government arrears, according to the Ministry of Finance's Letter No. (18/4/9200), dated May 14, 2020. The Jordanian government has paid all of the loans and interest due to the assigned banks on their due dates. In the opinion of the Company's management and its legal advisors, the Company does not have any liability regarding the above-mentioned loans and pledges.



- The balance of the financial relationship between the Company and the Government related to the refining and gas activity as of April 30, 2018 (end of relationship with the government) is as follows:

	April 30, 2018 (Audited)
<u>Amounts Owed to the Company:</u>	JD
Ministry of Finance primary account (relationship)	220,480,978
General sales tax deposits	101,792,998
Debts of security authorities, Governmental departments and institutions, and the National Electricity Company: **	
Armed Forces / Directorate of Supply	101,513,938
Royal Air Force	136,424,517
Directorate of General Security	45,627,576
Directorate General of the Gendarmerie	9,553,718
Civil Defense	3,259,795
Departments, ministries, and Governmental agencies and Institutions	3,280,986
National Electricity Company	76,413,291
Total Debts of Security Authorities, Governmental Departments and Institutions, and the National Electricity Company	376,073,821
Total Amounts owed to the Company	698,347,797
<u>Less: Amounts Owed to the Government:</u>	
Price differences deposits for oil derivatives pricing surplus	43,746,064
Special sales tax deposits	1,738,247
Deposits for constructing alternative tanks – the Ministry of Energy	93,500,103
Fees, stamps, and allowances according to the oil derivatives pricing bulletin (IPP)	21,244,292
Total amounts due to the Government	160,228,706
Balance Owed by the Government to the Company	538,119,091

- The balance of the financial relationship between the Company and the Government related to the refining and gas activity as of December 31, 2018 is as follows:

	December 31, 2018 (Audited)
<u>Amounts Owed to the Company:</u>	JD
Ministry of Finance primary account (relationship)	267,790,407
General sales tax deposits	106,334,261
Debts of security authorities, Governmental departments and institutions, and the National Electricity Company: **	
Armed Forces / Directorate of Supply	88,823,533
Royal Air Force	168,094,404
Directorate of General Security	45,626,257
Directorate General of the Gendarmerie	8,425,446
Civil Defense	3,269,279
Departments, ministries, and Governmental agencies and Institutions	3,362,267
National Electricity Company	76,378,522
Total Debts of Security Authorities, Governmental Departments and Institutions, and the National Electricity Company	393,979,708
Total Amounts owed to the Company	768,104,376
<u>Less: Amounts Owed to the Government:</u>	
Price differences deposits for oil derivatives pricing surplus	44,022,727
Special sales tax deposits	2,861,098
Deposits for constructing alternative tanks - Ministry of Energy	93,500,103
Fees, stamps, and allowances according to the oil derivatives pricing bulletin (IPP)	36,050,789
Total amounts due to the Government	176,434,717
Balance Owed by the Government to the Company *	591,669,659

- \* According to the Ministry of Finance's Letter No. (8AR/4/5197), dated February 18, 2020, the balance of the financial relationship with the Government as of December 31, 2018 of JD 591,669,659 was confirmed, provided that the National Electricity Company match its debt as per its own records with that as per the records of Jordan Petroleum Refinery Company. Accordingly, the National Electricity Company has confirmed the balance as of December 31, 2019 in its Letter No. (726/2503), dated March 11, 2020, and requested that it be allowed to pay the balance over three years in monthly installments. The Company is still in the negotiation stage regarding the installment period. Moreover, the general and special tax deposits balances match those stated in the Income and Sales Tax Department's records.



Pursuant to the Council of Ministers' Decision No. (6399), adopted at its meeting held on September 9, 2019, stipulated that the Company shall borrow an amount of JD 457 million from banks to pay part of the debt balances due to the Company from the Government until December 31, 2018. In return, the Ministry of Finance shall pledge to pay the loans and interest thereon to the assigned banks. Consequently, during the first half of October 2019, the Company withdrew an amount of JD 455,505,000 from the banks, which were assigned by the Ministry of Finance. Accordingly, the Ministry of Finance issued pledges to these banks that it shall pay the loans installments and interest thereon to the assigned banks. As a result, the Company reduced the withdrawn amount of JD 455,505,000 from receivables due from security agencies, ministries, government agencies and departments, and part of the Ministry of Finance's debt under the signed agreement between the Company and the Ministry of Finance on June 6, 2020, signed by the Minister of Finance, after the Council of Ministers' approval and authorization to the Minister of Finance to sign it on behalf of the Jordanian Government, in accordance with Council of Ministers' Decision No. (9158), adopted in its meeting held on March 24, 2020.

The Ministry of Finance committed to paying all the bank loans and interest amounts, as these amounts were encumbered within the General Budget Law for the year 2020 under the item of loans' installments to address government arrears, according to the Ministry of Finance's Letter No. (18/4/9200), dated May 14, 2020. The Jordanian government has paid all of the loans and interest due to the assigned banks on their due dates. In the opinion of the Company's management and its legal advisors, the Company does not have any liability regarding the above-mentioned loans and pledges.

- The balance of the financial relationship between the Company and the Government related to the refining and gas activities as of December 31, 2019 after reducing the above-mentioned amount of JD 455,505,000 is as follows:

	December 31, 2019 (Audited)
<u>Amounts Owed to the Company:</u>	JD
Ministry of Finance primary account (relationship)	211,997,358
General sales tax deposits	114,624,265
Debts of security authorities, Governmental departments and institutions, and the National Electricity Company: **	
Armed Forces / Directorate of Supply	1,074,301
Royal Air Force	59,938,960
Directorate of General Security	2,181
Directorate General of the Gendarmerie	-
Civil Defense	-
Departments, ministries, and Governmental agencies and Institutions	3,550,513
National Electricity Company	72,147,468
Total Debts of Security Authorities, Governmental Departments and Institutions, and the National Electricity Company	136,713,423
Total Amounts owed to the Company	463,335,046
<u>Less: Amounts Owed to the Government:</u>	
Price differences deposits for oil derivatives pricing surplus	44,134,309
Special sales tax deposits	(2,189,866)
Deposits for constructing alternative tanks - Ministry of Energy	93,500,103
Fees, stamps, and allowances according to the oil derivatives prices bulletin (IPP)	48,609,966
Total amounts due to the Government	184,054,512
Balance Owed by the Government to the Company *	279,280,534

- The balance of the financial relationship between the Company and the Government related to refining and gas activity as of September 30, 2020 is as follows:

	September 30, 2020 (Reviewed)
<u>Amounts Owed to the Company:</u>	JD
Ministry of Finance primary account (relationship)	194,763,517
General sales tax deposits	122,602,265
Special sales tax deposits	44,997,572
Debts of security authorities, Governmental departments and institutions, and the National Electricity Company: **	
Armed Forces / Directorate of Supply	1,325,578
Royal Air Force	92,293,727
Directorate of General Security	2,475
Directorate General of the Gendarmerie	-
Civil Defense	-
Departments, ministries, and Governmental agencies and Institutions	2,421,811
National Electricity Company	72,147,468
Total Debts of Security Authorities, Governmental Departments and Institutions, and the National Electricity Company	<b>168,191,059</b>
Total Amounts owed to the Company	<b>530,554,413</b>
<u>Less: Amounts Owed to the Government:</u>	
Price differences deposits for oil derivatives pricing surplus	44,167,683
Special sales tax deposits	-
Deposits for constructing alternative tanks - Ministry of Energy	93,500,103
Fees, stamps, and allowances according to (IPP)	50,718,837
Total amounts due to the Government	<b>188,386,623</b>
Balance Owed by the Government to the Company *	<b>342,167,790</b>

- \* According to the Ministry of Finance's Letter No. (8AR/ 4/5197), dated February 18, 2020, the balance of the financial relationship with the Government as of December 31, 2018 of JD 591,669,659 was confirmed, provided that the National Electricity Company match its debt as per its own records with that as per the records of Jordan Petroleum Refinery Company. Accordingly, the National Electricity Company has confirmed the balance as of December 31, 2019 in its Letter No. (726/2503), dated March 11, 2020, and requested that it be allowed to pay the balance over three years in monthly installments. The Company is still in the negotiation stage regarding the installment period. Moreover, the general and special sales tax balances matched the balances as per the records of the Income and Sales Tax Department as of September 30, 2020.



- Upon the offset process requested by the Jordan Petroleum Refinery Company submitted to the Ministry of Finance, between part of the Ministry of Finance's debt (The Ministry of Finance's main account relationship) and general and special tax on the customs statements at the Customs Department, the Customs Department's approval thereof on March 16, 2020, , and the Offsetting Committee's approval thereof on July 6, 2020 for an amount of JD 58,042,756, the procedures for the above- mentioned offsetting were completed during July 2020.
  
- According to the Council of Ministers' Decision No. (5329), adopted in its meeting held on July 10, 2019, which included the approval to authorize the Jordan Petroleum Refinery Company to implement the terms of the Memorandum of Understanding for supplying and transporting crude oil between the Government of the Republic of Iraq and the Government of the Hashemite Kingdom of Jordan, the Company signed the agreement, at the beginning of August, 2019, and issued a letter of credit in favor of the Central Bank of Iraq to cover the value of 10,000 barrels per day throughout the year according to the monthly average price of a barrel of Brent crude oil minus USD 16. Moreover, the supply of the Iraqi oil quantities started at the end of August 2019. As per the minutes of meeting signed between the related parties in the Ministry of Finance, the Ministry of Energy and Mineral Resources, and the Jordan Petroleum Refinery Company on 10 March 2020, the balances and accounts of Iraqi crude oil have been matched until December 31, 2019. Moreover, according to the minutes of meeting signed between the representatives of the Ministry of Finance, the Ministry of Energy and Mineral Resources, and the Jordan Petroleum Refinery Company on June 30, 2020, the balances and accounts of Iraqi crude oil were matched until April 30, 2020. In addition, the Iraqi crude oil supply was suspended during May and June of 2020 due to the decrease in international oil derivatives prices in the world. The supply of the Iraqi crude oil was re-commenced in the beginning of July 2020.
  
- \*\* According to the minutes of the Company's meetings with the Ministry of Finance and the Jordan Petroleum Refinery Company held on November 8, 9 and 16, 2017, in order to determine the balances of the financial relation between Jordan Petroleum Refinery Company and the Government (excluding Jordan Petroleum Product Marketing Company and the Lube Oil Factory) for the balances as of September 30, 2017, the Ministry of Finance has taken a pledge for all of the debt balances of the Armed Forces, Royal Air Force, Public Security Directorate, the General Directorate of Gendarmerie, other security forces, and governmental departments, within its budget as well as the debts of the National Electric Power Company for the refining and gas activities of JD 319,468,856 as of September 30, 2017. In the meantime, the two parties have agreed that no provision would be made for the debts of Royal Jordanian Company, municipalities, governmental universities, and managerially and financially independent governmental institutions during the relationship period, provided that if those amounts are not collected through the judiciary, and the Company is required to write them off, the Ministry of Finance pledges to pay those debts and any related costs.

- f. The general sales tax deposits item includes an amount of JD 122,602,265, related to the refining and gas activities, and JD 737,903 related to the Jordan Petroleum Products Marketing Company as of September 30, 2020.
- In accordance with the Council of Ministers' Decision No. (6953), taken in its meeting held on March 19, 2018, approval was obtained on exempting the quantities of gasoline (95) used in the production of gasoline (90) of (2,360,253) tons from the general and special sales tax for the period from May 1, 2013 until September 30, 2017. The decision shall include any quantity of gasoline (95) used in the mixing process for the production of gasoline (90 and 95) until the end of the financial relationship between the Government and the Jordan Petroleum Refinery Company. Moreover, the outstanding customs statements at the Customs department were finalized during July 2020.
  - During the year 2010, the pricing mechanism of oil derivatives, according to international prices, included the special sales tax on oil derivatives at 6% excluding Fuel Oil, Jet-Fuel, and Avgas. Moreover, the special sales tax on gasoline (both types) was raised, as stated in the pricing mechanism of the oil derivatives letter dated September 18, 2010, to be between 18% and 24%. In accordance with the amended Special Tax Law No.(3) for the year 2018, the special tax rate on gasoline (95) was increased to 30%, and the general tax rate on gasoline (90) was increased to 10% effective from January 15, 2018.
  - Pursuant to the Prime Ministry's Letter No. (12/11/4/2439), dated February 7, 2008, it was approved to apply a general sales tax on unleaded gasoline starting from February 8, 2008 as outlined below:
    1. To adjust the exemption rate on unleaded gasoline (octane 90), according to Article (22/c) from the General Sales Tax Law No. (6) of 1994 and its amendments, to 12% subject to a general sales tax rate of 4%. Pursuant to the Prime Ministry's decision, in its meeting held on January 4, 2018, the general sales tax on gasoline (90) was increased to 10%.
    2. To cancel the exemption rate on unleaded gasoline (octane 95), according to Article (22/c) of the said General Sales Tax Law on the above-mentioned sales, so that they become subject to general sales tax at a rate of 16%.
  - According to Law No. (107) for year 2019, the Amended Special Tax Law, the general and special taxes, fees and stamps have been combined in the price bulletin (IPP) under the special taxes item, and have been determined for each material as per the law described above.



- In its meeting held on May 24, 2017, and pursuant to Article No. (149/C) from the Customs Law No. (20) for year 1998, the Prime Ministry decided to exempt imported oil derivatives from customs fees (standard fee) pertaining to the refinery activities, except for lube oils, its inputs, and any material related to Lube oil factory starting from January 1, 2017 until May 1, 2018, pursuant to the Prime Ministry's Decision No. (3059), dated May 29, 2017. Moreover, the Prime Ministry decided, pursuant to Decision No. (7787), to extend the above-mentioned exemption for the period starting from May 1, 2018 until April 30, 2019. In its Decision No. (5004), the Council of Ministers decided to extend the above -mentioned exemption for the period from May 1, 2019 until April 30, 2020.
- In accordance with the Council of Ministers' decision, taken in its meeting held on May 24, 2017, and based on the provisions of Article 149 / C of the Customs Law No. (20) of 1998, exempting imported oil derivatives from customs duties (standard fee), excluding lube oils and their inputs and any other materials related to the oil factory, the Company obtained the approval of the Ministry of Finance - Customs Department to be exonerated from legalizing documents (invoice and certificate of origin) based on Article 2 / f of Instructions No. (2) of 1999 for imported oil derivatives, except for lube oils and their inputs and any other materials related to the oil factory for the period from January 1, 2017 until May 1, 2018, under the Letter of the Ministry of Finance - Customs Department No. (DC108/7/20/32295), dated July 2, 2017. Meanwhile, the exoneration from legalizing documents (invoice and certificate of origin) was renewed as mentioned above for the period from May 1, 2018 to May 1, 2019, under the Ministry of Finance - Customs Department's Letter No. (DC108/7/20/19243), dated September 3, 2018. Furthermore, the exoneration from legalizing documents (invoice and certificate of origin) has been renewed as mentioned above for the period from May 1, 2019 until May 1, 2020.
- In its meeting held on 9 April 2017, the Council of Ministers decided to approve the inclusion of crude oil and oil derivatives in Schedule No. 2 annexed to the General Sales Tax Law on goods and services subject to the General Sales Tax at a percentage or for an amount of (Zero) as of February 12, 2017, except for all types of gasoline.
- In accordance with the Council of Ministers' Decision No. (6544), adopted at its meeting held on September 23, 2019, all types of gasoline shall be included in Schedule No. 2 annexed to the General Sales Tax Law for goods and services subject to the General Sales Tax at a percentage or for an amount of (Zero).
- In its meeting held on January 3, 2016, under Decision No. (13363), based on the recommendations of the Economic Development Committee in its session held on December 22, 2015, the Council of Ministers approved exempting the Company from general and special sales tax effective from May 1, 2013 on its imports for quantities sold to the marketing companies only, provided that the general sales tax and special sales tax thereon shall be paid by those companies within the pricing structure of IPP. Moreover, the outstanding customs statements at the Jordan Customs Department were finalized during July 2020.

- g. This item consists mainly of the current account of the Refinery's employees' Housing Fund, deposits for the Jordan Customs Department, and other debit balances.
- h. This item consists mainly of the prepaid expenses account related to the Company's insurance, rents, marketing, and security and protection; and contractors' prepayments for gas stations establishment, including an amount of JD 3,358,580, related to the refining and gas activity, and JD 11,329,684 related to Jordan Petroleum Products Marketing Company as of September 30, 2020.
- i. This item represents what was paid to the gas stations' owners according to agreements through which Jordan Petroleum Products Marketing Company supplies these gas stations with their fuel needs. According to this agreements, the Company shall participate in building or modernizing the gas stations and installing pumps. In addition, the gas stations shall bear the trade name for the Jordan Petroleum Products Marketing Company as their authorized distributor, and the related amounts shall be amortized over the contracts period or the useful life of the assets, whichever is lower.
- j. The movement on the provision for expected credit losses is as follows:

	September 30, 2020 (Reviewed)	December 31, 2019 (Audited)
	JD	JD
Balance at the beginning of the year	16,982,422	14,678,474
Provision recorded during the period/year	4,701,516	2,631,148
Recovered during the period/year	(163,301)	(327,200)
Balance at the End of the Period/Year	<u>21,520,637</u>	<u>16,982,422</u>

- The provision for expected credit losses as of September 30, 2020 includes an amount of JD 6,022,017, related to the refining and gas activity, JD 2,142,427 related to the oil factory, and JD 13,356,193 related to the Jordan Petroleum Products Marketing Company. The provision is calculated after taking into consideration the debts guaranteed by the Ministry of Finance.

#### End of Relationship with the Government

Pursuant to the Council of Ministers' Decision No. (7633), taken in its meeting held on April 30, 2018, the Ministry of Finance was mandated to follow up on the implementation procedures and submit its conclusions to the Council of Ministers regarding the Ministry of Finance's right to maintain the provision for doubtful debts (provision for expected credit losses). In case any debt that arises during the relationship with the Government is written off, the Ministry of Finance undertakes to pay it to the Refinery. According to the agreement between the Company and the Ministry of Finance, the Ministry of Finance agreed that the Company shall retain the expected credit losses provision balance. In the event the Company recovers any receivable amount included in the provision, the recovered amount shall be taken to the Ministry of Finance's account pursuant to the Ministry of Finance's Letter No. (4/18/28669), dated August 29, 2019.



#### 9. Crude Oil, Finished Oil Derivatives, and Supplies

This item consists of the following:

	September 30, 2020 (Reviewed)	December 31, 2019 (Audited)
	JD	JD
Finished oil derivatives and lube oil	180,026,336	285,774,084
Crude oil and materials under process	48,940,793	41,863,633
Raw materials, spare parts, and other supplies	65,703,072	66,935,841
Goods in transit	39,095,448	20,567,297
<u>Less: provision for slow-moving and obsolete inventory and sediments</u>	<u>(9,258,975)</u>	<u>(18,295,494)</u>
	<u>324,506,674</u>	<u>396,845,361</u>

- The movement on the provision for slow-moving and obsolete inventory and sediments is as follows:

	For the Period Ended September 30, 2020 (Reviewed)	For the Year Ended December 31, 2019 (Audited)
	JD	JD
Balance at the beginning of the period/year	18,295,494	18,877,426
Provision (released)/recorded during the period/year	(8,293,361)	1,100,414
Paid during the period/year	(491,186)	(1,674,056)
<u>Less: written-off materials during the period/year</u>	<u>(251,972)</u>	<u>(8,290)</u>
Balance at the end of the period/year	<u>9,258,975</u>	<u>18,295,494</u>

#### End of Relationship with the Government

Pursuant to the Prime Minister's Decision No. (7633), taken during the Prime Ministry's meeting held on April 30, 2018, the Ministry of Finance was mandated to follow up on implementing the decisions reached and prepare a report thereon to the Council of Ministers regarding that Jordan Petroleum Refinery Company shall treat the sediments and water in the tanks and dispose of the idle materials no longer needed. Moreover, the slow-moving materials shall be evaluated on April 30, 2018; the cost of the sediments and water, as well as the disposal costs thereof, shall be calculated; and the surplus shall be transferred to the Ministry of Finance. As a result of the agreement between the Company and the Government, the Ministry of Finance issued Letter No. (4/18/28669), dated August 29, 2019, which included its approval for the Company to clean its tanks from sediments and water at the Government's expense, write off the materials, spare parts and supplies no longer needed, and transfer the surplus balance of the slow-moving and obsolete inventory and sediments to the Ministry of Finance. Accordingly, the Company tendered the treatment of sediments and water, whereby the Company which was awarded the tender cleaned the major part of the sediments, and it is in the process of treating of the remaining part. Moreover, a specialized committee was appointed to study the stock of spare parts and other supplies to determine the materials and supplies that could be used instead of buying similar materials, as well as the materials and supplies no longer needed in order to write them off, and this matter is still under process.



#### 10. Due to Banks

This item consists of an overdraft and short-term loans accounts granted by several local banks to finance the Company's activities, at annual interest and murabaha rates ranging from 2.4% to 6.25%, during the period ended September 30, 2020, against the Company's guarantee as a legal personality. This item includes an amount of JD 548,649,407 for the refinery and gas activity, and JD 44,978,593 for Jordan Petroleum Products Marketing Company as of September 30, 2020.

#### 11. Payables and Other Credit Balances

This item consists of the following:

	September 30, 2020 (Reviewed) JD	December 31, 2019 (Audited) JD
Deposits of oil derivatives pricing differences and surplus (a)	47,410,836	45,420,322
Special sales tax deposits on oil derivatives (b)	30,562,848	46,602,862
Deposits for constructing alternative tanks – Ministry of Energy (c)	93,500,103	93,500,103
Suppliers, obligations from purchase orders, services, and others	70,328,441	144,347,307
Provision for gas cylinders (d)	5,000,000	5,000,000
Fees, stamp duties, and allowances according to the oil derivatives prices bulletin (IPP) (e)	50,718,837	48,609,966
Provision for work injuries compensation (f)	-	3,234,886
Provision for lawsuits - (18/b)	622,350	736,192
Advance payments from customers (g)	6,843,618	6,726,490
Shareholders' deposits	14,387,090	11,486,901
Creditors and other credit balances	10,044,454	14,151,555
Retention deducted from contractors	360,106	929,471
Provision for employees' vacations	2,051,435	2,211,093
Subsidiary companies import pricing differences (h)	9,284,270	9,635,394
Storage fees provision (i)	6,983,684	9,889,819
Restricted balances against the acquisition of a subsidiary (j)	963,939	1,000,000
Alia Company – Royal Jordanian Airlines deposits (k)	11,253,235	11,253,235
Jet-fuel deposits at the logistics company (l)	-	3,132,778
	<u>360,315,246</u>	<u>457,868,374</u>

- a. This item includes deposits amounts resulting from oil derivatives pricing differences between total cost including taxes, fees, and transportation charges; actual selling prices; and the rounding-up of fractions differences according to oil derivatives pricing bulletin (IPP) and the published price effective from March 2, 2008. These differences are considered as the Government's right according to the Ministry of Energy and Mineral Resources' Letter No. (9/4/1/719), dated February 16, 2009, and the Ministry of Finance's Letter No. (18/4/9952), dated April 29, 2009. Consequently, the Company was obliged, effective from March 2008, to record the results of the differences of prices in favor of the Ministry of Finance. Additionally, the Government has claimed the differences in the pricing of oil derivatives effective from December 14, 2008, according to the decision of the oil derivatives pricing committee, in its meeting held on December 13, 2008, provided that the pricing surplus be recorded as deposits under the liabilities within the Company's consolidated financial statements.

- The oil derivatives pricing differences and surplus deposits amounted to JD 44,167,683, related to the refining and gas activities, and to JD 3,243,153, related to the Jordan Petroleum Products Marketing Company as of September 30, 2020.
- The movement on the deposits of oil derivatives pricing differences and surplus is as follows:

	September 30, 2020 (Reviewed)	December 31, 2019 (Audited)
	JD	JD
Balance at the beginning of the period/year	45,420,322	50,167,633
Recorded during the period/year	1,990,514	4,468,760
Paid during the period/year	-	(9,216,071)
Balance at the End of the Period/Year	<u>47,410,836</u>	<u>45,420,322</u>

- b. During the year 2010, the pricing mechanism of oil derivatives, included special sales tax on oil derivatives at (6%) of the refinery gate price excluding Fuel Oil, Jet-fuel, and Avgas. Moreover, the special sales tax on unleaded gasoline (both types) was raised, as stated in the pricing mechanism of oil derivatives letter dated September 18, 2010, to between (18%) and (24%). According to Law No. (3) of 2018, amending the special Tax Law, the special tax rate on gasoline (95) has been raised to (30%), and the general tax rate on gasoline (90) has been raised to (10%) effective from January 15, 2018.
- Under Law No. (107) for the year 2019, the amended Special Tax Law, the general and special taxes, fees, and revenue stamps mentioned in the oil derivatives pricing bulletin (IPP) have been combined under special tax and specified for each item as per the above-mentioned law.
  - This item includes an amount of JD (44,997,572) related to the refining and gas activity, and an amount of JD 75,560,420 for Jordan Petroleum Products Marketing Company as of September 30, 2020.



- c. According to His Excellency the Prime Minister's Letter No. (58/11/1/5930), dated March 24, 2010, an amount of JD (34) per ton was added to the price of unleaded gasoline (both types) within the pricing mechanism of oil derivatives, starting from April 16, 2010. Moreover, the related proceeds are recorded in a special account maintained by the Company for the Government, represented by the Ministry of Energy and Mineral Resources, to build tanks for the storage of crude oil and/ or oil derivatives at an average of (70) thousand tons in Aqaba and paid to the Ministry of finance, the operations of which were ceased, starting from the first of December 2016, according to the oil derivatives selling prices bulletin (IPP).
- This balance represents deposits for constructing alternative tanks fully due on the refinery activities. In this respect, Jordan Petroleum Products Marketing Company paid the due amount in full during year 2017. Starting from December 1, 2016, this item was ceased according to the oil derivatives sales price bulletin (IPP).
- d. The movement on the gas cylinders provision is as follows:

	September 30, 2020 (Reviewed)	December 31, 2019 (Audited)
	JD	JD
Balance at the beginning of the period/year	5,000,000	5,000,000
<u>Add:</u> Recorded during the period/year *	3,058,694	4,189,831
<u>Less:</u> Released during the period/year *	(3,058,694)	(4,189,831)
Balance at the End of the Period/Year	<u>5,000,000</u>	<u>5,000,000</u>

- \* During the period ended September 30, 2020, a provision of JD 3,058,694 was recorded as gas cylinders write-off and repair cost, in accordance with oil derivatives selling prices bulletin (IPP) amounting to JD (10) for each ton of gas sold. An amount of JD 3,058,694 has been released. Moreover, the number of gas cylinders sold during the period was around 24.4 million cylinders.

The Board of Directors approved in their meeting No. (1/2016), dated February 8, 2016, reversing an amount of JD 19,370,614 for the year 2015, based on the Company's meeting with the Ministry of Finance, dated December 12, 2015, to settle the previous financial relationship. As such, it was agreed for the Company to maintain a portion of the gas cylinders' provision for an amount that does not exceed JD 10 million.

#### End of Relationship with the Government

Pursuant to the Council of Minister's Decision No. (7633), taken during the Council Ministry's meeting held on April 30, 2018, the Ministry of Finance was mandated to follow up on implementing decisions reached and prepare a report thereon to the Council of Ministers regarding the Jordan Petroleum Refinery Company's retention of JD 5 million as a provision for the write-off, repair, and replacement of gas cylinders and transfer of the remaining JD 5 million to the Ministry of Finance. If the actual value of the write-off, repair, and replacement of the cylinders exceeds the said amount, the difference shall be transferred from the deposits related to the Ministry of Finance. If, on the other hand, the actual value is lower, the difference shall be transferred to the Ministry of Finance, provided that this matter is addressed in the future through the pricing mechanism. Accordingly, the Company released an amount of JD 5 million during the period ended April 30, 2018 and recorded it in the Ministry of Finance's account. Moreover, the Ministry of Finance approved this procedure as per the Ministry of Finance's Letter No. (4/18/28669), dated August 29, 2019.

- e. This item represents fuel revenue stamps duties, Jet fuel fees, the consideration for the Ministry of Finance's strategic stock, and the Treasury's subsidy included in the oil derivatives selling prices bulletin (IPP) relating to the refining and gas activity only.

- The movement on this item is as follows:

	September 30, 2020 (Reviewed)	December 31, 2019 (Audited)
	JD	JD
Balance at the beginning of the year	48,609,966	36,050,789
Recorded during the period/year	<u>2,108,871</u>	<u>12,559,177</u>
Balance at the End of the Period/Year	<u>50,718,837</u>	<u>48,609,966</u>

- f. The Company reversed the occupational accidents indemnity provision balance during the period ended September 30, 2020, according to the Social Security Corporation's Letter No. (232/1/F Centre/7316), dated December 9, 2019. The letter states that the Social Security Corporation has decided to stop the reduction in the subscription rate of (1%) granted by the Social Security Corporation to the Company on the gross salaries, as compensation for the treatment of work injuries, effective from January 1, 2020. Accordingly, employees who get injured will be treated through the Social Security Corporation instead of Jordan Petroleum Refinery Company.
- g. This item represents advance payments from fuel and gas clients against finished oil derivatives purchases.
- h. This item represents pricing differences from imported finished oil derivatives between the cost of imported finished oil derivatives during the years 2017, 2018, 2019, and the period ended September 30, 2020, and the price included in the oil derivatives pricing bulletin (IPP) concerning the imports of Jordan Petroleum Products Marketing Company (a subsidiary). In this regard, the Company recorded the difference between the actual import cost and the refinery gate price of oil derivatives as per the oil derivatives of prices bulletin (IPP) under the item of import pricing differences within payables and other credit balances, as the Company is uncertain as to whether it is the right for the Company or for the Ministry of Finance.
- i. The Company has recorded a provision for storage fees against the claim of the Jordan Oil Terminals Company (JOTC) under its Letter No. 1/64/2018, dated April 3, 2018. In the letter, JOTC claimed storage fees on fuel oil at 3.5% and 1%, by JD 3.5 per ton stored as of May 25, 2017. However, Jordan Petroleum Refinery Company rejected this claim. Based on this rejection, Letter No. (2/20/408), dated January 3, 2019, from the Energy & Minerals Regulatory Commission (EMRC) was received. The letter specified the initial storage fees at JD 2 per month, instead of JD 3.5 per ton. However, the fees shall be studied by the Energy & Minerals Regulatory Commission (EMRC) during the first half of the year 2019. Moreover, the claim shall be re-examined for the period from May 25, 2017 until the end of the financial relationship between the Company and the Government, together with the related impact on the Government. In this respect, EMRC has not determined the final storage fees yet. Meanwhile, the Jordan Petroleum Refinery Company still rejects the fuel storage fees calculation of fuel oil (1%), as this material was imported at the request of the Government to make up for the deficit of the National Electricity Company, in light of the interruption of the Egyptian gas supply to cover the local market need, and as the Company is committed to only paying the storage fees on fuel oil of 3.5% as of May 1, 2018, which marks the end of the financial relationship with the government.



The Company received Letter No.18/4/12022, dated June 23, 2020, from the Ministry of Finance, which includes the Ministry of Finance's request to the Company to pay the fuel oil storage fees for JOTC for the period from May 25, 2017 until April 30, 2018, as the government has borne the cost of storage fees according to the financial relationship between the Company and the government for that period. In this respect, the Company paid the amount until the end of the financial relationship with the government.

- The movement on this item is as follows:

	September 30, 2020 (Reviewed)	December 31, 2019 (Audited)
	JD	JD
Balance at the beginning of the year	9,889,819	7,090,219
Recorded during the period/year	2,093,865	5,049,600
Paid during the period/year	<u>(5,000,000)</u>	<u>(2,250,000)</u>
Balance at the End of the Period/Year	<u>6,983,684</u>	<u>9,889,819</u>

- j. This item represents the amount retained by Jordan Petroleum Products Marketing Company (subsidiary company) against any future liabilities that may arise on the Hydron Energy Company LLC, in accordance with the agreement between both parties.
- k. Based on the agreement between Jordan Petroleum Refinery Company and Alia Company - Royal Jordanian Airlines signed on November 26, 2019, and after all the balances between the two Companies had been matched, both parties agreed to offset the accrued outstanding balance due from Alia Company - Royal Jordanian Airlines related to the refining and gas activity against the discount deposits balances and interest deposit balances of Alia Company - Royal Jordanian Airlines. Accordingly, the offsetting took place and resulted in an amount of JD 11,253,235, payable to Alia Company - Royal Jordanian Airlines and booked in the Company's records for the refining and gas activity.
- l. This item represents refundable deposits owed to the Jordan Oil Terminals Company (JOTC) against the withdrawals of Jet-fuel owned by the Jordanian government in the Madouna area, according to the Memorandum of Understanding (MoU) signed between the Jordan Petroleum Products Marketing Company, the Jordan Oil Terminals Company (JOTC), and the Ministry of Energy and Mineral Resources, regarding the recycling of around 27.3 thousand tons of Jet-fuel stock. Under the said MoU, the Jordan Petroleum Products Marketing Company shall supply replacement quantities of the withdrawn when the Jordan Oil Terminals Company's storage facilities become ready. During the period ended September 30, 2020, Jordan Petroleum Products Marketing Company supplied the replacement quantities to JOTC.

**12. Provision for Income Tax**

a. The movement on the income tax provision is as follows:

	September 30, 2020 (Reviewed) JD	December 31, 2019 (Audited) JD
Provision for income tax at the beginning of the period/year	7,646,805	5,231,574
Add: Income tax expense for the period/year	498,732	9,293,321
Less: Income tax paid during the period/year	(7,710,464)	(6,878,090)
Provision for Income Tax at the End of the Period/Year	435,073	7,646,805

b. The details of the income tax expense for the period shown in the condensed consolidated interim financial information are as follows:

	For the Nine Months Ended September 30,	
	2020 (Reviewed) JD	2019 (Reviewed) JD
Income tax for the period	498,732	6,746,622
Deferred tax assets impact for the period *	(9,902,729)	(576,654)
Income Tax (Surplus) expense for the period	(9,403,997)	6,169,968

\* This balance includes deferred taxes against losses for the nine-month period ended September 30, 2020, according to the tax rates applied on the Company and its subsidiaries.

- The Company reached a final and irrevocable tax settlement with the Income and Sales Tax Department until the end of the year 2014. In addition, the Company submitted its tax returns for the years 2015, 2016 and 2017, and paid the declared tax thereof. Meanwhile, the Income and Sales Tax Department has reviewed the Company's accounts, but has not yet issued its final decision thereon. Furthermore, the Company has calculated and paid its tax and duly submitted its tax declarations for the years 2018 and 2019. In addition, the tax expense for the period ended September 30, 2020 has been calculated, in accordance with the provisions of the Jordanian Income Tax Law. In the opinion of the Company's management and tax advisor, the provisions stated in the condensed consolidated interim financial information are sufficient to cover its tax obligations.
- The Jordan Petroleum Products Marketing Company (a subsidiary company) reached a final and irrevocable tax settlement with the Income and Sales Tax Department until the end of the year 2014. In addition, the company submitted its tax returns for the years 2015 and 2016, and paid the declared tax thereof. Meanwhile, the Income and Sales Tax Department has reviewed the Company's accounts, but has not yet issued its final decision thereon. Furthermore, the Company has calculated and paid its tax for the years 2017, 2018, and 2019, and submitted its tax returns for the said years. However, the said tax returns have not been reviewed by the Income and Sales Tax Department yet. In addition, the tax expense for the period ended September 30, 2020 has been calculated for the subsidiary company in accordance with the provisions of the Jordanian Income Tax Law. In the opinion of the company's management and tax advisor, the provisions stated in the condensed consolidated interim financial information are sufficient to cover its tax obligations.



- The income tax declaration have been submitted for all the subsidiary companies of the Jordan Petroleum Products Marketing Company up to the year 2019, and the declared income tax was paid. However, the tax returns have not been reviewed yet, except for Al Karak Gas Station, Central Gas Station, and Al-Nuzha and Istiqlal Gas Station whose returns have been reviewed. Moreover, the income tax expense has been calculated for Jordan Petroleum Products Marketing Company's subsidiaries for the period ended September 30, 2020, according to the Jordanian Income Tax Law. In the opinion of the Company's management and tax advisor, the provisions booked in the condensed consolidated interim financial information are sufficient to cover its tax obligations.
  
- The Income and Sales Tax Department has reviewed and issued its final decision for the years 2011, 2012, and 2013. On May 10, 2015, the Department informed the Company of the review, which resulted in tax differences of JD 15,618,205. Moreover, the Company has requested the Prime Minister to exempt it from the income tax differences, legal compensations, and fines, due that these amounts resulted from the Company's loans that exceeded the accepted borrowings to capital ratio under the Income and Sales Tax Law, and these borrowings were obtained to fulfill the diesel and fuel oil needs of power-generating companies, in light of the Egyptian gas interruption. Furthermore, the Council of Ministers approved, in its meeting held on January 3, 2016, to exempt the Jordan Petroleum Refinery Company from the income tax differences, legal compensations, and fines for the years 2011, 2012, and 2013. Consequently, the Company recorded a provision for the income tax differences for the year 2014, as this year has not been included in the exemption decision of JD 5,422,683, provision for legal compensation for the year 2014 of JD 4,338,146, and provision for delay payments (0.004) of JD 1,897,939, against any probable future tax liabilities until the Income Tax Department reviews the year 2014. In this connection, the Income and Sales tax Department issued its final and irrevocable tax assessment for 2014, and on July 2, 2017, it informed the Company about the results of the said assessment, which resulted in additional taxes of JD 7,838,578, and a legal compensation of JD 6,270,866 on the above tax differences. Consequently, the Company increased the provision for tax differences to JD 7,838,578, and the increase provision for legal compensation become to JD 6,270,866. Additionally, the provision for late payment of (0.004) was increased to JD 2,743,502 for the period ended September 30, 2017. Moreover, the Company submitted an objection to the Income and Sales Tax Department because these amounts resulted from its borrowings which exceeded the capital ratio under the Income and Sales Tax Law, and the borrowing was obtained to fulfill the diesel and fuel oil needs of the power-companies in light of the interruption of the Egyptian gas supply.

On November 6, 2017, the final decision was issued in a notification letter by the Ministry of Finance/Income and Sales Tax Department, which stipulated reducing the differences amount to JD 6,531,687, and the legal compensation to JD 250,311. Accordingly, the Company paid the amounts stated in the notification letter and a penalty of JD 2,286,090 at a rate of (0.004) and recorded the difference of JD 2,590,680 as revenue in the consolidated statement of profit or loss for the year ended December 31, 2017.

- The income tax rate is 16% for the refining and gas activity and oil factory plus a national contribution of 1%, and 20% for Jordan Petroleum Products Marketing Company and its subsidiaries plus a national contribution of 1%.

#### 13. Death, Compensation, and End-of-Service Indemnity Fund

According to the Board of Directors' resolution to merge the death, disability, and indemnity fund with the staff end-of-service indemnity into one fund, namely the (death, compensation and end-of-service indemnity fund), and according to the General Announcement No. 11/2012, issued by Jordan Petroleum Refinery Company, dated March 3, 2012, employees shall receive, at the end of their service, 150% of their monthly gross salary based on the last salary received. However, this amount may not exceed JD 2,000 for every work year for those whose gross monthly salaries do not exceed JD 2,000. If the monthly gross salary exceeds JD 2,000, the employee shall be paid a one-month gross salary for every work year as an end-of-service compensation according to the last salary paid. The Board of Directors shall determine the amount of the provision every year, in light of the amount of this liability, to enable the Company to set up the full provision within five years according to Appendix No. (5) of the above-mentioned New Fund Law. Moreover, there is no shortage in the required provision balance as of September 30, 2020.

#### 14. Net Sales

This item consists of the following:

	For the Nine Months Ended September 30,	
	2020	2019
	(Reviewed)	(Reviewed)
	JD	JD
Refinery and gas cylinders filling sales *	299,477,615	414,131,071
Lube-oil factory sales	15,430,034	19,044,324
Jordan Petroleum Products Marketing Company sales	775,038,141	1,091,909,406
<u>Less:</u> fees, stamps, allowances and taxes according to the oil derivatives prices bulletin (IPP)	<u>(372,251,773)</u>	<u>(433,033,599)</u>
	<u>717,694,017</u>	<u>1,092,051,202</u>



- \* The sales of the Jordanian Petroleum Refinery Company to the Jordanian Petroleum Products Marketing Company (a subsidiary) of finished oil derivatives amounted to JD 288,944,610 during the period ending September 30, 2020.

#### 15. Cost of Sales

This item consists of the following:

	For the Nine Months Ended September 30,	
	2020 (Reviewed)	2019 (Reviewed)
	JD	JD
Crude oil and materials under process at the beginning of the period	41,863,633	59,043,833
Purchases of crude oil and raw materials used in production	397,505,205	660,199,055
<u>Less:</u> crude oil and materials under process at the end of the period	(48,940,793)	(60,502,759)
Cost of Materials used in Production	390,428,045	658,740,129
Industrial Expenses	42,103,281	57,052,680
Total Production Cost	432,531,326	715,792,809
<u>Add:</u> Finished products at the beginning of the period	285,774,084	118,659,643
Purchases of finished oil derivatives	208,603,158	430,184,060
<u>Less:</u> Finished oil derivatives at the end of the period	(180,026,336)	(236,078,954)
Subsidy of crude oil derivatives charged to the Ministry of Finance account *	(22,589,740)	(24,836,062)
<u>Add:</u> Surplus of oil derivatives pricing difference recorded to the Ministry of Finance account *	1,990,514	3,168,205
	<u>726,283,006</u>	<u>1,006,889,701</u>

- The average purchase cost per crude oil barrel amounted to USD 40/79 for the nine months ended September 30, 2020 (USD 66/71 for the nine months ended September 30, 2019).

- \* This item represents the difference in the selling price to the consumer from the price specified in the oil derivatives price bulletin (IPP), as it resulted in an amount of JD 20,384,514 as subsidy and an amount of JD 33,375 as a surplus from the sales of the refining and gas activity; and an amount of JD 2,205,226 as a subsidy, and an amount of JD 1,957,139 as a surplus from the sales of the Jordan Petroleum Product Marketing Company (a subsidiary).

16. (Loss) Earnings per Share for the Period

This item consists of the following:

	For the Nine Months Ended September 30,	
	2020	2019
	(Reviewed)	(Reviewed)
	JD	JD
(Loss) profit for the period attributable to shareholders	(31,724,668)	32,706,189
Weighted-average number of shares	100,000,000	100,000,000
(Loss) Earnings per Share for the Period-Basic & Diluted	(-/317)	-/327

- The weighted-average number of shares for diluted (loss) earnings per share for the year attributable to the Company's shareholders is calculated based on the number of authorized shares for the period ended September 30, 2020 and 2019 according to International Accounting Standard No. (33).

17. Settlement of Targeted Income with the Government before the End of the Relationship with the Government

The calculated difference for reaching the targeted income was recorded on a commercial basis in the Ministry of Finance's account. In this regard, the calculated loss difference for the period ended April 30, 2018 was recorded under the income settlement with the Government which affected the amounts due from the Ministry of Finance as stated in receivables and other debit balances. Moreover, no income settlement with the Government has been reached after April 30, 2018, the end of the relationship with the Government as of May 1, 2018. Moreover, the gas activity income was not excluded from profit or loss up to date, even though, pursuant to the Council of Ministers' Decision No. (7633), taken in the Council of Ministers' meeting held on April 30, 2018, the Ministry of Finance was mandated to follow up on implementing the decisions reached and prepare a report thereon to the Council of Ministers regarding the setting of the investment rate of return on LPG filling stations for the purpose of calculating the commission amount at 12%. The commission amount is also set for the period from May 1, 2018 to December 31, 2018 at JD 43 per ton to resolve any surpluses or shortages that arise from the increase or decrease in the investment rate of return compared to the targeted value in calculating the commission amount of LPG filling stations for the following year, whether upward/downward. This is as such, provided that the above mechanism does not result in any increase in the cylinder's cost to citizens or a subsidy by the Treasury / Ministry of Finance for this activity. Moreover, the Company has already provided the Energy Sector Regulatory Authority with all information and data related to the gas activity for determining the commission amount for the years 2019 and 2020. In addition, the Ministry of Energy and Mineral Resources has appointed an auditor and an external studies company to determine the commission amount for the years 2019 and 2020. At the same time, the Company has provided the entities appointed by the said ministry with all the required data, and these entities, in turn, have provided the Ministry of Energy and Mineral Resources with their final report. Yet, no decision has been reached by the government regarding the final commission amount, and this matter is still under process and follow-up.



- The movement on the settlement of income with the Government for the period ended 30 April 2018 is as follows:

	April 30, 2018
	JD
(Loss) for the period before tax and before profit settlement	427,523
The Company's targeted profit after tax for the period *	4,390,332
Income tax for the period	965,905
Recorded on the Government's account to reach the targeted income	<u>5,783,760</u>

- Moreover, the change in the composition of oil derivatives pricing bulletin (IPP) during the years 2017, 2018, 2019, and for the period ended September 30, 2020, comprising a decrease in the refinery gate selling price item within the composition of the selling price of the finished oil derivatives (IPP); and the increase in the amount of Governmental fees and taxes has had a financial impact on the net sales of the refining activity and the settlement of the financial relationship with the Government.

- \* In accordance with the Prime Ministry's Letter No. (31/17/5/21025), related to the opinion of the Legislation and Opinion Bureau, Jordan Petroleum Refinery Company shall bear the costs of the Indian cylinders rejected by the Jordan Standards and Metrology Organization. Accordingly, Jordan Petroleum Refinery Company sent Letter No. (2/25/25/7/1741), dated February 14, 2017, to His Excellency the Minister of Finance. The letter stated that the cost of the Indian cylinders incurred by the Company up to December 31, 2016 amounted to JD 7,665,784, and that the net selling price of these cylinders amounted to JD 1,331,250, and therefore, the net losses amounted to JD 6,334,534. If the Company were to bear all these costs at the same time, the targeted (guaranteed) income would decrease by JD 5,067,628 for the year ended December 31, 2016. This would affect the Company negatively in the financial market. Consequently, the Council of Ministers approved, in its Letter No. (31/17/5/14/14153), dated March 28, 2017, that the Company would bear the net cost of the provision for the Indian cylinders of JD 6,334,534 over five years starting from the year 2016 for JD 1,266,907. This amount has been deducted from the targeted income for the Company of JD (15) million. Accordingly, the net targeted income for the years 2016 and 2017 became JD 13,733,093 for each year. An amount of JD 2,533,814 was amortized in the Statement of Profit or Loss for the refining and gas filling activity during the years 2016 and 2017, and the amortization of the remaining amount, which represents JD 3,800,720 has been deferred to be amortized over the upcoming three years. The Company amortized an amount of JD 1,829,004 during the year 2018, and the remaining amount of JD 3,658,008 during the years 2019 and 2020. During the year 2019, the Company amortized the entire remaining amount of JD 3,658,008.

Pursuant to Decision No. (48) of the Company's Board of Directors, in its meeting No. 4/2018, dated April 28, 2018, Jordan Petroleum Refinery Company donated the Indian cylinders rejected by the Standards and Metrology Organization, in addition to their valves and 1,500 spare valves, and their containers to the Arab International Construction and Contracting Company, which is considered a subsidiary company of the Jordanian Armed Forces / Arab Army. Accordingly, the actual cost of the cylinders, valves, and their storage containers has become JD 8,020,825. In this regard, IFRS requires that the full amount should be recognized when incurred without being deferred. Moreover, the Company's records indicate that if the loss had been recorded when incurred during the year 2016, it would have resulted in a decrease in profit and retained earnings of JD 5,067,628, instead of being decreased by JD 1,266,907 as at December 31, 2016, and an increase in profit for the year 2019 by JD 3,658,008.

The following table represents the calculation of the Company's profit targeted income as of April 30, 2018:

	April 30, 2018
	JD
Actual cost of the Indian cylinders and valves	7,665,784
The cost of storage containers	355,041
Total cost of cylinders, valves, and containers	8,020,825
Amounts amortized in 2016 and 2017	(2,533,814)
Net remaining amount to be amortized over three years	5,487,011
Amortized for the period from January 1, 2018 to April 30, 2018	(609,668)
Targeted income for the period before amortization	5,000,000
Targeted income for the Company after amortization	4,390,332

- The Company calculated the cost of the loss amortization of the Indian Gas Cylinders, valves, and containers for the years 2019 and 2020, and recorded it in the consolidated statement of profit or loss with an amount of JD 3,658,008 for the year 2019. Moreover, the total loss of JD 8,020,825 was fully amortized at the end of 2019.

#### 18. Contingent Liabilities and Financial Commitments

- a. As of the condensed consolidated interim statement of financial position date, the Company was contingently liable and financially committed as follows:

	September 30, 2020 (Reviewed)	December 31, 2019 (Audited)
	JD	JD
Letters of credit and bills of collections*	602,368,993	744,150,626
Banks' letters of guarantee	9,890,490	10,960,616
Contracts for projects under construction	35,953,130	39,459,228



- \* This item includes standby L/Cs of JD 170 million which is equivalent to USD 240 million in favor of Saudi Aramco Company as of September 30, 2020 and December 31, 2019.
  
- b. There are lawsuits in courts raised against the Company for financial claims estimated at JD 622 thousand as of September 30, 2020 (JD 736 thousand as of December 31, 2019). Moreover, some prior year's lawsuits were filed against both the Government and the Company. Consequently, the estimated contingent liabilities from unsettled lawsuits and the required provisions have been taken in accounts payable and other credit balances. In the opinion of the Company's management and its legal consultant, the booked provisions are sufficient to meet any future obligations.
  
- A lawsuit was raised against Jordan Petroleum Refinery Company on November 29, 2012 by the contractor Joint Venture Companies Christopher de Constantends (S.A), Whitermoon (S.A), and Engineering Group (K.Z.U) Limited, the executer of Tender No. (16/2006). In the lawsuit, the contractor claimed an amount of USD 7 million as compensation for work performed, representing invoices for additional work as well as compensation and interest for the delay of the work performed. On September 22, 2015, the Court issued its decision obligating the Company to pay JD 3,605,014 with interest of 9% starting from September 20, 2015. Moreover, the Court rejected all other claims and counter-claims, and the Company recorded a provision of JD 4 million for this lawsuit during the year 2015. The execution notice was issued by Amman Execution Department No. (21943/2017/b) dated December 3, 2017, obligating the Jordan Petroleum Refinery Company to pay an amount of JD 3,605,014 with interest of JD 574,940. Meanwhile, the Company paid the full amount during the year 2017.
  
- During the year 2015, the Court of Cassation issued its Verdict No. 1663/2015 in favor of Jordan Petroleum Refinery Company, prohibiting the Supreme Regulations Council and the Hashemite Municipality from claiming JD 6,385,064 for regulating a land owned by the Company.
  
- c. According to the minutes of the Company's meetings with the Ministry of Finance and the Jordan Petroleum Refinery Company held on November 8, 9 and 16, 2017, to determine the balances of the financial relation between Jordan Petroleum Refinery Company and the Government (excluding Jordan Petroleum Product Marketing Company and the Lube-Oil Factory) for the balances as of September 30, 2017, it was agreed as follows:

1. To confirm the balance of the Ministry of Finance's main account of JD 195,194,153, and the balance of the general sales tax deposits of JD 97,388,860, and the balance of special sales tax deposits of JD 937,034 as of September 30, 2017 as a right for Jordan Petroleum Refinery Company for the refining and gas activity. Moreover, the Ministry of Finance has also taken a pledge for all of the debt balances of the Armed Forces, Royal Air Force, Public Security Directorate, the General Directorate of the Gendarmerie, other security forces, and governmental departments, within its budget as well as the debts of the National Electric Power Company for refining and gas activities of JD 319,468,856 as of September 30, 2017. In the meantime, the two parties have agreed that no provision would be recorded for the debts of Royal Jordanian Company, municipalities, governmental universities, and administratively and financially independent governmental institutions during the relationship period, provided that if those amounts are not collected through the judiciary, and the Company is required to write them off, the Ministry of Finance pledges to pay those debts and any related costs.
2. To confirm the deposits balances of price differences deposits for oil derivatives pricing surplus of JD 43,488,857, and deposits for setting up alternative tanks of JD 93,500,103 as well as fees, stamps and allowances according to (IPP) of JD 9,051,757 as of September 30, 2017 as a right for the Government.
3. The two parties have not reached an agreement on the value of the strategic inventory deposits, as the Government is claiming the amount of valuation in 2008 of JD 156,787,303. Meanwhile, Jordan Petroleum Refinery Company is objecting to this amount since these quantities are deposits booked by the Company and will be refunded as quantities in case the relationship with the Government is terminated.
4. The two parties have not reached an agreement as to which party will maintain the gas cylinders provision balance of JD 10 million.
5. The two parties have agreed that the provision for lawsuits and other liabilities balance of JD 6.3 million as of September 30, 2017 is a right to Jordan Petroleum Refinery Company. In this regard, if any amount for a lawsuit was won by the Company, the booked amount will be transferred to the Government. On the other hand, any judicial expense incurred by the Company during the period of its relationship with the Government will be borne by the Ministry of Finance except for the booked provision.
6. The two parties have agreed that the other provisions balance of JD 234 thousand as of September 30, 2017 is the right of Jordan Petroleum Refinery Company.
7. The two parties have agreed that the income tax provision as of September 30, 2017 is the right of the Government and shall be transferred to the Income and Sales Tax Department on the due date in accordance with the Income and Sales Tax Law.



8. The two parties have agreed that the labor provisions balance (occupational accidents indemnity; provision for employees' vacation; provision for end-of-service indemnity; and provision for death, compensation, and end-of-service indemnity) as of September 30, 2017 is the right of Jordan Petroleum Refinery Company.
  9. The two parties have not reached an agreement as to which party will maintain the provision for doubtful debts balance (expected credit losses provision) of JD 10.5 million as of September 30, 2017.
  10. The two parties have agreed that the provision for the legal compensation balance of JD 6.27 million as of September 30, 2017 is a right to the Jordanian Government. Meanwhile, the full amount has been paid before the end of 2017.
  11. The two parties have agreed that the penalty and delay in payments provision balance of JD 2.74 million as of September 30, 2017 is a right to the Jordanian Government. Meanwhile, the full amount has been paid before the end of 2017.
  12. The two parties have not reached an agreement as to who will maintain the provision for slow-moving and obsolete and sediments inventory balance of JD 19.9 million as of September 30, 2017.
- d. In accordance with the Council of Ministers' Decision No. (7633), taken in its meeting held on April 30, 2018, the Ministry of Finance was mandated to follow up on implementing the procedures and submitting its conclusions thereon to the Council of Ministers concerning the calculation of the rental value of the assets transferred from the Refinery to the Jordan Petroleum Products Marketing Company at the approved percentage from the Land and Survey Department of (8%) on land and buildings of JD 4.9 million from the transfer date of those buildings up to date. However, the Company insists on rejecting the aforementioned, as the transferred assets are the property of the Jordan Petroleum Refinery Company under the Concession Settlement Agreement, which states that the stations are owned by the Jordan Petroleum Refinery Company and that they shall be transferred to the Jordan Petroleum Products Marketing Company owned by the Jordan Petroleum Refinery Company. From a legal perspective, the Company has the right to dispose of its assets in accordance with Article 236 of the Civil Code. Meanwhile, transfer of the assets at their net book value was carried out similar to the assets transferred at their net book value to other marketing companies in accordance with the agreement signed between the three marketing companies and the Ministry of Energy and Mineral Resources. Also, the end of the concession agreement stipulated that the Jordan Petroleum Products Marketing Company owned by the Jordan Petroleum Refinery Company applies to other marketing companies. In the meantime, negotiations are still going on between the Company and the Government, and an agreement has been reached for the Ministry of Finance to recommend to the Council of Ministers to cancel this item, and the matter is still being processed. According to the above-mentioned Council of Ministries' decision, the lease amount is estimated at approximately JD 1.9 million.

- e. Pursuant to the meeting minutes regarding the Company's future operations signed on September 13, 2012, the financial relationship between Jordan Petroleum Refinery Company and the Government of Jordan ended on May 1, 2018. In its meeting held on April 30, 2018, the Council of Ministers issued Decision No. (7633), extending the exemption of oil derivatives from Jordan Petroleum Refinery Company's refining activity from implementing the Jordanian specifications throughout the period of implementation of the Fourth Expansion Project as of May 1, 2018, provided that commitment is made regarding the project implementation stages and that Jordan Petroleum Refinery Company's production may not exceed 46% of the local market needs for non-conforming oil derivatives. The decision also mandated the Ministry of Finance to follow up on the implementation of procedures concerning the below points, and submit any related observations to the Council of Ministers:

1. The Ministry of Finance shall calculate the amounts due to Jordan Petroleum Refinery Company until April 30, 2018, and such amounts shall be paid in installments during the years 2018, 2019, and 2020 with interest thereon of (30%, 40% and 30%). Moreover, these amounts shall be paid after issuance of the General Budget Law and before the end of the second quarter of each year for the same year until full repayment in the year 2020. Meanwhile, the Ministry of Finance shall provide the Jordan Petroleum Refinery Company with a letter stating the amounts due to the Jordan Petroleum Refinery Company on 30 April 2018 and ensuring their payment with interest at the actual cost borne by the Company during the period at the above-outlined rates.

As a result of the Government's failure to comply with the above decision, and based on the agreement between the Company and the Government, the Council of Ministers' Decision No. (6399) was adopted at its meeting held on September 9, 2019. This decision stipulated that the Company shall borrow an amount of equivalent to around JD 457 million from banks to pay part of the debt balances due to the Company from the Government until December 31, 2018. In return, the Ministry of Finance shall pledge to pay the loans and interest thereon to the assigned banks. Consequently, during the first half of October 2019, the Company withdrew an amount of JD 455,505,000 from the banks assigned by the Ministry of Finance. Accordingly, the Ministry of Finance issued pledges to these banks that it shall pay the loans installments and interest thereon to the assigned banks. As a result, the Company reduced the withdrawn amount from banks of JD 455,505,000 from receivables due from security agencies, ministries, government agencies, and departments, and part of the Ministry of Finance's debt under the signed agreement between the Company and the Ministry of Finance on June 6, 2020, signed by the Minister of Finance, after the Council of Ministers' approval and authorization to the Minister of Finance to sign it on behalf of the Jordanian Government, in accordance with Council of Ministers' Resolution No. (9158), at its meeting held on March 24, 2020.

Moreover, the Ministry of Finance committed to paying all the bank loans and interest amounts, as these amounts were encumbered within the General Budget Law for the year 2020 under the item of loans' installments to address government arrears, according to the Ministry of Finance's Letter No. (18/4/9200), dated May 14, 2020. In this regard, the Jordanian government has paid all of the loans and interest due to the assigned banks on their due dates. In the opinion of the Company's management and its legal advisors, the Company does not have any liability towards the above-mentioned loans and pledges (Note 8/e).



2. Jordan Petroleum Refinery Company shall treat the sediments and water in the tanks and dispose of the idle materials no longer needed. Moreover, the slow-moving idle materials shall be evaluated on April 30, 2018; the cost of the sediments and water, as well as the disposal costs thereof, shall be calculated; and the surplus shall be transferred to the Ministry of Finance. As a result of the agreement between the Company and the Government, the Ministry of Finance issued Letter No. (4/18/28669), dated August 29, 2019, which included its approval for the Company to clean its tanks from sediments and water at the Government's expense, write off the materials, spare parts and supplies no longer needed, and transfer the surplus balance of the slow-moving and obsolete inventory and sediments to the Ministry of Finance. Accordingly, the Company tendered the treatment of sediments and water, whereby the Company which was awarded the tender cleaned the major part of the sediments, and it is in process of treating the remaining part. Moreover, a specialized committee was appointed to study the stock of spare parts and other supplies and to determine the materials and supplies that could be used instead of buying similar materials, as well as the materials and supplies no longer needed in order to write them off, and this matter is still under process (Note 9).
3. Jordan Petroleum Refinery Company shall maintain JD 5 million as a provision for the write-off, repair, and replacement of gas cylinders, and transfer the remaining JD 5 million to the Ministry of Finance. If the actual value of the write-off and replacement of the cylinders exceeds the said amount, the difference shall be transferred from the refundable deposits related to the Ministry of Finance. If, on the other hand, the actual value is lower, the difference shall be transferred to the Ministry of Finance, provided that this matter be addressed in the future through the pricing mechanism. Accordingly, the Company released an amount of JD 5 million, during the period ended April 30, 2018, which was reflected in the account of the Ministry of Finance, which approved this action under the Ministry of Finance's Letter No. (4/18/28669), dated August 29, 2019 (Note 11/d).
4. Jordan Petroleum Refinery Company has deleted the interest of JD 79.2 million on the National Electricity Company's borrowings, provided that settlement be reached between the National Electricity Company and the Government. Moreover, the Company has deleted these amounts from the consolidated statement of financial position based on the Ministry of Finance's Letter No. 18/73/33025, dated November 25, 2018, to the National Electricity Company, which states that the Ministry of Finance has recorded the interest as an advance due from the National Electricity Company to the Government at the Ministry of Finance until full payment. In addition, the Ministry of Finance issued its approval to delete the interest of JD 79.2 million on the National Electricity Company's borrowings under the Ministry of Finance's Letter No. 4/18/28669, dated August 29, 2019. Accordingly the Company has deleted the interest on the National Electricity Company's borrowings from the Company's records.

5. Jordan Petroleum Refinery Company' tax status shall be rectified as regards the inclusion of tax in the oil derivatives selling prices bulletin (IPP) after the refinery gate price. In this respect, the refinery gate price does not include general and special taxes. Instead, taxes are included afterwards, collected from the marketing companies, and forwarded to the State Treasury (Note 8/f).
6. The Government shall bear any taxes, government fees, or tax differences during its relationship with the Company, since the Company is guaranteed profit after tax during that period (Note 8/f).
7. Gasoline (95) used for the mixing process to produce gasoline (90) and (95) shall be exempted from the tax differences between import and sale in accordance with the Council of Ministers' Decision No. (6953), adopted in its meeting held on March 19, 2018. Moreover, the necessary procedures shall be facilitated concerning the implementation of the Council of Ministers' Decision No. (13363), adopted in its meeting held on January 3, 2016, related to exempting the Company's imports sold to the marketing companies inside the kingdom. The decision stipulates exempting Jordan Petroleum Refinery Company from general and special taxes on the quantities sold exclusively to the marketing companies inside the Kingdom as of May 1, 2013. The decision also prescribes resolving all pending issues with the Customs Department and completing all customs statements, whether pending at the Customs Department or the Jordan Standards and Metrology Organization before the relationship with the Government expired. Moreover, a committee was formed by the Ministry of Finance and the Ministry of Energy and Mineral Resources comprising representatives from the Jordan Customs Department, the Income and Sales Tax Department, and the Jordan Petroleum Refinery Company. During October 2019, the said committee completed its work and submitted its final report to the Ministry of Finance and the Ministry of Energy and Mineral Resources. Accordingly, the Ministry of Finance and the Ministry of Energy and Mineral Resources approved the quantities stated in the committee's report, and the Customs Department prepared the customs statements and exempted the customs statements according to the above-mentioned decisions. Moreover, the customs statements amounts subject to general and special tax have been determined.

Moreover, the Company submitted a request to the Ministry of Finance to offset the general and special sales taxes, included in the un-exempted customs statements that are not part of the above-mentioned decision, with part of the Ministry of Finance receivables (primary main account). The General Customs Department approved the offset request dated March 16, 2020. Based on the instructions, policies, procedures, and basis for performing Offset No. (1) for the year 2018, the Offsetting Committee agreed , on performing the offset between the amounts due to the Jordan Petroleum Refinery Company and the General Customs Department. The offset dated July 6, 2020 represents the general and special sales taxes of JD (58,042,756), pertaining to the Jordan Petroleum Refinery Company's imports. Moreover, the above-mentioned offsetting was performed, and all the pending customs statements have been completed. (Note 8/f).



8. The Government's strategic inventory, which has been quantified and valued, shall be transferred to the Jordan Oil Terminals Company (JOTC) provided that the value of the inventory is settled later. Additionally, Jordan Petroleum Refinery Company started transferring the strategic inventory to JOTC during April 2018, and the Company is still transferring the quantities to JOTC according to the quantities requested by JOTC and the Ministry of Energy and Mineral Resources as per JOTC's storage capacity. This action was approved by the Ministry of Finance, and the inventory amount was settled according to the Ministry of Finance's Letter No. (4/18/28669), dated August 29, 2019. The letter stated the Ministry of Finance's approval on transferring the strategic inventory as quantities to JOTC. In addition, the financial matters related to the strategic inventory amount have been irrevocably settled (Note 19).
9. The Ministry of Finance shall retain the doubtful debts provision (expected credit losses provision). If any debt that was raised during the relationship with the Government is written off, the Ministry of Finance shall commit to paying it to Jordan Petroleum Refinery Company. Under the agreement between the Ministry of Finance and the Company, the Ministry of Finance agreed that the Company shall retain the balance of the provision for doubtful debts (provision for expected credit losses). In case the Company recovers any receivable amount recorded within the provision, the recovered amount shall be taken to the Ministry of Finance's account, pursuant to the Ministry of Finance's Letter No. (4/18/28669), dated August 29, 2019 (Note 8/j).
10. The rate of return on investment shall be determined for liquid petroleum gas filling stations for the purpose of calculating the commission at (12%). Moreover, the commission amount for the period from May 1, 2018 to December 31, 2018 shall be set at JD 43 per ton. Any surplus/shortage arising from the increase/decrease in the rate of return on investment compared to the targeted value shall be treated when calculating the filling stations' commission amount in the subsequent period, whether it increased or decreased. Meanwhile, the above mechanism may not cause any increase in the cylinder's cost charged to citizens or entail a subsidy by the Treasury / Ministry of Finance in this regard. Moreover, the Company has already provided the Energy Sector Regulatory Authority with all information and data related to the gas activity for determining the commission amount for the years 2019 and 2020. In addition, the Ministry of Energy and Mineral Resources has appointed an auditor and an external studies company to determine the commission amount for the years 2019 and 2020. At the same time, the Company has provided the entities appointed by the said ministry with all the required data, and these entities, in turn, have provided the ministry of energy and mineral resources with their final report. Yet, no decision has been reached by the government regarding the final commission amount that covers a 12% investment rate of return according to the above-mentioned Council of Ministers' Decision No. (7633) (Note 17).
11. The rental value of the assets transferred from the Company to Jordan Petroleum Products Marketing Company (JPPMC) shall be calculated according to the Land and Survey Department's approved rate of (8%) on the land and buildings valued at JD 4.9 million from these buildings transfer date up to date. Moreover, the Company insists on rejecting the above clause, as the transferred assets are owned by the Jordan Petroleum Refinery Company under the concession expiry agreement which stipulated that the gas stations are owned by Jordan Petroleum Refinery Company and that they are transferred to the Jordan Petroleum Products Marketing Company owned by Jordan Petroleum Refinery Company. In addition, the Company has the right to dispose of its assets legally, pursuant to Article (236) of the Civil Law. Meanwhile, the assets were transferred at their net book value similar to the assets transferred at their net book value to other marketing companies under the agreement signed between the three marketing companies and the Ministry of Energy and Mineral Resources. Moreover, the concession expiry agreement stipulated that the Jordan Petroleum Products Marketing Company owned by Jordan Petroleum Refinery Company applies to other marketing companies. Moreover, negotiations took place between the Company and the Government, resulting in an agreement that the Ministry of Finance would recommend to the Council of Ministers the cancellation of this item, and this matter is still under process. According to the above-mentioned Council of Ministers' decision, the lease amount is estimated at approximately JD 1.9 million (Note 18/d).



#### 19. Strategic Inventory Deposits – The Ministry of Finance

##### End of Relationship with the Government

Pursuant to the Council Ministers' Decision No. (7633), taken in its meeting held on April 30, 2018, the Ministry of Finance was mandated to follow up on implementing the procedures and submit any related conclusions to the Council of Ministers regarding the transfer of the Government's strategic inventory, which has been determined in terms of quantity and value, to the Jordan Oil Terminals Company (JOTC), provided that the value of this inventory is settled later. Additionally, Jordan Petroleum Refinery Company started transferring the strategic inventory to JOTC during April 2018. This action was approved by the Ministry of Finance, and the inventory amount was settled according to the Ministry of Finance's Letter No. 4/18/28669, dated August 29, 2019. The letter stated the Ministry of Finance's approval on transferring the quantities of the strategic inventory to JOTC. In addition, the financial matters related to the strategic inventory amount have been irrevocably settled.

The table below illustrates the strategic inventory quantity as of September 30, 2020 and December 31, 2019:

	September 30, 2020 (Reviewed)	December 31, 2019 (Audited)
	Quantity/ Tons	Quantity/ Tons
Crude Oil	42,926	42,926
Liquefied petroleum gas (LPG)	-	15
Gasoline 90	-	232
Gasoline 95	-	17
Jet-fuel	2	5,399
Kerosene	30,977	30,977
Diesel	-	7
Fuel Oil 3.5%	3,950	80,168
Asphalt	591	4,207
	<u>78,446</u>	<u>163,948</u>

- A total of 85,502 of strategic government-owned inventory was transferred to the Jordan Oil Terminals Company (JOTC) during the period ended September 30, 2020 (74,330 tons during the year 2019).

#### 20. Related Parties' Balances and Transactions

Related parties, as defined in International Accounting Standard No. 24 (Related Party Disclosures), include associate companies, major shareholders, directors, other key management personnel of the Company, and entities controlled, jointly controlled, or significantly influenced by such parties. The balances and movements resulting from transactions with related parties are as follows:

	September 30, 2020 (Reviewed)	December 31, 2019 (Audited)
	JD	JD
<b>Balances:</b>		
Ministry of Finance – the primary relationship account (Note 8/e)	199,345,261	211,270,511
Ministry of Finance – deposits of oil derivatives pricing differences and surplus (Note 11/a)	(47,410,836)	(45,420,322)
Ministry of Energy and Mineral Resources – Deposits for constructing alternative tanks (Note 11/c)	(93,500,103)	(93,500,103)
	For the Nine Months Ended September 30, 2020 (Reviewed)	2019 (Reviewed)
	JD	JD
<b>Transactions:</b>		
Ministry of Finance – subsidy for crude oil derivatives charged to the Ministry of Finance (Note 15)	22,589,740	24,836,062
Ministry of Finance – surplus differences for oil derivatives pricing (Note 15)	(1,990,514)	(3,168,205)

Executive management and members of the Board of Directors' salaries, remuneration, and other benefits amounted to JD 1,073,988 for the period ended September 30, 2020 (JD 1,057,108 for the period ended September 30, 2019).



## 21. Distribution of Assets, Liabilities and Results by Sector

The information relating to the Company's disclosed segments is set out below in accordance with IFRS 8. This standard requires identifying segments that can be reported based on the internal reports that are regularly reviewed by the Company's chief operating decision maker, and are used to allocate resources to segments and to assess their performance. In addition, the Company's primary activity is represented in conducting activities related to crude oil, oil derivatives, liquefied petroleum gas and lube oil. The majority of the Company's revenues, profits, and assets relate to its operations in the Hashemite Kingdom of Jordan. Inter-sectorial sales are recognized at normal selling prices.

- The Company is organized, for management purposes, into the following four major business sectors:
  - a. **Refining:** This sector separates and converts the components of imported crude oil into a set of various oil derivatives. This sector depends on licensing from the American UOP Company in the majority of its operations.
  - b. **Distribution:** Distribution links the production activity and refining activity, on one hand, and all customers in the various areas of the Kingdom, on the other. Moreover, distribution fulfills customers' demands for the Company's oil derivatives and gas.
  - c. **Lube-oil Manufacturing:** This sector includes the manufacturing, production, and filling of various types of oil required in the local and foreign markets.
  - d. **Liquefied Gas Manufacturing and Filling:** This sector includes producing and filling liquefied gas; and manufacturing, repairing, maintaining, and filling gas cylinders through three of the Company's Gas Stations.
- All of the Company's assets, liabilities, and operations are inside the Hashemite Kingdom of Jordan.

- The following are the Company's activities distributed according to activity type:

	Refining and Filling Gas Cylinders	Lube Oil Factory	Jordan Petroleum Products Marketing Company	Others	Total
	JD	JD	JD	JD	JD
<u>For the period ended September 30, 2020</u>					
<u>(Reviewed):</u>					
(Loss) Profit for the period after tax	(31,740,155)	5,937,121	(5,917,634)	64,971	(31,655,697)
<u>For the period ended September 30, 2019</u>					
<u>(Reviewed):</u>					
Profit for the Period after Tax	12,184,958	5,386,665	15,311,638	65,028	32,948,289

	September 30, 2020 (Reviewed)				
	Refining and Filling Gas Cylinders	Lube Oil Factory	Jordan Petroleum Products Marketing Company	Others	Total
	JD	JD	JD	JD	JD
<u>Other Information</u>					
Total sector's assets	895,494,360	31,078,993	313,869,585	4,746,295	1,245,189,233
Total sector's liabilities	787,265,450	25,454,916	234,168,464	264,994	1,047,153,824

	December 31, 2019 (Audited)				
	Refining and Filling Gas Cylinders	Lube Oil Factory	Jordan Petroleum Products Marketing Company	Others	Total
	JD	JD	JD	JD	JD
Total sector's assets	882,145,381	28,400,505	375,980,518	4,667,345	1,291,193,749
Total sector's liabilities	750,266,018	19,298,194	274,479,410	251,013	1,044,294,635



## 22. Future Plan

On June 4, 2020, Technip Company was contracted to manage the refinery expansion project, prepare the qualifying conditions for the execution contractors, evaluate contractors' offers, choose the most appropriate candidates, as well as supervising the project's implementation. Technip Company finished from prepared list of qualified companies which will invite it for presentation their offers for tender implementation the fourth expansion project, in addition, the company set the conditions for implementation tender, which expected to be completed at the half of November 2020.

In addition, JPRC is currently appointing Ernst & Young and Wood Mackenzie to prepare reports on which investors and financiers can rely as regards the accounting and commercial aspects, in order for them to assess their participation in the project and take the appropriate decision regarding their participation in financing.

Moreover, Eco-Consult has been appointed as an insurance consultants to cover the aspects related to the policies, programs, and insurance requirements of the project to meet the requirements of financiers and investors. A gap study is being prepared to study the environmental and social impact of the project, including all refinery activities (refining activity, liquefied petroleum gas activity, JPPMC company activity, and lube-oil activity) in order to meet the investors' requirements regarding the inclusion of all of the Company's activities in the study.

As regards the refining activity, the supply of Iraqi crude oil to the Refinery has resumed as of July, as the agreement to supply Iraqi oil to the Kingdom has been extended until the end of this year.

In terms of the relationship with the Government, the Company is communicating with the Government to reach an agreement on the remaining matters related to their financial relationship, in the effects of the end of the financial relationship between the Government and the Company as of May 1, 2018, pursuant to the Council of Ministers' Decision No. (7633) to defer the application of the oil derivatives specification until the completion of the fourth expansion project, provided that a specific implementation plan is adhered to.

Given that the crude-oil-producing countries, also known as OPEC+, did not reach an agreement on reducing production during March 2020, which was also accompanied by the Corona virus pandemic, the crude oil and finished oil derivatives' prices were negatively affected due to the increase in supply and decrease in demand, as well as the decrease in demand caused by the change in social behavior resulting from the quarantine applied in the Kingdom and different countries around the world. The demand for finished oil derivatives in the Kingdom was also affected, specifically, during the period from March 18, 2020 until the end of May the price of crude-oil and oil derivatives began to recovered at July 2020. Moreover, the Jet-fuel sales are still being affected due to the precautionary measures to prevent the spread of the Corona Virus implemented by countries on the movement of aircraft and transportation between countries.

In addition, during the period ended September 30, 2020 the Company was effected by the decrease in the value of its inventory. In this connection, the Company evaluates its inventory at the lower of cost or market value, according to the International Accounting Standards. This matter led to the Company's recognition of losses resulting from the devaluation of inventory despite the increase in prices in comparison to the first half of year 2020.

The Group hopes that its inventory value will increase in the subsequent periods, especially in the light of the agreement reached by the OPEC+ Group to reduce its production and increase the demand for crude oil and finished oil derivatives, given that the crude oil prices began to recover, and life is returning to normal within the Kingdom. Moreover, the composition of the local oil derivatives pricing bulletin (IPP) is linked to the international prices of crude oil and finished oil derivatives.

As for the liquefied gas activity, a contract was signed to supply a quantity of (375,000) tons, whose supply has started from May and will end in April 2021.

Jordan Petroleum Products Marketing Company continues its activities of establishing new gas stations in various regions of the Kingdom. The following gas stations have been established since the beginning of the current year under the management of JoPetrol: Taj Ammon Gas Station/Istiklal Street and Al-Etan Gas Station/Al-Mafraq and Al-tanmaweyeh althania Gas Station/opposite ministry of foreign affairs and Expatriates. Moreover, the following gas stations have been established since the beginning of the current year under Hydron Energy Company management: Al-Kharabsheh Al-Harameen Gas Station/Sports City, Abu Aqoula Gas Station/Al-Ruwaished, Al-Zoubi Gas Station/Al-Baq'a and Al-Dibs Gas Station/Sahab, Hararah Gas Station/Maan, Al Awadi Gas Station/Mafraq, Al Awadi Gas Station/Al Aghwar, and Al Suroor Gas Station/Mafraq.

Despite the unprecedented circumstances witnessed by the global economy and the Hashemite Kingdom of Jordan stemming from the Corona virus pandemic since the beginning of the year 2020, in general, and the pandemic's impact on the Jordan Petroleum Products Marketing Company's activities, particularly, the sharp decrease in sales during the complete lockdown period, decreased consumption of finished oil derivatives from sectors affected by the pandemic such as airports, the repeated decline in world prices of oil derivatives for consecutive months, and the failure of the prices to return to their previous position, JoPetrol continues along the path of development and expansion and will open the following gas stations by the end of the year 2020: Al-Luzi Gas Station/Jubeiha, Al-Hayat Tower Gas Station/Al-Qwaira, Al-Tareeq Al-Khalfi Gas Station/Aqaba, Al-Sakka Gas Station/100th Street, and Al-al bayt University Station. Moreover, the Company will renovate older gas stations.

The customer orders transfer system has also been upgraded through the activation of smart applications through smart systems for fuel orders and the transfer and automatic submission of station orders, in addition to activating the electronic payment service for all services provided by the Company through eFAWATEERcom, re-loading of cards, or e-pre-payments for home distribution orders and factories' and companies' orders.



The automation system for the gas stations and the electronic cards system have also been upgraded by adding the feature of activation of the card's password service, controlling the vehicle's expense and fuel consumption according to the mileage in kilo meters indicated by the vehicle's odometer, or through linking the vehicle to the Global Positioning System (GPS) tracker, as well as developing an a Radio-frequency Identification (RFID) system for filling and electronically controlling the price changes for all the owned stations, which are managed from the control room.

Moreover, the human resources self-service system has been activated. As such, all employees' inquiries and requests are conducted electronically through smart applications. In addition, the technical support system has been activated for the Company's internal departments.

During the year 2020, smart applications are planned to be activated, the automation of the inventory and electronic sales system in all managed and supplied gas station will be completed through smart systems for fuel orders, which will be automatically delivered to gas stations. Moreover, smart applications will be activated to organize the technical support for customers at their gas stations.

The company will continue to attract aviation clients to supply them with Jet-fuel through the Queen Alia Airport, King Hussein Airport, and Marka Airport. Moreover, the Company will continue to expand new gas stations established by their owners and to sign supply contracts with them. The Company will also continue the strategy of increasing the number of gas stations owned by others to be either managed by JoPetrol or by Hydron Energy Company.

With regard to the lube oil activity, the Company is continuing the project of amending the packaging designs used to package its products, as the packaging designs of size (20) liters and (25) liters are being amended in order to reduce imitation of JoPetrol oils products and come up with more attractive designs, and they are working for producing experimental packages.

New oils are being produced for modern diesel car engines with advanced performance levels, industrial operating oils, as well as boat oils. As part of the factory's renovation plan, work is under way to purchase and install a new production line to fill (1) liter packages.

Under the cost reduction plan, work is under way to purchase and install a mixing system for some of the additives, in addition to importing bulk additives in flexible tanks with a size of (20) cubic meters.

The lube oils laboratory is being renovated through purchasing new and modern testing devices in order to improve the laboratory's reliability, qualify it to test used lube oils, and raise the level of the after-sale service.

As for exporting, part of the factory's plan is to expand its exports to include Canada, Chad, all the regions of Chad, in addition to the neighboring regions, such as Libya , Cameroon and Sudan Delivery vehicles of finished goods to customers are being replaced through purchasing modern cars.

## 23. Approval on the Condensed Consolidated Interim Financial Information

The interim condensed consolidated financial information was approved by the Board of Directors and authorized for issuance on October 27, 2020.

#### 24. Fair Value Hierarchy

##### a. Financial Assets and Financial Liabilities for the Company Measured at Fair Value on a Recurring Basis.

Some of the financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table provides information about how the fair value of these financial assets and financial liabilities is determined (valuation techniques and key inputs):

Financial Assets	Fair Value as at		Fair Value Hierarchy	Valuation Techniques and Key Inputs	Significant Unobservable Inputs	Relationship of Unobservable Inputs to Fair Value
	September 30, 2020 (Reviewed)	December 31, 2019 (Audited)				
	JD	JD				
Financial assets at fair value						
Financial assets at fair value through comprehensive income:						
Companies' shares	2,085,631	2,294,639	Level 1	Listed prices in financial markets	Not applicable	Not applicable
Total financial assets at fair value	<u>2,085,631</u>	<u>2,294,639</u>				

There were no transfers between level 1 and level 2 during the financial period.

##### b. The fair value of financial assets and financial liabilities of the Company not specified at fair value on an ongoing basis:

The management believes that the book value of the financial assets and financial liabilities shown in the Company's condensed consolidated financial information approximates their fair values. Meanwhile, investment properties were evaluated for the subsidiaries upon acquisition.