

# Annual Report

## 2022



ROYAL JORDANIAN

الملكية الأردنية









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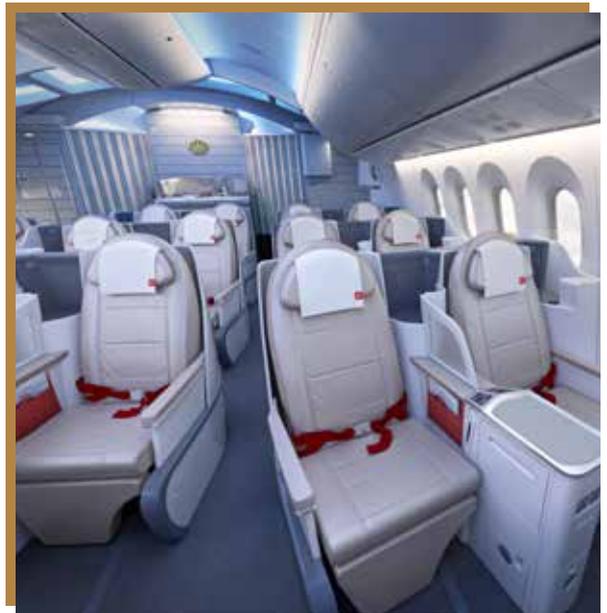
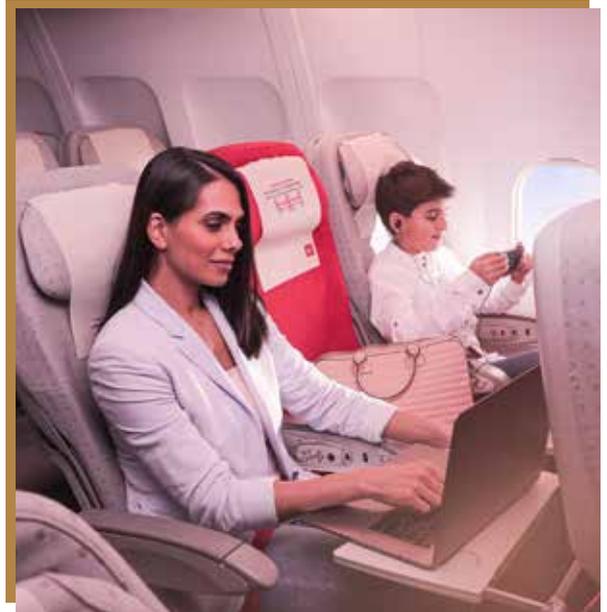


**His Majesty King**  
Abdullah II Ibn Al Hussein

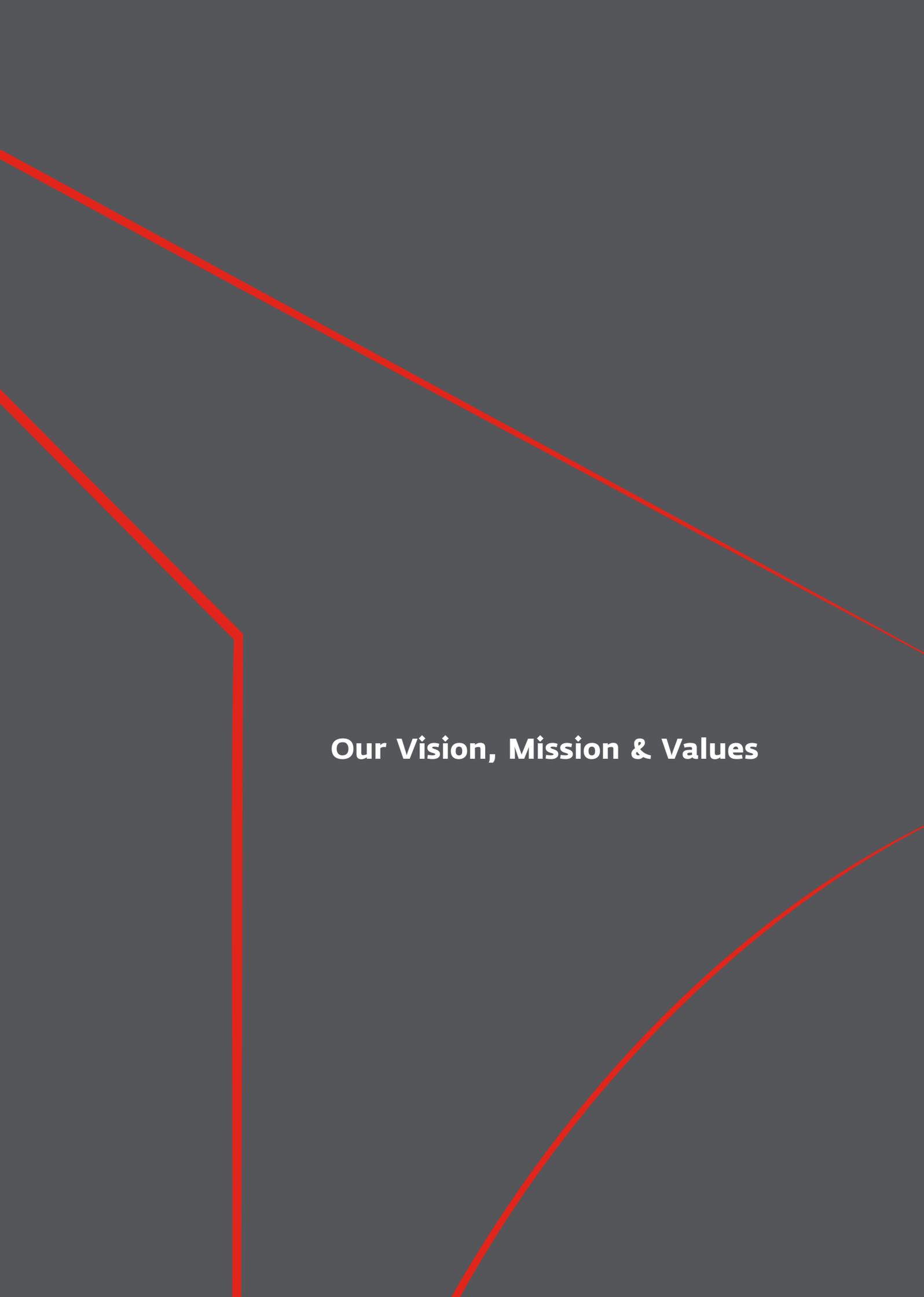




**His Royal Highness Crown**  
Prince Hussein Bin Abdullah II







## **Our Vision, Mission & Values**



## Vision

To be the airline of choice to connect Jordan and the Levant with the world.

## Mission

Our passengers promote our services themselves, because we offer them:

- The highest levels of safety, security and reliability in the field of air transport.
- An integrated travel atmosphere full of care and attention.
- Advanced services and benefits at an affordable cost.

Our employees work as a team with enthusiasm and high efficiency, because we provide them:

- A healthy work environment that encourages participation and open dialogue.
- Competitive job privileges and incentives.
- Continuous opportunities for training and development through a promising career path.
- Active and efficient leadership.

To ensure that our shareholders invest in our company, we provide them:

- A promising future.
- Sustainable growth.
- The highest levels of corporate integrity and responsibility.

With this mission, Jordan will be proud of us because:

- We reflect the perfect image of Jordan's identity, culture, and hospitality.
- We promote Jordan as a major hub and gateway to the Middle East in terms of tourism and investment.
- We support the local community and sponsor various charitable activities and events.

## Values

We strive for excellence, and our employees have:

### Team Spirit:

- We believe in working as a team, and we love to succeed together based on effective communication and our own capabilities.
- We value employees' suggestions, and make differences in views a way to learn and progress.

### Objectivity:

- We make decisions based on concrete facts and practical situations.
- We support our decisions with the correct information to convince each other realistically and impartially.

### Reliability:

- We continuously strive to meet the needs of our passengers in all circumstances and conditions.
- We comply with all internal policies, procedures, and applicable laws and regulations.

### Commitment:

- We are committed to providing the best for everyone interested in our companies continued success.
- We set the highest standards and levels of performance and work to implement them.
- We take responsibility for our actions and decisions.
- We listen and respond to the wishes of everyone we deal with, inside and outside the company.

### Attention:

- We understand and work to meet the requirements of our passengers.
- We support each other and objectively assess our circumstances.
- We treat others the same way we wish they would treat us.

### Trust:

- We pursue honesty and transparency in our dealings with passengers, employees, and partners.
- We promote the values of trust and respect, and support the creation of an atmosphere of communication and openness in the work environment.



## Members of the Board of Directors

**H.E. Eng. Said Samih Darwazah**

Chairman of the Board of Directors  
Representative of Government Investments Management Company



**H.E. Eng. Samer Abdelsalam Majali**

Vice Chairman/ Board Designee - CEO  
Representative of Government Investments Management Company



**H.E. Eng. Bassem Khalil Al-Salem**

Member  
Representative of Government Investments Management Company



**H.E. Dr. Abdelhakim Mousa Shibli**

Member  
Representative of Government Investments Management Company



**H.E. Mr. Omar Munther Fahoum**

Member  
Representative of Government Investments Management Company



**H.E. Mr. Rajaie Kamal Dajani**

Member  
Representative of Government Investments Management Company



**H.E. Mr. Sameer Abdallah Shahrour**

Member  
Representative of the Social Security Corporation





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**H.E. Eng. "Mohammad Ali" Issam Bdair**

Member

Representative of Mint Trading Middle East Limited



**Auditors**

Ernst & Young

**Legal Advisor**

Sanad Law Group in association with Evershed-  
es Sutherland (International) LLP



## Speech of H.E. the Chairman and H.E. the Vice Chairman/ Board Designee-CEO

### **Dear shareholders,**

We wish to extend our appreciation to all owners of shares in Royal Jordanian, the national carrier of Jordan. This national company is one of Jordan's main economic pillars that significantly connects Jordan to the world. We are convinced that a bright future awaits RJ as it enters its 60th year.

### **Dear shareholders,**

As we talk about the achievements of Royal Jordanian in 2022, we should first emphasize the Hashemite patronage and the support that His Majesty King Abdullah II bestowed on Royal Jordanian; the King has been following RJ's journey and development, showing care, including through His Majesty's visit to Royal Jordanian.

King Abdullah underscored the essential role of the national carrier of Jordan, his belief in RJ's capability to overcome the current challenges and turn them into opportunities, and the company's important role in bolstering Jordan's position as a tourist destination regionally and globally, and being a major significant of growth of the national economy, through the tourism, transportation, and air freight sectors.

### **Dear shareholders,**

The government has shown during the past year a great understanding of the repercussions of the corona pandemic on the company's business and results; as it is the largest shareholder in the company's capital, it played a fundamental role in supporting and enabling it to continue to perform its vital role, giving it more development and growth opportunities that make it possible for it to continue carrying out its duty as a feeder of the national economy, an employer, and a leading contributor to serving the local community.

Royal Jordanian has worked to achieve its vision of being the preferred airline to connect Jordan and the Levant with the world, promoting Jordan as a tourist destination, making Amman a hub in the region, and enhancing its services and operations throughout the Middle East and the Arabian Gulf. Therefore, it focuses heavily on opening new routes in the Middle East region, significantly increasing the frequency of most of our stations, and enhancing connectivity. Moreover, we cooperate with the authorities concerned with tourism to establish a brand for the Jordanian tourism product, boost its position, and promote it globally.

### **Dear shareholders,**

In 2022, we continued our tireless work as one team, and we achieved operational and financial growth and improved various performance indicators. RJ's financial results show an increase in operating revenues by 71%, reaching 612 million compared to 357 million in 2021. The number of passengers carried by the company's planes in 2022 also increased by 92%. The Royal Jordanian fleet transported 3 million passengers compared to 1.6 million passengers in 2021, which led to a 9% rise in the seat factor, to become 77%. This calls for optimism and acknowledgment that the employees and management high abilities and capabilities to obtain tangible achievements despite the challenges and difficulties facing it.

In the same context of operating costs, spending on fuel takes a significant share, as it makes up almost 50% of the total operating costs incurred by Royal Jordanian. There was a steep increase in fuel prices in 2022, as expected and set in the budget; this posed a new challenge to the company, which incurred a JD98 million loss due to differences in fuel prices and to the increase in average fuel prices by 69 %, particularly in the Kingdom, compared to the prices at outstations.



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**Dear shareholders,**

In the coming years, Royal Jordanian will modernize its fleet of aircraft through financial leasing operations by introducing 20 new Airbus A320neo aircraft, updating its short-haul fleet, and replacing the old ones with 10 new Embraer E2 aircraft, which will support Royal Jordanian's regional network, enabling it to increase the frequency of its flight. The airline is also currently in negotiations with Boeing to increase the number of B787 aircraft and replace the old ones in the coming period to work on long-haul network routes, where it is expected that the lease of B787-9 aircraft will be contracted in the first quarter of 2023.

Royal Jordanian's strategy currently focuses on enhancing its services and operations to increase revenues. In 2022, the company resumed its operations to Copenhagen, Geneva and Zurich, where travel was suspended due to the corona pandemic. The company also commenced regular flights to new stations: Milan, Lyon, and Toronto. Holiday destinations were added to the network on a seasonal basis to Sharm el-Sheikh and Antalya, in sync with the strategy to grow the network to 60 global destinations.

On the other hand, Royal Jordanian is a long-standing and pioneering national company and is considered one of the pillars of the national economy, in addition to the main role it plays as a national carrier of Jordan, it plays another distinguished pioneering role in serving the local community, as the company's mission emphasizes its social responsibilities and that Jordan is proud of this company and its comprehensive mission and its keenness to cooperate and interact with various segments of society, as it has supported and adopted many national, social and economic projects and activities in addition to supporting and sponsoring several activities in the field of social responsibility and environmental sustainability.

We will also continue to improve the company's performance, enhance its position and competitive edge, and develop the product offered to customers at all touch-points. We will improve our service and meals onboard to match the reputation of Royal Jordanian as a Jordanian air carrier working to serve a distinguished country that has always been known for its hospitality and warm welcoming of visitors and the kindness of its people.

**Dear shareholders,**

Although our financial results for 2022 were not at the level of our aspirations and ambitions, we would like to emphasize that our company was and will remain in great shape and that a better future awaits it, especially after introducing the latest, state-of-the-art aircraft to its fleet and restructuring its network. RJ possesses all the human and technological elements capable of re-enabling it to support the national economy. It will remain the national carrier of the Hashemite Kingdom of Jordan, honoring its legacy, reputation, and strategic importance to our dear country.

We wish our company success and pledge our commitment to serving it and its passengers in the best possible manner under the guidance of His Majesty King Abdullah II.

**Said Samih Darwazah****Samer Abdelsalam Majali**



## Royal Jordanian Profile

### Royal Jordanian at a glance

On Dec. 15, 1963, RJ was established by a Royal Decree issued by His Majesty King Hussein, as the national air carrier of the Hashemite Kingdom of Jordan.

Upon issuing the decree, King Hussein said

**"I want Alia- Royal Jordanian Airlines to be our ambassador carrying the flag of Jordan around the globe, and a bridge through which we exchange culture, trade, technology, friendship, and understanding with the peoples of the whole world."**

Although its ownership was transferred to the private sector by the end of 2007, and its shares were listed on the Amman Stock Exchange as a public limited shareholding company, it remained considered the national carrier of the Kingdom, where Jordanians own the majority of its shares, and it is one of the main pillars of the national economy and a source of foreign currency, and contributes about 3% of the Kingdom's GDP, as well as being the main arm for bringing tourists to Jordan from all over the world.

Royal Jordanian's journey has witnessed successive developments over more than 59 years, whether in terms of fleet and continuous modernization, route network expansion, personnel or information systems. While the pace of these developments and the process of modernization and development accelerated during the reign of His Majesty King Abdullah II bin Al Hussein, who spares no effort to promote the national carrier of Jordan and guide the company towards further strengthening its competitive position globally and regionally.

Royal Jordanian has a vision "to be the airline of choice to connect Jordan and the Levant to the world", as the airline today reaches more than 45 destinations spread across four continents from its main hub, Queen Alia International Airport, which has recently a qualitative shift in the level of services it provides to passengers.

Due to its reputation and in view of the international level of competitiveness, Royal Jordanian joined the **oneworld** airline alliance in 2007, under which fifteen giant international airlines operate, where Royal Jordanian expanded its network to carry its passengers to more than 1,000 global destinations in 170 countries, with one stop point from Amman.

RJ is keen on introducing advanced, state-of-the-art operating systems used across the air transport industry, staying on par with global airlines. RJ constantly introduces other facilities to make travel easier for its passengers, who in 2022 reached three million and were carried on 29,000 flights.

### Royal Jordanian Strategy

Through its vision, Royal Jordanian seeks to become the "national carrier" of the Levant, the preferred choice for Levant travelers, and the main engine to support tourism in Jordan. Royal Jordanian will merge the first and second strategic pillars to implement its operational plans, leading to tourism development in Jordan. In order to achieve integration with local partners, Royal Jordanian will be the "engine" within the strategy of the travel and tourism sectors, with an emphasis on the importance of increasing the contribution to Jordan's gross domestic product -GDP, by doubling the size of the fleet during the next seven years, increasing the company's tourist destinations, and increasing the number of travelers and foreign tourists. The implementation of RJ's new strategy has important goals essential to achieving profitability and sustainable growth, including doubling the number of workers in the aviation sector and support sectors because of the growth of the size of the sector over the next seven years, which will affect the reduction of unemployment in Jordan.





## A new start with development & dynamism

Achieving sustainable growth

Regional growth for Amman to become a gateway to connect the Levant

Growth in markets of Europe & the World & support inbound tourism

Seeking growth and modernity

### Royal Jordanian Objectives and Primary Activities

Royal Jordanian Group works to achieve its objectives, the most important of which is to carry out all activities of regular and non-scheduled air transport of passengers, mail, and goods inside and outside the Kingdom, in addition to providing aircraft handling services.



### Geographic Reach and Number of Employees

Royal Jordanian's headquarters are located in Amman. Primary operations and flights take off from Queen Alia International Airport (QAIA). There are sales offices in 35 cities around the world and general sales agents in 46 other cities.

The company's direct employees numbered 3,684 as of December 31, 2022; 223 of these employees work at its outstations abroad.

In addition, 25 employees work in the Royal Tours Company, and (204) At Al-Mashreq Airport Services Company "Tikram." So the total number of Royal Jordanian Group employees becomes 3,913 employees.

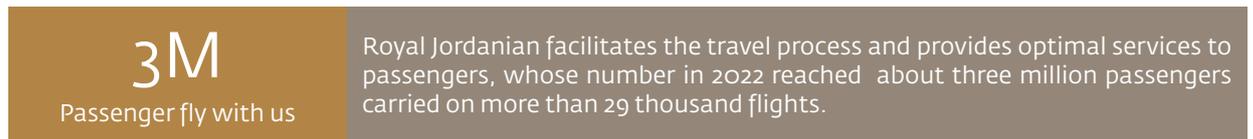


### The Volume of Capital Investment

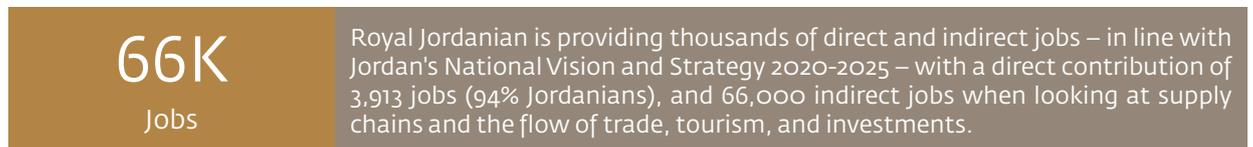
The value of Royal Jordanian's property and equipment amounted to JD51.2 million in 2022, compared to JD60 million at the end of 2021, a decrease of JD8.8 million; this is the result of a general depreciation of JD17.3 million, in addition to the purchase of equipment and property at a value of JD9.1 million.



## Royal Jordanian's Impact on the Economy



## Royal Jordanian's Impact on the Local Community



## Royal Jordanian's Impact on the Environment

RJ is working through its future plan to introduce eco-friendly aircrafts, and is taking a number of measures to reduce environmental pollution resulting from its operations by joining a set of environmental programs, campaigns and initiatives aimed at reducing emissions and noise and reduce consumption of the resources.



# ROYAL JORDANIAN FACT SHEET



## Number of Passengers

3 Million Passenger



## Cargo Chargeable Weight

26,721 Tons



## Percentage of Jordanian Employees

94 %



## Number of Flights

29,238 Flight



## Revenue

JD612.913 Million



## New Routes

Toronto, Antalya, Lyon



## Certificates

IOSA Renewal for 2022



## Recognitions

- ATW The Airline Market Leader.
- Middle East and Africa's (MEA) second-most on-time airline for 2022 by %86, according to Cirium.



# **Board of Directors Report**





## Board of Directors Report

### Market Overview

In 2023 the airline industry is expected to tip into profitability. Airlines are anticipated to earn a global net profit of \$4.7 billion on revenues of \$779 billion (0.6% net margin). This expected improvement comes despite growing economic uncertainties as global GDP growth slows to 1.3% (from 2.9% in 2022).

**Passenger:** The passenger business is expected to generate \$522 billion. Passenger demand is expected to reach 85.5% of 2019 levels over the course of 2023. Much of this expectation, taking into account the uncertainties of China's Zero COVID policies which are constraining both domestic and international markets. Nonetheless, passenger numbers are expected to surpass the four billion mark for the first time since 2019, with 4.2 billion travelers expected to fly. Passenger yields, however, are expected to soften (-1.7%) as somewhat lower energy costs are passed through to the consumer, despite passenger demand growing more quickly (+21.1%) than passenger capacity (+18.0%).

**Cargo:** Cargo markets are expected to come under increased pressure in 2023. Revenues are expected to be \$149.4 billion, which is \$52 billion less than 2022 but still \$48.6 billion stronger than 2019. With economic uncertainty, cargo volumes are expected to decrease to 57.7 million tonnes, from a peak of 65.6 million tons in 2021. As belly capacity grows in line with the recovery in passenger markets, yields are expected to take a significant step back. IATA expects a fall of 22.6% in cargo yields, mainly in the latter part of the year when the impact of inflation-cooling measures is expected to bite. To put the yield decline in context, cargo yields grew by 52.5% in 2020, 24.2% in 2021, and 7.2% in 2022. Even the sizable and expected decline leaves cargo yields well-above pre-COVID levels.

**Costs:** Overall costs are expected to grow by 5.3% to \$776 billion. That growth is expected to be 1.8 percentage points below revenue growth, thus supporting a return to profitability. Cost pressures are still there from labor, skill and capacity shortages. Infrastructure costs are also a concern.

The total fuel spend for 2023 is expected to be \$229 billion-consistent with 30% of expenses. IATA's forecast is based on Brent crude at \$92.3/barrel (down from an average of \$103.2/barrel in 2022). Jet kerosene is expected to average \$111.9/barrel (down from \$138.8/barrel). This decrease reflects a relative stabilization of fuel supply after the initial disruptions from the war in Ukraine. The premium for jet fuel (crack spread) remains near historical highs.

**Risks:** The economic and geopolitical environment presents several potential risks to the 2023 outlook.

- While indications are that aggressive inflation-fighting interest rate hikes could be easing from early 2023, the risk of some economies falling into recession remains. Such a slowdown could affect demand for both passenger and cargo services. It would, however, likely come with some mitigation in the form of lower oil prices.
- The outlook anticipates a gradual re-opening of China to international traffic and the easing of domestic COVID-19 restrictions progressively from the second half of 2023. A prolongation of China's Zero COVID policies would adversely affect the outlook.
- If materialized, proposals for increased infrastructure charges or taxes to support sustainability efforts could also eat away at profitability in 2023.



## Major Shareholders

The followings are the names of the major shareholders who own 5% or more of the company's capital, in descending order with their number of shares at the end of 2022 compared to 2021:

No	Shareholder	Geographical Location	%	No. of Shares at 31.12.2022	%	No. of Shares at 31.12.2021
1.	Government Investments Management Company	Jordan	86.23	279,911,569	86.23	279,911,569

The Council of Ministers issued a decision approving the increase in the capital of Royal Jordanian by JD70 million. The total amount of the increase was paid in two installments during 2022, and the capital increase procedures will be completed during the year 2023 duly.



## Royal Jordanian Subsidiaries

Royal Jordanian has three subsidiaries as follows:

Subsidiaries	Main Objective	Percentage Contribution	Country
<b>Royal Wings (Under Liquidation)</b> 1975 Limited Liability Co.	Operating charter flights	100%	Jordan
<b>Royal Tours</b> 1979	Providing complementary services to RJ's offerings	80%	Jordan
<b>Almashriq for Aviation Services "Tikram"</b> 2014	Exclusive meet and greet service provider	100%	Jordan

### Royal Wings Company- 1975 (Under Liquidation)



Royal Wings was established in Jordan in 1975 as a limited liability company. It has no branches and is wholly owned by Royal Jordanian. Royal Wings has become the leading operator of chartered flights, and later on its operations were merged with those of RJ.

The Board of Directors of the parent company has decided to suspend the company's activities, liquidate its assets, and transfer its trademark to RJ.



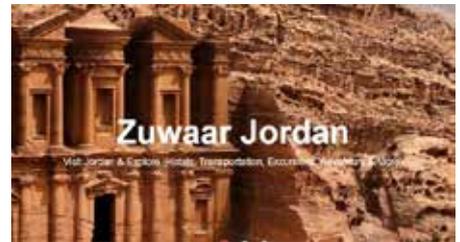
### Royal Tours- 1979 Number of Employees: 25



Royal Tours was established in 1979 with the aim of providing complementary services to RJ's offerings, in order to help RJ market its flights to tourism attractions around the world.

Royal Tours books tickets and arranges trips for tourist groups to various tourism sites and countries in the region and worldwide, always looking for new tourist options.

Today, Royal Tours is the company of choice for the stopover program "Zuwar", which provides services for transiting visitors and is responsible for the execution of the Ministry of Tourism's City Tour program.



### Tikram for Airport Services- 2014 Number of Employees: 204



"Tikram" company was established in 2014 as a joint venture investment between Royal Jordanian Airlines and Worldwide Flight Services "WFS". In March 2017, "Tikram" became wholly owned by RJ with a capital of JD 764,804. Tikram's launch comes in line with RJ's strategy to expand vertically by identifying new and attractive business opportunities associated with air travel.

Tikram is the exclusive meet and greet service provider at QAIA. Its Diverse, state-of-the-art services include immigration and security





fast-track, porter services and luggage wrapping, hosting passengers in the departure lounge (RJ's Crown Lounge) and oriental-style arrival lounge, limousine service to transport travellers from anywhere in the Kingdom to the airport and vice versa, and in-terminal shuttle service; in addition to the Aqaba Lounge service for welcoming VIP visitors.

Tikram's 24/7 counters serve VIPs, families, and groups, including airlines, hotel guests, corporate entities, travel agencies and tour operators, as well as embassy staff.

RJ has chosen to call this company "Tikram" which means "with pleasure" in Arabic; it symbolizes the genuine hospitality and warmth Jordan is known for around the world.

## Current and Resigned Board Members

### Current Board Members

Board Member	Position	Independ- dency	Executive/ Non-Execu- tive
<b>Government Investments Management Company</b>			
H.E. Eng. Said Samih Darwazah	Chairman of the Board	Dependent	Non-Executive
H.E. Eng. Samer Abdelsalam Majali	Vice Chairman/ Board Designee- CEO	Dependent	Executive
H.E. Eng. Bassem Khalil Al-Salem	Member	Dependent	Non-Executive
H.E. Dr. Abdelhakim Mousa Shibli*	Member	Dependent	Non-Executive
H.E. Mr. Omar Munther Fahoum	Member	Dependent	Non-Executive
H.E. Mr. Rajaie Kamal Dajani	Member	Dependent	Non-Executive
<b>Social Security Corporation</b>			
H.E Mr. Sameer Abdallah Shahrour (from 21 Jul 2022)	Member	Independent	Non-Executive
<b>Mint Trading Middle East Ltd.</b>			
H.E Eng. "Mohammad Ali" Issam Bdair	Member	Dependent	Non-Executive

\* Dr. Abdelhakim Shibli became a representative of the Government Investments Management Company on 10/3/2022 after being a representative of the Social Security Corporation.

\*\* Mr. Shahrour became a representative of the Social Security Corporation on 19/6/2022.



## Biography of the Current and Resigned Members of the Board of Directors



### **H.E. Eng. Said Samih Darwazah**

Chairman of the Board  
Dependent / Non-Executive

#### **Appointment**

21 June 2016

#### **Representing**

Government Investments Management Co.

Mr. Said Darwazah has chaired the Royal Jordanian Board of Directors since June 21, 2016, after he was appointed a representative of the Government Shareholdings' Management Company in RJ's Board of Directors on June 19, 2016.

He holds the following positions in several leading entities:

- The Executive Chairman of Hikma Pharmaceuticals PLC.
- Chairman of the Board of the Queen Rania Foundation, which focuses primarily on providing youth with learning opportunities and equipping them with the necessary tools for success such ICT in education and online learning opportunities.
- Board member of the Central Bank of Jordan.
- Member of the Board of Trustees at Babson College in the USA.
- Member of the Board of Trustees at the American University of Beirut (AUB).
- Co-founded the Samih Darwazah Center for Innovation Management and Entrepreneurship.
- Between 2003 and 2006, he was the Minister of Health, in Jordan.

He holds a bachelor's degree in industrial engineering from Purdue University (USA) and an MBA from INSEAD (France).



### **H.E. Eng. Samer Abdelsalam Majali**

Vice Chairman / Board Designee- CEO  
Dependent/ Executive

#### **Appointment**

30 March 2021

#### **Representing**

Government Investments Management Co.

**With more than 40 years of experience in the aviation industry, Mr. Majali has been designated to assume the role of RJ CEO as of March 30, 2021. Mr Majali held the following positions:**

- His latest tenure was in 2019, when he founded Plane Vision for Corporate Strategy & Organization Advisory in Bahrain.
- He held the position of Senior Advisor at Alton Aviation Consultancy in New York and Dublin.
- Held the position of CEO of Saudi Gulf Airlines between 2013 and 2019.
- The Senior Advisor to the Chairman of Oman Air (Omani Minister of Finance) in 2013.
- The CEO of Gulf Air between 2009 and 2012.
- His career in aviation began when he worked at RJ in 1979 with an illustrious career that gave him top executive positions across Flight Operations, Corporate Planning, Information Technology, Passenger Services, Engineering and Maintenance. He ran the airline as the President & Chief Executive Officer between 2001 and 2009 and was credited for transforming RJ into one of the most successful airlines in the region.
- Former member of the Board of Governors of the International Air Transport Association (IATA).
- Former Board Member of the Central Bank of Jordan between 2011-2020.
- Chairman of the Board of Governors of the International Air Transport Association for the year 2008.
- Member of the Board of Directors of several aviation organizations and other business councils.

He holds a master's degree in Air Transport Management from Cranfield Institute of Technology (UK), and a bachelor's degree in Aeronautical Engineering and Design from Loughborough University of Technology (UK).



**H.E. Eng. Bassem Khalil Al-Salem**

Board Member  
Dependent/ Non-Executive

**Appointment**

17 April 2016

**Representing**

Government Investments Management Co.

Mr. Bassem holds the following positions in several leading entities:

- Chairman of the Board of Directors for Capital Bank Group in April 2010.
- One of the founders of Capital Bank.
- Chairman of the Board of King's Academy.
- Chairman of the Association of Banks in Jordan in April 2021.
- Assumed several positions in the Government of Jordan, including a two-term tenure as both the Minister of Labor and Minister of Finance between 2005 and 2009.
- He previously served as the Chairman of the Association of Banks in Jordan (2012-2015).
- Board Member of the Social Security Corporation (2005-2009).
- Member of the Jordanian Senate (2010-2011).



**H.E. Dr. Abdelhakim Mousa Shibli**

Board Member  
Dependent/ Non-Executive

<b>Appointment</b> 8 May 2018	<b>Representing</b> Government Investments Management Co.
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Dr. Shibli held the following positions in his career path:

- The Secretary General of the Ministry of Finance, which was upon Royal Decree in 2018.
- Chaired the Directorate of Studies and Economic Policies in the Ministry of Finance between 2010-2018.
- He took part in several Governmental committees and worked as core economic team at the Ministry of Finance and on IMF program, the World Bank, and the Arab Monetary Fund. Dr. Shibli has been working in the field of in the economic and financial policy formulation and the implementation of important national and international programs such as the Economic and Social Reform Initiative, the Financial Reform Program, the Modernization of Financial Management, and the Revision Program with the IMF.
- Economic advisor in the Ministry of Planning and International Cooperation between 2004 – 2007.
- Worked also as a part-time lecturer in the Faculty of Business Administration at the University of Jordan, Department of Economics in 2002.
- Economist at the Central Bank of Jordan between 1991-2004.

He holds a PhD. in Economics specializing in macroeconomics and fiscal policy, from Leeds University Business School, UK.



**H.E. Mr. Omar Munther Fahoum**

Board Member  
Dependent/ Non-Executive

Appointment	Representing
30 March 2021	Government Investments Management Co.

Mr. Fahoum has thirty years of experience as a partner and the last twenty years as CEO of Deloitte & Touche M.E., where he held the following positions:

- Member of the Board of Directors of the global company (Deloitte Touche Tohmatsu) between 2007-2011 and 2017-2019
- CEO of the company in the Middle East from 2001 to 2020.
- Operations Manager in Saudi Arabia 1998.
- Partner in charge of the evaluation work in 1995.
- Responsible for the company's business in the Eastern Province of Saudi Arabia 1995.

Mr. Fahoum holds the following positions in other firms:

- Board member in the Arab Bank.
- Co-founded Young Presidents Organization (YPO) of Jordan and Bahrain Chapters, YPO is a global leadership community empowering youth towards leadership in the global economy.
- Senior Advisor to the Private Equity Fund of Singapore.
- Chairman of Amman Academy.

He holds a Bachelor's degree in Accounting from the University of Texas (Austin) and is a Certified Public Accountant (CPA) in the United States and Jordan.



**H.E. Eng. "Mohammad Ali" Issam Bdair**

Board Member  
Dependent/ Non-Executive

**Appointment**

27 March 2008

**Representing**

Mint Trading Middle East Ltd.

- Mr. Bdair currently holds the position of General Manager of Best Dimension Investment Co.. In his career path, he held the following positions:
- Chairman of General Mining Co.
- Board member of the Jordan Electric Power Co.
- Former General Manager of the International Company for Communication Technology 2000-2005.
- Former board member of Jordan Investment Board.

He has a bachelor's degree in industrial engineering from Purdue University (USA), and a Master's degree in Engineering Management from the American University of Beirut 2001.



## **H.E. Mr. Rajaie Kamal Dajani**

Board Member  
Dependent/ Non-Executive

### **Appointment**

30 March 2021

### **Representing**

Government Investments Management Co.

Mr. Dajani is a member of the Jordanian Bar Association, and he is specialized in Civil and commercial practice relating primarily to foreign investment, banking, electricity, insurance, international trade, construction, joint ventures, general corporate matters, and drafting contracts.

Mr. Dajani holds the following positions:

- Member of the International Chamber of Commerce/Jordan.
- Chairman of the Arab Orphan Committee.
- Member of Zaha Mango Center.
- Served on the Panel of Arbitrators maintained by the International Centre for Settlement of Investment Disputes/World Bank.
- The Royal Committee for Developing the Judiciary and Enhancing the Rule of Law (2016- 2017).

He participated previously as a board member in the following companies:

- Al Nisr Alarabi Insurance Company.
- Al Estishari Hospital Company.
- Jordan Post.
- Arab Palestine Investment Bank.

Mr. Dajani holds a master's degree in Commercial Law from the University of London



**H.E. Mr. Sameer Abdallah Shahrour**

Board Member  
Independent/ Not- Executive

Appointment	Representing
19 June 2022	Social Security Corporation

Mr. Shahrour serves as Project Finance and Tourism Portfolio Director at Social Security Investment Fund - Jordan (SSIF) starting 2018.

Mr. Shahrour has more than 25 years of experience in investments, corporate finance, portfolio management and banking with reputable financial institutions and GCC:

- He worked with multi-billion international groups in the GCC as he held the position of Investment Manager during the period (2007 - 2017).
- He held various positions in Arab Bank and JIF Bank during 1994-2005 as a credit officer, and head of the credit review manager.
- He Served as Section Head of Corporate Valuation at Project Finance Department at SSIF during 2005-2007.

Mr. Shahrour holds a master's degree in applied finance from the University of Western Sydney-Australia. He also holds professional certificates; CLBB (Certified Lender Business Banker) and CRP (Certified Risk Professional) from American Bankers Association.



## Resigned Board Members

Mrs. Kholoud Al-Saqqaf's resignation was received on 27/10/2022 from the Board of Directors, and below is her biography:



### H.E. Ms. Kholoud Mohammad Saqqaf

Board Member  
Dependent/ Non-Executive

#### Appointment

30 March 2021 until 27 October 2022

#### Representing

Government Investments Management Co.

**Ms. Saqqaf held the position of CEO/ vice chairman on the board of the Social Security Corporation Investment SSIF, in addition to her membership in Social Security Corporation BoD and she has more than 25 years of experience in banking, finance and financial control, where she held the following positions and board memberships:**

- Vice Chairperson in Central Bank of Jordan.
- Chairperson in Jordan Mortgage Refinance Company.
- Board member of Social Security Corporation, Insurance Commission, Arab National Leasing Company, and The National Committee for Anti-Money Laundering and Counter-Terrorist Financing.
- Vice Chairman on the board of the first Jordanian Credit Bureau Company.
- Vice Chairman on the board of Jordan Mortgage Refinance Company.
- Vice Chairman on the board of Ethmar Islamic Microfinance Company and Business Development Centre.
- Board of Trustees of the Center for Strategic Studies.
- Served as the President of the Board of the International Women's Forum – Jordan Chapter.
- Appointed as Executive Vice President, Group Risk Management from November 2013 until October 2018.
- She held several positions at the Central Bank of Jordan during the periods 1993 – 2004, and 2006 -2012 including Executive Manager of the Banking Supervision Department and Deputy Governor of the Central Bank of Jordan as the first Arab woman to occupy such a regulatory position.
- Served as the Director of the Research Department at the Insurance Commission of Jordan during the period 2004-2006.
- Joined Arab Bank in 2012 as Executive Vice President, Country Manager of Jordan & Palestine.

Mrs. Kholoud holds a master's degree in economics from University of Jordan.



## Senior Executive Management

The table below includes the senior executive management members and a brief about each of them:

Name	Position	Date Appointed	Date of Birth	Qualifications	Specialty	Graduation
Eng. Samer Majali	Vice Chairman/Board Designee-CEO	30.03.2021	14.09.1957	M.Sc.	Air Transport Management	1983
Mr. Feras Qarrain	Executive Chief Finance & Resources Officer	07.10.2019	14.11.1969	BA	Accounting	1991
Mr. Karime Makhlouf	Chief Commercial Officer	14.06.2021	10.11.1973	Diploma	Aviation	1996
Captain Ghassan Obeidat	Chief Technical Officer	02.11.1996	13.04.1976	Diploma	Commercial Pilot	1996
Ms. Amal Hattar	Chief Finance Officer	15.12.2004	20.08.1980	BA	Accounting	2002
Ms. Suha Al Arda	Chief Treasury Officer	28.08.2007	26.02.1979	MBA	Finance	2007
Dr. Fawzi Mulki	Chief Services Officer	09.09.2012	27.03.1981	PHD	Informatics	2009

## Biography of Senior Management members



### H.E. Eng. Samer Abdelsalam Majali

Vice Chairman / Board Designee- CEO  
Dependent/ Executive

#### Appointment

30 March 2021

#### Date of Birth

14 September 1957

With more than 40 years of experience in the aviation industry, Mr. Majali has been designated to assume the role of RJ CEO as of March 30, 2021. Mr Majali held the following positions:

- His latest tenure was in 2019, when he founded Plane Vision for Corporate Strategy & Organization Advisory in Bahrain.
- He held the position of Senior Advisor at Alton Aviation Consultancy in New York and Dublin.
- Held the position of CEO of Saudi Gulf Airlines between 2013 and 2019.
- The Senior Advisor to the Chairman of Oman Air (Omani Minister of Finance) in 2013.
- The CEO of Gulf Air between 2009 and 2012.
- His career in aviation began when he worked at RJ in 1979 with an illustrious career that gave him top executive positions across Flight Operations, Corporate Planning, Information Technology, Passenger Services, Engineering and Maintenance. He ran the airline as the President & Chief Executive Officer between 2001 and 2009 and was credited for transforming RJ into one of the most successful airlines in the region.
- Former member of the Board of Governors of the International Air Transport Association (IATA).
- Former Board Member of the Central Bank of Jordan between 2011-2020.
- Chairman of the Board of Governors of the International Air Transport Association for the year 2008.
- Member of the Board of Directors of several aviation organizations and other business councils.

He holds a master's degree in Air Transport Management from Cranfield Institute of Technology (UK), and a bachelor's degree in Aeronautical Engineering and Design from Loughborough University of Technology (UK).



**Mr. Feras Qarrain**

Executive Chief Finance & Resources Officer

<b>Appointment</b>	<b>Date of Birth</b>
7 October 2019	14 November 1969

Mr. Qarrain has extensive experience in several entities as follows:

- Mr. Qarrain was appointed at RJ as Executive Vice President/ Finance and resources in October 2019, As per the latest corporate structure, he was named as Executive Chief Finance and Resources Officer.
- He occupied the position of Chief Financial Officer in Royal Jordanian from October 2015 until June 2018.
- Former Deputy GM for Finance in several companies, including Abdali Investment and Development, Al- Rajihi Cement Holding, and Zara Holding.
- Former GM in Al-Rajihi Cement Holding
- Former Chief Auditor in Ernst & Young and in Arthur Anderson.

He holds a Bachelor's in Accounting - from University of Jordan - in 1991. He also holds an American (CPA) certificate and is a Jordan certified public accountant.



**Mr. Karime Makhlouf**

Chief Commercial Officer

<b>Appointment</b>	<b>Date of Birth</b>
14 June 2021	10 November 1973

Mr. Makhlouf has extensive experience in the air transport and commercial aviation industry as follows:

- Mr Makhlouf joined RJ as Vice President/ Commercial in June 2021, and according to the corporate structure, he was named as Chief Commercial Officer in July 2021.
- Former CCO for several airlines: Saudi Gulf, Gulf Air, Malev Hungarian, and SkyEurope between 2006 and 2020.
- Member of the founding team of Germanwings (a subsidiary of Lufthansa) where he acted as Head of Revenue Management.
- He assumed different roles in Lufthansa since 1997

He Holds a diploma degree in Aviation from Lufthansa- 1996



### **Captain Ghassan Suleiman Obeidat**

Chief Technical Officer

<b>Appointment</b>	<b>Date of Birth</b>
2 November 1996	13 April 1976

Captain Obeidat has more than 25 years of experience in RJ and held the following positions:

- Captain Obeidat was appointed Vice President/ Operation in September 2019, and according to the corporate structure, he was named as Chief Technical Officer in July 2021.
- He assumed the position of Head of Flight Operations in May 2015 and Head of Crew Training & Standards in May 2013.
- Assigned as the Project Manager for the “Boeing 787 fleet” project; in 2014, the first aircraft was successfully introduced to the RJ fleet.
- Assumed managerial roles in the Flight Operations department and his main duty as Captain on RJ’s fleets.

He holds a diploma in Commercial Pilot- from 1996.



### **Ms. Amal Rafiq Hattar**

Chief Finance Officer

<b>Appointment</b>	<b>Date of Birth</b>
15 December 2004	20 August 1980

Ms. Hattar has more than 18 years of experience in RJ and held the following positions:

- Ms. Hattar was appointed Vice President/ Finance in September 2019, and according to the corporate structure she was named as Chief Finance Officer in July 2021.
- She assumed the position of “Head of the Revenue Accounting & Outstations” department in January 2013.
- Appointed as Management Accounts Director in January 2012.
- Joined the Finance Department in 2004 and escalated in her career.

She holds a bachelor's degree in accounting from the University of Jordan- 2002



**Ms. Suha Jamal Al Arda**

Chief Treasury Officer

**Appointment**

28 August 2007

**Date of Birth**

26 February 1979

Ms. Arda has more than 15 years of experience and held the following positions at RJ:

- Ms. Arda was appointed Vice President/ Treasury and Management Accounts in September 2019, and according to the corporate structure, She was named as Chief Treasury Officer in July 2021.
- She assumed the "Head of Treasury" position in January 2016.
- Joined the Finance Department in 2007 as a Financial Analyst and escalated in her career ever since. She holds an MPA in finance from New York Institute of Technology- 2007



**Dr. Fawzi Hani Mulki**

Chief Services Officer

**Appointment**

9 September 2012

**Date of Birth**

27 March 1981

Dr. Mulki held the following positions at RJ and other entities:

- Dr Mulki was appointed as Vice President/ Services and Product in September 2019, , and according to the corporate structure, he was named as Chief Services Officer in July 2021.
- He assumed the position of "Head of Airport and Cargo Services" in June 2017, and the prole of "Executive Assistant to the CEO" for the strategy Management office in November 2015.
- He joined RJ as "Director of Business Development" in September 2012.
- Assumed several positions in the Royal Hashemite Court, the Ministry of Information and Communications Technology, and Arab Potash.

He holds a PhD. in Informatics- Information, Government and Democratic Societies, from state University of New York - USA- 2009

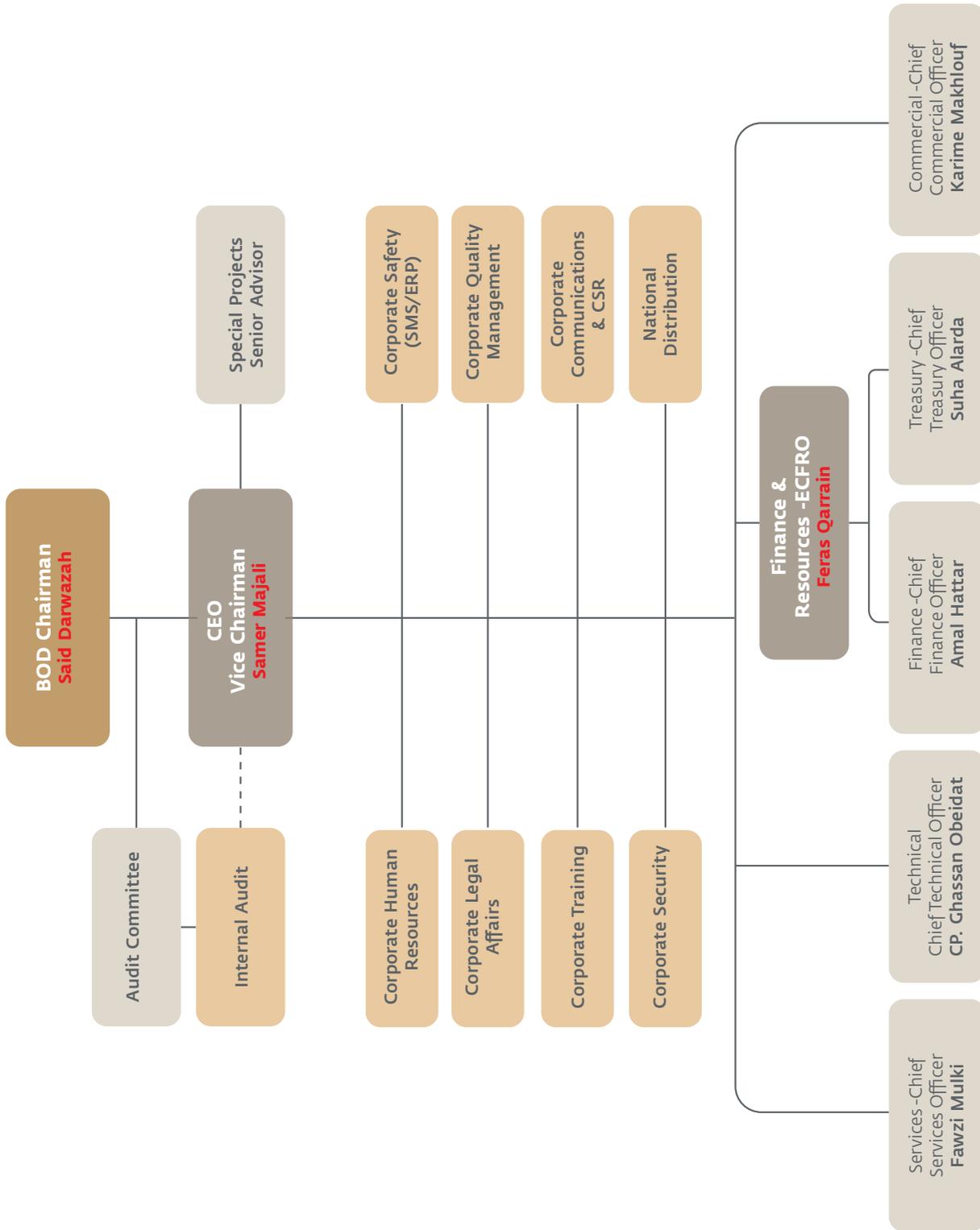
**Resigned Senior Executive management members.**

There was no resignation during the year 2022.



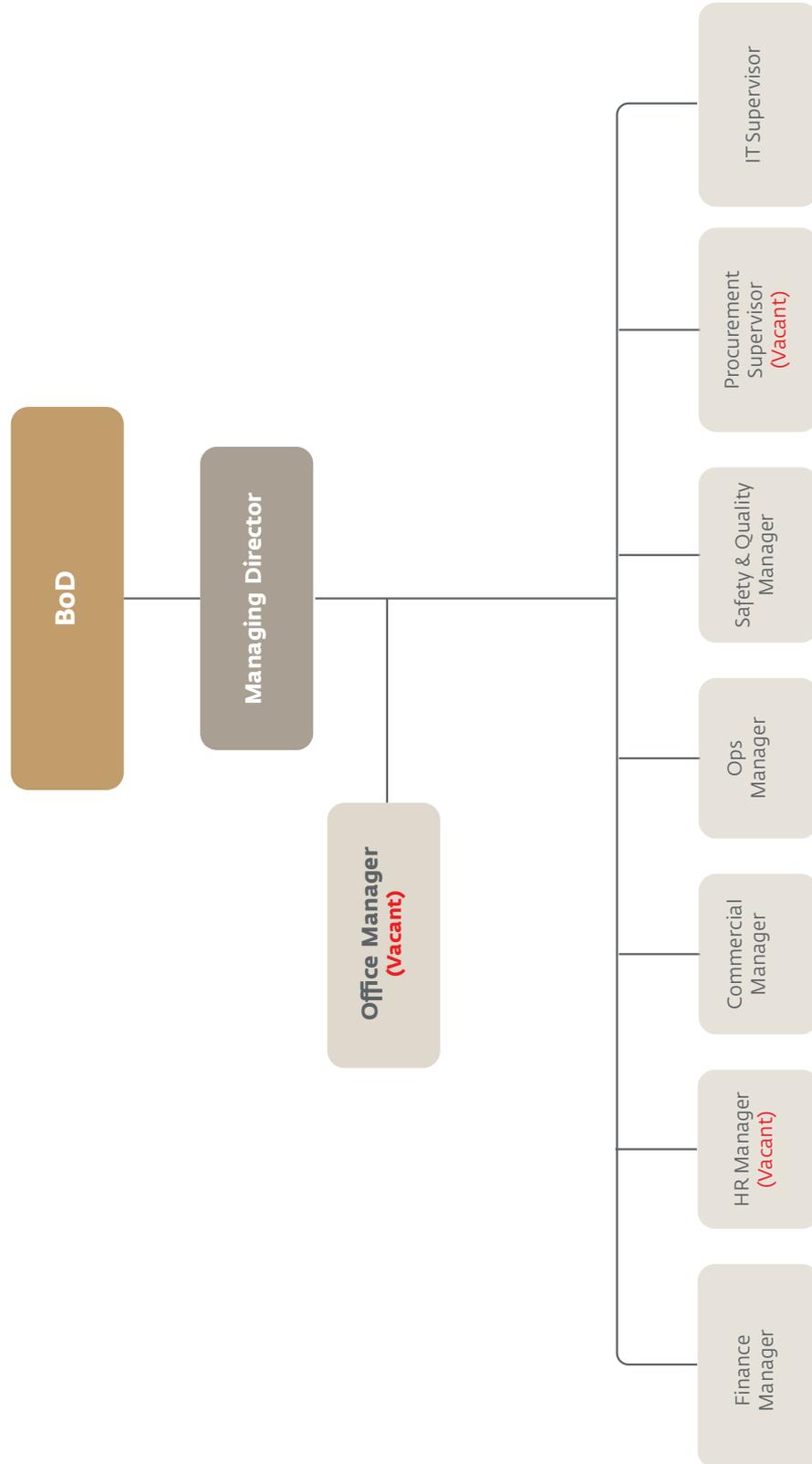
## Organizational Structure of the Company and its Subsidiaries

### Organizational Structure - Royal Jordanian



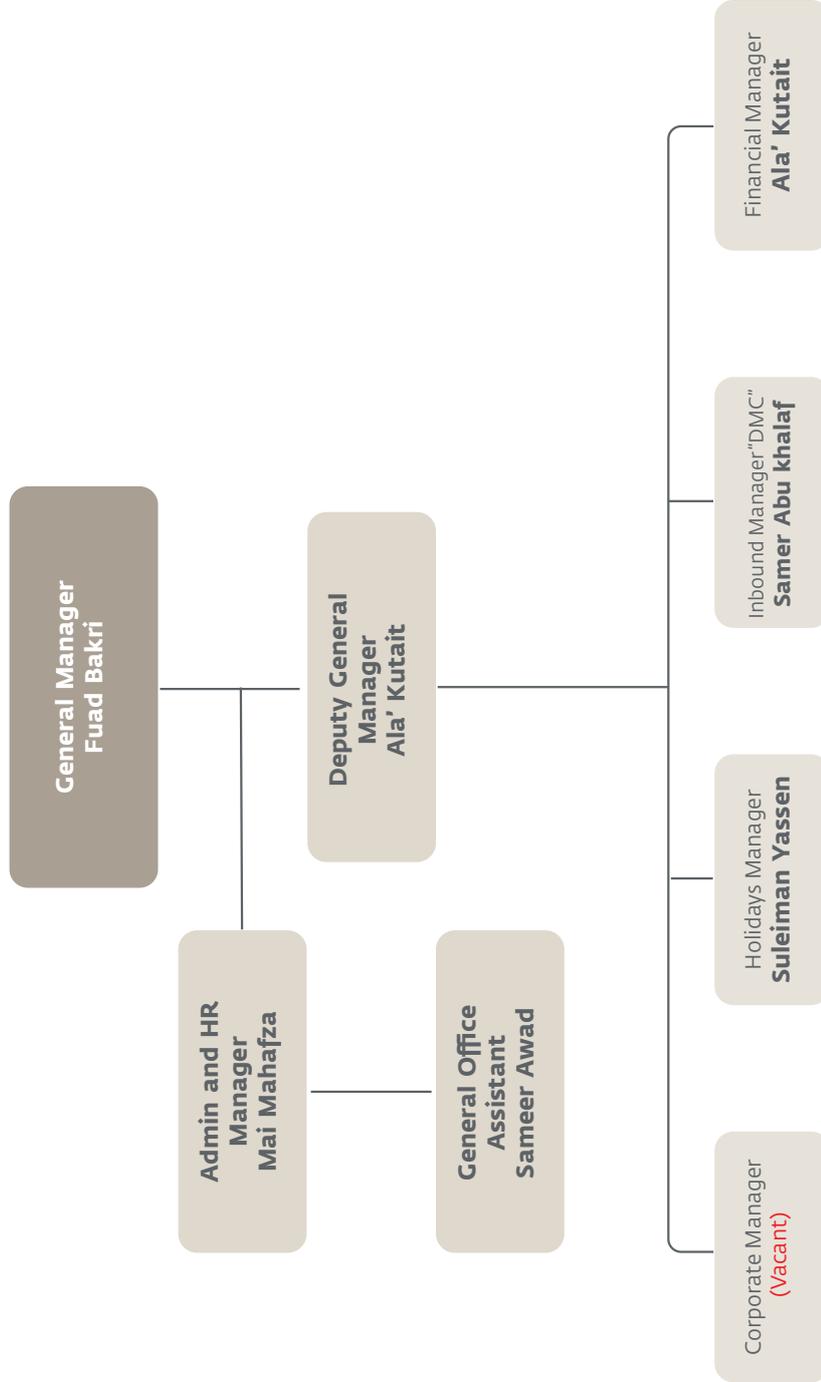


## Organizational Structure - Tikram Company





## Organizational Structure - Royal Tours





## Shares Owned by Members of the Board of Directors and Senior Management and their Relatives

### Shares Owned by Current and Resigned Members of the Board of Directors and their Relatives

The following table includes a statement of the members of the Board of Directors and the ownership of each of them in the company's shares compared to the previous year:

Name	Number of shares as in	
	31/ 12 / 2022	31 / 12 / 2021
H.E. Eng. Said Samih Darwazah	-	-
H.E. Eng. Samer Abdelsalam Majali	54,999	54,999
H.E. Eng. Bassem Khalil Al-Salem	-	-
H.E. Ms. Kholoud Mohammed Al-Saqqaf	-	-
H.E. Dr. Abdelhakim Mousa Shibli	6,250	6,250
H.E. Eng. "Mohammad Ali" Issam Bdair	7,699	7,699
H.E. Mr. Omar Munther Fahoum	-	-
H.E. Mr. Rajaie Kamal Dajani	-	-
H.E. Mr. Sameer Abdallah Shahrour	-	-

There are no shares owned by the relatives of the members of the Board of Directors as end of 2022.

### Shares Owned by Senior Executive Management Members and their Relatives

Name	Nationality	Number of shares owned as in	
		31/ 12 / 2022	31/ 12 / 2021
Eng. Samer Majali	Jordanian	54,999	54,999
Mr. Feras Qarrain	Jordanian	-	-
Mr. Karime Makhoulf	Jordanian	-	-
Captain Ghassan Obaidat	Jordanian	-	-
Ms. Amal Hattar	Jordanian	296	296
Ms. Suha Alarda	Jordanian	-	-
Dr. Fawzi Mulki	Jordanian	-	-

There are no shares owned by the senior executive management relatives as end of 2022.



## Companies Controlled by the Members of the Board of Directors and Senior Management Members and their Relatives

No companies are controlled by the members of the Board of Directors or Senior Management and their relatives.

## Benefits and Remuneration of the Chairman and Members of the Board and Senior Management Members

### Benefits and Remuneration of the Chairman and Members of the Board

The following table shows the benefits and remuneration received by the Chairman and members of the Board of Directors during the year 2022 in Jordanian Dinars:

Board Member	Position	Rep. Allowance Transport Allowance (Annual)	Remunerations (Annual)	Travel Allowance (Annual)	Total Benefits (Annual)
<b>Government Investments Management Company</b>					
H.E. Eng. Said Samih Darwazah	Chairman of the Board	-	-	-	-
H.E. Eng. Samer Abdelsalam Majali	Vice Chairman/ Board Designee- CEO	3,500	-	-	3,500
H.E. Eng. Bassem Khalil Al-Salem	Member	3,500	-	-	3,500
H.E. Dr. Abdelhakim Mousa Shibli*	Member	3,000	-	-	3,000
H.E. Ms. Kholoud Mohammad Saqqaf (Until 27 Oct 2022)	Member	2,500	-	-	2,500
H.E. Mr. Omar Munther Fahoum	Member	3,500	-	-	3,500
H.E. Mr. Rajaie Kamal Dajani	Member	3,500	-	-	3,500
<b>Social Security Corporation</b>					
H.E Mr. Sameer Abdallah Shahrour (from 19 Jun 2022)	Member	2,000	-	-	2,000
<b>Mint Trading Middle East Ltd.</b>					
H.E Eng. "Mohammad Ali" Issam Bdair	Member	3,000	-	-	3,000
Total:		24,500			24,500

\* Dr. Abdelhakim Shibli became a representative of the Government Investments Management Company on 10/3/2022 after being a representative of the Social Security Corporation



## Benefits and Remuneration of the Senior Management Members

The following table shows the benefits and remuneration received by the members of the company's Senior Executive Management during the year 2022 in Jordanian Dinars:

Name	Title	Annual Salaries	Annual Remuneration	Travel Allowance	Total Annual Benefits
Eng. Samer Majali	Vice Chairman/Board Designee-CEO	237,600	-	-	237,600
Mr. Feras Qarrain	Executive Chief Finance & Resources Officer	204,049	-	240	204,289
Mr. Karime Makhlouf	Chief Commercial Officer	133,926	-	5,343	139,269
Captain Ghassan Obeidat	Chief Technical Officer	131,208	-	-	131,208
Ms. Amal Hattar	Chief Finance Officer	73,924	-	330	74,254
Ms. Suha Al Arda	Chief Treasury Officer	73,543	-	240	73,783
Dr. Fawzi Mulki	Chief Services Officer	74,440	-	600	75,040
Total		928,690	-	6,753	935,443

## Donations and Grants Paid During 2022

The following table shows the donations and grants paid by Royal Jordanian during 2022 in Jordanian Dinars:

Activity	Amount
Scholarships for Children of Employees - Union of Air Transport Workers	10,000
Donations to NAUA Initiative	7,733
Royal Jordanian Staff Club support	5,000
SOS Children's Villages Association Support	3,000
Supporting the Green Caravan program to plant 500 trees	2,675
KHCC-Lunch for 50 Person	1,250
Children's Museum - Printing Paintings	234
Total	29,892





# **Business Spotlights**





## Business Spotlights

### **Government Protection or Privileges Enjoyed by the Company or any of its Products Under Laws, Regulations or Otherwise**

- The Council of Ministers decided in its session held on 15/11/2022 to approve exempting the contracts of purchase, sale, lease, and finance of aircraft and their engines and the contracts concluded by Royal Jordanian from taxes and fees, including general and special sales tax and customs duties with the exception of income tax, national contribution and stamp duties, provided that the Ministry of Finance bears the income tax, the national contribution and the stamp duties resulting from these contracts, and allocates the necessary budget for such within the Ministry of Finance's allocations in the General Budget Law.
- The Council of Ministers decided in its session held on 24/11/2022 to approve exempting machinery and equipment serving aircraft and passengers at Jordanian airports (except spare parts) from customs duties, general and special sales tax and other fees until 31/12/2023, provided that the machinery and equipment are used exclusively for the benefit of Royal Jordanian inside the airport campus to serve passengers and aircraft, and the assignment of machinery and equipment - invalid ones belonging to Royal Jordanian - in favor of the government treasury.
- There are no patents or franchises obtained by the company.

### **Decisions Issued by the Government, International Organizations or Others that have a Material Impact on the Company's Business, Products or Competitiveness**

- Comprehensive Agreement with the European Union:

The Government of Jordan concluded a Comprehensive Agreement with the European Union on 15/12/2010 which mainly provides for unrestricted open spaces between the Kingdom of Jordan and the states of the Union according to the third and fourth freedoms alongside the Kingdom adopting legislations similar to European legislations in the field of civil aviation and air transport. This Agreement subjects Royal Jordanian Airlines to unbalanced competition with European airlines which enjoy flexibility in flights operation from any point in Europe to Jordan which Royal Jordanian will not be able to do, and also due to the lack of suitable time slots in major European cities, most importantly Heathrow Airport in London.

- The Council of Ministers resolved in its session held on 28/12/2017 to approve the allocation of the tax amount due upon Ryanair, the largest low-cost airline in Europe, in return for the promotion of the Hashemite Kingdom of Jordan on the website of the company and to encourage and incentivize it to operate flights from and to the Kingdom by means of concluding an agreement between the Jordan Tourism Board and a company that provides marketing services for Ryanair on condition that Ryanair does not have an air route identical to one of the routes of Royal Jordanian. In addition to supporting other low-cost companies, such as Wizz Air and Easy Jet, and incentivizing them to operate to and from the Kingdom in 2022 Jet. The aforementioned decision had a significant material impact on the performance and results of Royal Jordanian, especially in the European network such as London, Amsterdam, Paris, Madrid, Milan, Rome, Larnaca, and Abu Dhabi, and indirectly on the rest of the European destinations in the year 2022. In addition to the significant impact on Royal Jordanian's expansion plans over the next seven years.



## Contracts, Projects and Commitments Concluded by the Company with Subsidiaries, Sister or Affiliate Companies, the Chairman or Board Member, the CEO or any Employee of the Company or their Relatives

- Services Agreement with Royal Jordanian Company for Tourism and Travel.
- Travel Related Services Agreement with Royal Jordanian Company for Tourism and Travel.
- Personnel supply services agreement with Tikram Airport Services.
- Tikram Airport Services Employees Transfer Agreement.

## Suppliers and Customers

The company deals with a wide group of local and foreign suppliers who provide various goods and services. The company does not depend on particular suppliers, whether local or international, who provide 10% or more of the company's purchases, except its aircraft fuel supply from Jordanian Petroleum Products Marketing Company. On the other hand, the company deals with a wide range of clients, local and foreign, clients hem with flight services. RJ does not depend on particular clients, whether local or foreign, who constitute 10% or more of its total sales.

## Financial Effect of Non-Recurring Operations

RJ's operations are recurring operations. There is no financial effect to operations of a non-recurring nature that happened during the financial year and is not included in the company's main activity.

## Timetable of Realized Profits or Losses

The following table shows the time series of realized profits or losses, dividends, net shareholders' equity and shares prices for the last five years.

Statement	Years				
	2022	2021	2020	2019	2018
Realized profit/ loss (JD '000)	(78,860)	(74,259)	(161,060)	10,383	(5,857)
Dividends	-	-	-	-	-
Shareholders' equity (JD '000)	(68,257)	(59,100)	(9,679)	126,732	116,478
Share Price*	0.19	0.24	0.19	0.36	0.37

\*As the end of the year



## Competitive Positioning

Royal Jordanian is the first and largest airline in Jordan, where it is the national carrier in the Hashemite Kingdom of Jordan, operating regular flights from Jordan to 41 cities in the world, as follows:



Of the 41 destinations operated by Royal Jordanian, the company faces direct competition from other companies in just 27 destinations.

## Business Partnerships and Alliances

Through the commercial partnerships signed by Royal Jordanian, it has maintained the size of its network to enhance its competitiveness in the market, as follows:

### 1. Jordan Tourism Board

Royal Jordanian and the Jordan Tourism Board have formed a strategic partnership in 2022 to promote Jordan as a premier tourist destination in line with RJ's new strategy to focus on tourism in Jordan.

The main objective of this partnership is to increase the awareness and attractiveness of Jordan as a tourist destination and to showcase exciting tourism highlights such as Petra, Wadi Rum, and Aqaba as well as the hidden gems of Jordan and highlight the country's many attractive sights and locations.

Both parties started combining online and offline marketing activities, in addition to cobranded offices worldwide to entice tourism to Jordan, changing the original RJ offices into cobranded RJ and visit Jordan offices.

Whereas JTB and RJ started to work on attractive fares and conditions for international tour operators, focusing on inbound tourism to Jordan.

This collaboration has produced impressive results, with an increase in the number of tourists visiting Jordan.

### 2. oneworld

On 1/4/2007, Royal Jordanian joined the **oneworld** Aviation Alliance, which includes a group of airlines that are considered among the best and largest companies in the world, and Royal Jordanian joined this alliance as a result of the distinguished global reputation enjoyed Royal Jordanian and the



Competitive services it provides to its passengers on all its flights, as Royal Jordanian is the first Arab airline to join an international airline alliance. This alliance provides Royal Jordanian passengers with easy access to nearly 1,000 cities in 170 regions worldwide served by its member companies with more than 4 million flights annually and a fleet of more than 2,250 aircraft.

The member companies of the **oneworld** Global Alliance in addition to Royal Jordanian are as follows: American Airlines, British Airways, Cathay Pacific, Spanish Airlines (Iberia), Finnair, Japan Airlines, Australian Quants, Malaysia Airlines, Qatar Airways, Sri Lankan Airlines, Royal Air Maroc and Alaska Airlines, which joined the alliance in March 2021.

In addition, Oman Air Alliance members will join in 2024.

Royal Jordanian's premium customers and frequent flyers have access to more than 600 airport lounges worldwide, with preferential rates in the economy, business and first class.

### **3. Codeshare Agreements**

Royal Jordanian has entered into commercial agreements with several international airlines to operate on a codeshare basis, where the Royal Jordanian code appears on the flights of these airlines to points where Royal Jordanian does not operate directly, and to enhance or expand the Royal Jordanian market and competitiveness. This includes non-stop flights serving Royal Jordanian passengers from Amman to Abu Dhabi, Bucharest, Bahrain, Doha, Istanbul and Muscat.

Also through the codeshare system, passengers can book from one place and the Royal Jordanian books their entire flight and makes sure they have enough time for all their connecting flights, and travel on multiple airlines with one ticket that is protected in case of any delays.

While in 2022, the company increased the number of stations covered by codeshare agreements, in 2023, it will continue to increase this number by amending agreements with member companies of the **oneworld** alliance and agreeing with other companies to expand its coverage around the world.

## **Application of International Quality Standards**

One of the main responsibilities of the Quality Assurance Department at Royal Jordanian is to ensure the implementation of the quality management system in the company's operational departments effectively and efficiently, as the main mission of the Quality Assurance Department is to implement the quality assurance program, which aims to enhance confidence and ensure that safety and quality procedures are applied and adhered to in all processes followed in the various departments of the company.

This program is concerned with monitoring and comparing the method by which the tasks are carried out in all operational departments and at various stages with the standard method stipulated in the company's approved manuals and references, so that it conforms to the company's specifications, as well as the specifications applied by the Jordanian Civil Aviation Regulatory Commission and other international organization, which are shown below:



CARC	Civil Aviation Regulatory Commission
IATA	International Air Transport Association
ISAGO	IOSA Safety Audit for Ground Operations
IOSA	IATA Operational Safety Audit
EASA	European Aviation Safety Agency
SAFA	Safety Assessment of Foreign Aircraft
F.A.A	Federal Aviation Administration (USA)
C.A.R.	Canadian Aviation Regulations
<b>oneworld</b>	An International Alliances of Airlines

Accordingly, the Quality Assurance Department follows up on the required foundations of quality and measures the extent of the company's application of them, whether in terms of operations or service, so after studying the general and special requirements for work and public safety, an internal and external program is prepared to audit and inspect all the company's operating departments and external service providers and compare work procedures according to the approved checklists, through inspection sessions distributed according to a documented audit program approved by the Royal Jordanian management.

### **Main achievements of the Corporate Quality Department in 2022:**

- Completing CQM internal audit cycle by performing onsite audits.
- Continuing with Standardizing work procedures followed by different departments within the company.
- Collaborating with HR medical services and producing RJ manual for Drug and alcohol testing.
- Completing the renewal of IOSA certification.
- Maintaining RJ ISAGO certification
- Completing RJ documentation system project to produce departmental internal procedures manual for non-operational departments at Head Office.
- Completing RJ manuals standardization project for all RJ departments to ensure compliance with the standard formats and layouts.
- Expanding Internal and external Audit and Inspection Program scope to include CAMO Audits/ Inspections, Product Audit, and FAMO Audits.
- Participating in A320 (JY-AZA and JY-AZB) delivery team



## Risks

The company deals with various types of risks within a comprehensive framework of risk management in accordance with the best international standards, traditions, and practices.

Risk management is carried out in cooperation between the Board of Directors and the Executive Management. The Board of Directors ensures that the Executive Management implements an efficient and effective system for internal control. The Vice Chairman/ Board designee- CEO, being at the top of the executive management, is responsible for risk management and the practices related thereto. The Executive Chief Finance and Resources Officer is responsible for identifying financial risk, controlling, maintaining the quality of financial information, and ensuring that accurate financial statements are being disclosed. The rest of the Executive Management shall identify risks in their departments and work on managing these risks within an institutional framework that defines each of their duties and authorities.

Risks which could have a substantial effect on the company during the coming year may be summarized as follows:

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

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

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

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

The company works to manage liquidity risk by ensuring the availability of cash and bank facilities to pay all the obligations of the company and managing cash effectively and efficiently.

The company worked within a clear plan to reduce debt risks, as all the company's dues were analyzed and negotiated with suppliers and banks to reschedule payments in line with available liquidity and future expectations.

### **Electronic Systems Risks**

In light of the great and accelerating development in the field of electronic systems, we face a new kind of risk which could adversely affect the electronic systems used in the company's operations. These systems should be continuously updated to ensure their efficiency and ability to keep up with new requirements especially in the field of aviation. The company has achieved a lot in this direction through the introduction of advanced and efficient electronic systems. A special team in the company follows up on the performance of these systems to ensure their continuous safety, efficiency and quality of output.

### **Cyber Security Risks**

Data protection is one of the most important pillars of digital transformation, as the company needs it to detect any threats in a timely manner, in addition to ensuring the continuity of RJ's operations and supporting its business objectives. And in light of the impact of the COVID-19 pandemic, Royal Jordanian has succeeded in implementing a platform for detecting and responding to any security issue through one of the best leading companies in this field. The company coordinates with the national cybersecurity center in this regard to adopt best practices and instructions established from the center.

### **Credit Risks**

The company follows a clear credit policy in dealing with its sales agents around the globe. This



policy entails providing bank guarantees by the agents in favor of the company. At present and in light of the existing economic circumstances, the company is following up on the agents' performance to protect its rights and avoid unforeseen situation that could affect any of the agents and could adversely affect the company's operations.

### **Fluctuation of Fuel Prices risks**

The cost of fuel constitutes a large and escalating part of the company's operations expenses which was close to 50% of the total operational expenses for the year ended 31.12.2022. As such any material change in the price of crude oil and subsequently the price of jet fuel, could affect the operational results of the company substantially. In this field, RJ has taken big steps to deal with the rising fuel prices through imposing fuel surcharge on tickets, focusing on increasing passenger numbers and manage revenue and maximize the yield. This is in addition to entering into fuel hedging contracts being the internationally best practice in this field. The company obtained discounts to the fuel quantities consumed from JPRC and in continuous discussion to increase the discount or get import fuel license to reduce the operating cost as much as possible.

### **Fluctuations of Interest Rates risks**

The company is exposed to fluctuations in interest rates through entering into lease contracts and medium and long-term loans to finance expansion projects. Prior to inviting bids for facilities from banks, the company examines the risks of interest rate fluctuations and their effect on its operations. The company then determines the interest rates that suit its objectives and future plans, noting that dealing with the LIBOR index will be stopped globally at the end of June 2023, as it will be replaced by the SOFR index for the US dollar.

As part of the risk policy, the company examines interest rates of major currencies and their future expectations, in addition to the possibility of entering into interest rates swaps to reduce the risk of fluctuations and subsequently the cost of borrowing.

### **Fluctuations of Exchange Rates risks**

The company is exposed to changes in the rates of exchange between the Jordanian Dinar and various other currencies. Most of the company's revenue comes from the sale of tickets abroad in the local currency of each country. In order to reduce the effect of fluctuation of exchange rates of foreign currencies on the company's operations, the company settles the revenues and the expenditure of each currency separately. Any surplus will be converted to JD or USD depending on the needs of the company, within a clear policy based on market study and trends. Next to the USD, Euro and Sterling form the major part of the company's revenue, in addition to the JD which does not constitute any risk since its rate of exchange is tied to the USD.

### **Purchasing Risks**

In its daily operations, the company purchases several types of raw materials and spare parts which are necessary for the nature of the airline business. Any delay in supplying the company with these materials or spare parts might lead to disruption in the flow of operations and could expose the company to losses. To avoid such situations, the company frequently develop and monitor the purchasing mechanism and maintains good relations with all suppliers in Jordan and abroad. As a result of the above, the company entered into a number of insurance contracts to limit the risks that could affect its performance.

### **Market Risks**

Competition among airlines has intensified in the Arab region lately particularly with the emergence of low cost airlines which constituted a big challenge for most airlines, large and small. To meet this type of competition, the company prepared short- and long-term strategies to limit the effect of this type of airlines on the company's market share, through improving the standard of services provided, rising to the level of passenger's satisfaction, simplifying travel procedures, providing more travel choices and benefiting from its membership in the "oneworld" alliance.



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

### **Geographical Location Risks**

Most RJ's operations take place within the borders of Jordan. All of its flights depart from Amman. As such the geographical location of the Kingdom constitutes a big challenge to the company especially in these days when political and economic tension is taking place in some neighboring Arab countries. The company has to adapt in its operations within these difficult challenges which add a burden on the company and its business.

## **Royal Jordanian Achievements 2022**

As it enters its 60th year, Royal Jordanian continues its journey towards excellence in aviation services and the air transport industry, by implementing plans and programs in all fields and striving to implement the projects that help the company boost its air and ground services, and strengthen its position regionally and globally.

In addition to its role as a long-standing national air carrier, the company plays an important role that contributes effectively to Jordan's development, as it is one of the main pillars of the national economy and the cornerstone of the air transport industry and local aviation, aided in this by its long history, its distinguished regional and global reputation, the safety of its operations, and skilled and trained staff. Its fleet serves a robust network extending over four continents, and it has a tangible contribution to the Kingdom's gross domestic product.

Despite all the challenges RJ faced during 2022 and the negative repercussions the COVID-19 pandemic had on the company's business, the regional and global crisis and the significant increase in fuel prices, the airline was able to score many achievements at operational, service and other business levels. Following are the most prominent of these achievements:

### **Introducing 20 Airbus A320neos into RJ Fleet**

Royal Jordanian reached an agreement with Airbus to introduce 20 new factory-built Airbus A320neo family aircraft to its fleet, replacing its current 13 A320ceo aircraft family fleet in service. This is in line with the airline's strategic plan to modernize its narrow-body fleet of aircraft that would serve its core destinations in the Middle East, Africa and Europe.

### **MoU to introduce 10 new Embraer E2 Jets**

Royal Jordanian and Embraer signed a memorandum of understanding (MoU) to introduce two variants of Embraer's advanced E2 jets to its fleet: the E190-E2 and E195-E2. The airline intends to operate 10 new Embraer jets to optimally serve short-haul routes within the region.

### **Cooperation with Aqaba Economic Zone**

Royal Jordanian and the Aqaba Special Economic Zone Authority (ASEZA) have signed a cooperation agreement in the field of tourism to promote Aqaba as a tourist destination on the Red Sea and a gateway to Jordan, as Royal Jordanian is the strategic partner and national carrier that aims to promote Jordan globally by facilitating access to visitors from the various stations that the airline's planes reach.

### **Agreement with the Social Security Corporation**

The Social Security Corporation (SSC) signed a cooperation agreement with Royal Jordanian under which the company will join the installment program provided by the Corporation to Jordanian retirees, children of the Gaza Strip, children of Jordanian women and their beneficiaries, where beneficiaries will be granted a discount on booking travel tickets with Royal Jordanian by (10%) in addition to providing the benefit of installments for the amounts incurred for a period of up to (12) months.



### **Supporting the "Made in Jordan" campaign**

The Amman Chamber of Industry signed a cooperation agreement with Royal Jordanian, whereby Jordanian products are given priority in all services provided by RJ on its flights, and the "Made in Jordan" campaign receives support and is promoted. The agreement also entails granting discounts and privileges to members of the chamber's board of directors and employees, as well as discounts on air tickets.

### **Celebrating the 76th Independence Day**

In celebration of the 76th Independence Day of the Hashemite Kingdom of Jordan, a Royal Jordanian Boeing 787 flew with a squadron of Royal Falcons in the skies of Amman on this occasion, as an expression of pride in this event and of the pioneering role played by the company as the national carrier that serves Jordan and participates in all national events.

### **Leading airline in the region's market**

Royal Jordanian Airlines has won the 2022 Airline Market Leader award from Air Transport World (ATW), the world's most prestigious airline magazine for evaluating airlines and the aerospace industry.

### **RJ ranks as Middle East and Africa's second most on-time airline**

Royal Jordanian ranked second in the accuracy of aircraft take-off and landing times for the year 2022 among all airlines operating in the Middle East and Africa, according to a report by aviation analytics company (Cirium) earlier this year, where the report showed that the accuracy rate in the timing of the company's flights that took off and landed reached 86.76%.

### **In the field of information technology**

During 2022, Royal Jordanian continued to implement advanced electronic systems in various fields to find innovative solutions that contribute to adapting to the current situation, improving operational processes, and providing safe travel solutions for passengers in various areas, including:

#### **- Launch of Oracle Fusion**

In line with the Information Technology Department's plan for digital transformation and applying latest technologies, Royal Jordanian became the first airline in the region to successfully transition its finance, procurement, and human resources systems to the Oracle Cloud Fusion System. Modernizing systems to the Oracle Fusion cloud enables full automation of multiple tasks, and supports seamless integration with different systems, in addition to providing more system functions to stay ahead of the curve and continue to drive the company's business forward, supporting its future plans through the ability to adopt any project or idea that supports the company's growth.

#### **- Air Cargo & Mail System**

Keen to provide the best services and continue updating and developing its systems, RJ works to modernize the air cargo system with the new partner, Cargo Flash, which is considered one of the leading companies in the region and the world in this field. The new system is in line with the requirements of the local and global cargo market to meet the needs of air freight agents. The modernization of the system aims to facilitate the follow-up of shipments, enable freight agents to make immediate cargo reservations and organize their documents electronically. The system aims at a seamless integration in different systems such as financial/commercial/airport services; it also meets all customs clearance requirements for outgoing and incoming shipments. The finance module in the system enables collection of shipment-related fees electronically and segregates revenue based on (commercial/handling) basis. The postal system will also be updated as phase II, to keep pace with business developments in line with the new shipping system.

#### **- Revenue Management Systems**

As part of RJ's strategy to enhance the business enabler systems, the revenue management system that contains PROS Revenue Management Advantage RM-A, PROS Group Sales Optimizer Ultimate GSO-U and PROS Real Time Dynamic Pricing Ultimate RTDP-U has been upgraded and migrated to the cloud. RJ has been using PROS on premise systems for a long time and this project, by moving to the cloud, can better forecast and optimize RJ flights, and solved some challenges posed by delays of issue resolution, daily process stability and performance, in addition to taking advantage of the new functionalities. Meeting RJ's expectation from RM Cloud migration was mainly on building new



workflows and enhancements in RMA, having real-time dynamic pricing in RTDP-U and getting an efficient and scalable system to manage the growing RJ network.

### **- Cybersecurity Management Systems XDR**

An improved approach has been adopted and the new cybersecurity platform XDR aims to keep the company updated on the rapid developments in the field of cybersecurity and the high rates of cyber-attacks, and avoid the risks of having its cyber systems penetrated by migrating all Royal Jordanian systems to a more effective platform that provides greater visibility and more accurate results by automating threat detection and prevention quickly and efficiently to reach high levels of information security.

### **Launching Fly High program for corporate travel**

RJ launched its innovative and dynamic corporate program Fly High, which aims, among others, to become the preferred airline in the Levant by offering bespoke products and delivering a consistently superior customer experience. With this program, the companies and their corporate travel agents receive a substantial cost-friendly and budget-saving service for high-volume travel.

### **Frequent Flyer Program 'Royal Club'**

RJ's Royal Club Frequent Flyer program offers its members various privileges and services to maintain their loyalty and attract new customers. The club now numbers 500,000 members; 31,793 new members joined the program in 2022.

### **Partnership with Hospitality Management Holding (HMH)**

Royal Jordanian and Hospitality Management Holding (HMH) reached a partnership agreement whereby HMH joins Royal Club Frequent Flyer Program network of partners. Through this collaboration, Royal Club members staying at any of HMH distinctive hotel brands throughout the UAE and Jordan will earn Royal Club Award Miles for each \$1 they spend on accommodation or services, which makes their experience more rewarding.

### **Ground handling operations**

Royal Jordanian continues its efforts to enhance revenues and exploit all available opportunities to improve ground passenger services and ensure the smooth running of operational traffic, and to provide ground handling for RJ and other carriers' aircraft operating at Queen Alia International Airport and King Hussein International Airport in Aqaba.

In 2022, RJ provided ground handling services to Wizz Air at Queen Alia International Airport and King Hussein Airport in Aqaba, where the company expanded its operations in Jordan by operating a large number of flights.

As for cargo services, RJ signed a new agreement with Etihad Airways for cargo handling services; thus, it will maintain direct business ties with them. Also, a new contract was signed with Master Jet and Merkur. The new agreements will increase the volume and the market share of RJ's private and charter ground-handling services at all Jordanian airports.

### **- Biometric Pilot Experience at the Airport**

Royal Jordanian worked, alongside its technological partners Amadeus and AIG, on establishing a biometric solution for a pilot airline that will enable Queen Alia International Airport and RJ to be among the first airports and airlines to evaluate this market-leading technology at global scale. It is an intuitive experience, from enrollment to boarding, where biometrics is integrated into the passenger journey to provide a seamless and enhanced customer journey.

### **- Audit Certificate (IOSA) for Safety Standards**

The International Air Transport Association (IATA) renewed RJ's IOSA certificate for 2022. The certificate will be effective through 2024; it reflects the efficiency of the company's operations and its commitment to achieving the highest levels of air safety at the best standards of accuracy and professionalism, and to following local and international procedures to ensure a high degree of air and ground safety.



## **Enhancing the passengers' experience**

### **- Crown and Economy Class Meal Development**

Royal Jordanian has introduced new enhancements to the menu of hot meals served to passengers from Amman in Crown Class, where several options have been added, and food dishes have been enhanced with a variety of flavors, including short flights, medium-haul flights, and a revamp of the menu of long-haul passengers to meet the desires and needs of passengers, as well as a renewal of the menu for Crown and Economy Class passengers from North America, Bangkok and London destinations, meal enhancements for Crown and Economy Class passengers from Chicago, New York and Montreal, and the addition of different types of drinks for long-haul flights.

### **- Crown Lounge**

Royal Jordanian endeavored to enhance the passenger experience in the Crown Lounge at Queen Alia International Airport: it renovated the lounge and now offers even higher quality food and drinks to meet the desires of customers.

Duty-Free kiosks added value services to the Crown Lounge passengers by simplifying their travel experience. The new service allows passengers to shop from duty-free, and their purchases will be delivered to them in the lounge, thus facilitating the customer journey.

### **- Cabin Crew members**

A total of 327 new cabin crew were recruited in 2022. The airline will recruit more employees at later stages to reach the required number in 2023.

### **- Inflight Entertainment Services**

The content of Skyconnect, the in-flight entertainment service, was upgraded significantly in 2022, including more than 250 movies at any time. New cycle themes were introduced to attract more viewership. The series selection was also enhanced as new genres were added. Accompanying these additions, the graphic user interface was improved to showcase the content.

### **- iPad for Crown Class passengers**

The iPad onboard service was introduced to offer Crown-class passengers the option of enjoying the Skyconnect application by using a 9th-generation iPad. Offering iPads encouraged new users to use the application and increased the viewership time.

### **Agreement with the Business Development Center**

A cooperation agreement was signed with the Business Development Center (BDC), aimed at training and employing Jordanian youths as flight attendants, in accordance with the requirements of Royal Jordanian and the Civil Aviation Regulatory Commission. As per the terms of the agreement, BDC will train the qualified youths for the profession of flight attendant for three months, as part of the Azem Project, which is funded by UNICEF. After successfully completing the training, attendees will be appointed at RJ for a period not less than one year.

### **University Student Employment Program**

Royal Jordanian provided temporary employment opportunities to 50 students from public and private universities during the summer period. The students selected were majoring in different academic subjects that match RJ's manpower needs. They were paid reasonable salaries during the peak period, when the company needs more staff to help facilitate the movement of an increased number of passengers.

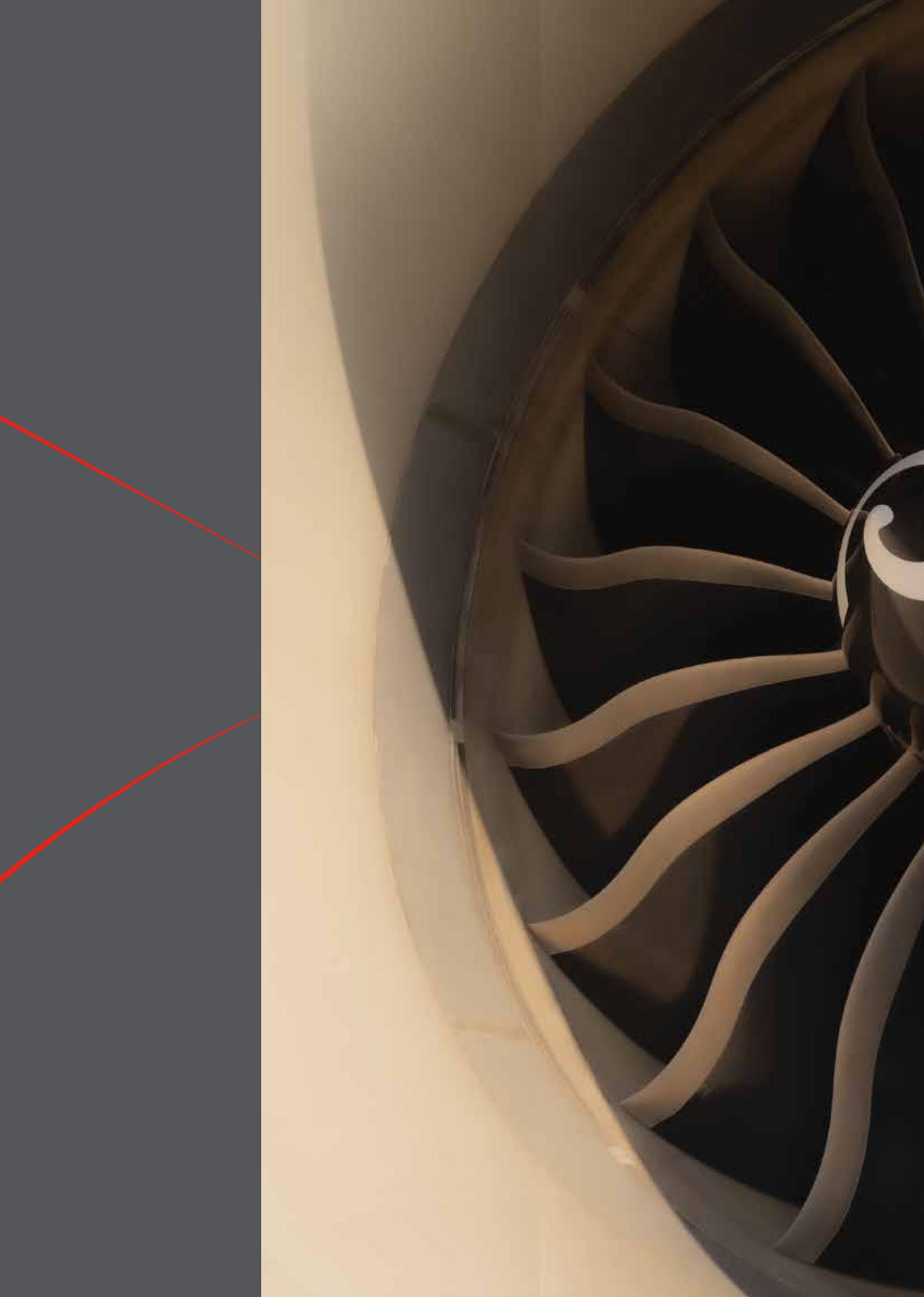
### **Firefighting trainer facility for crewmembers' safety training**

Another achievement adds up to the company's progress: the establishment of a firefighting trainer facility to simulate real aircraft cabin fire/smoke. The facility will help train personnel work to minimize the effects of an aircraft accident, incident, or catastrophic event, should it ever occur. It offers a new competitive advantage to Royal Jordanian, helping it train the crew in compliance with the Civil Aviation Regulatory Commission requirements.





**Analysis of the  
Company's Financial  
Position and Business  
Results for 2022**





## Analysis of the Company's Financial Position and Business Results for 2022

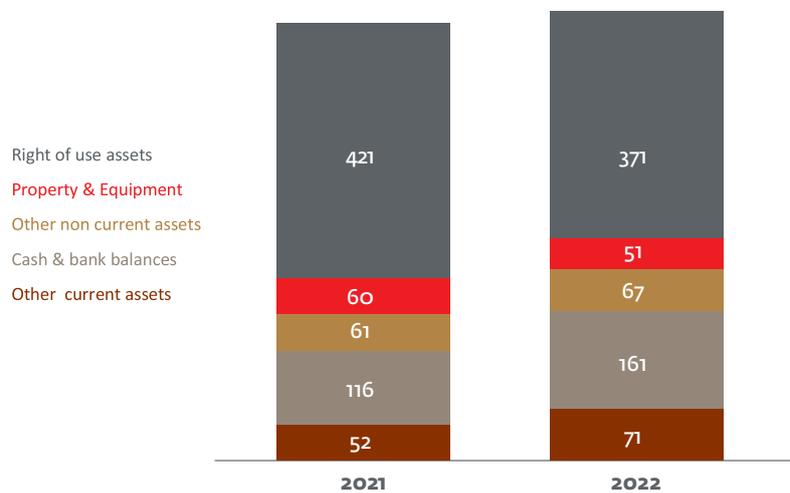
### Financial Position Analysis

#### 1. Assets

Total assets increased by 2%, at a value of JD 11.6 million, and the main reason for this is due to the increase in the cash balance by JD 45.5 million as a result of the increase in short-term deposits, in addition to the increase in capital by JD 70 million and the increase in sales compared to the previous year.

On the other hand, right-of-use assets decreased by JD 49.6 million as a result of the depreciation amount of JD 56.4 million for the year 2022, while property and equipment also decreased by JD 8.8 million as a result of periodic depreciation during the year amounting to JD 17.4 million compared to annual additions worth of JD 9.2 million.

Receivables increased by JD 9.3 million, and other current assets increased by JD 9.2 million compared to the previous year due to the increase in lessors' receivables.



#### 2. Shareholders' Equity

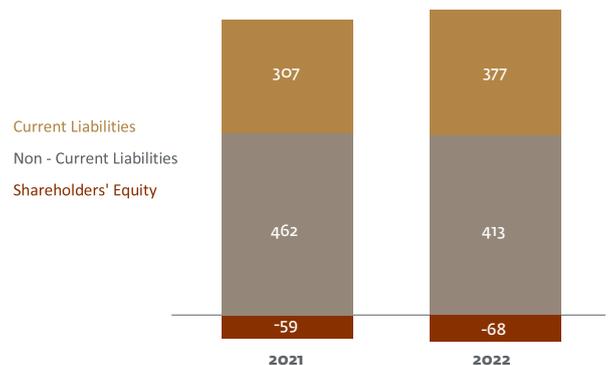
Net equity decreased by JD 9.2 million, demonstrating a drop of 15% over 2021. The main reason for the drop is the loss for the year, amounting to JD 78.9 million. It is worth mentioning that during the year 2022, the capital was increased by JD 70 million.

#### 3. Liabilities

Non-current liabilities decreased by JD 49.2 million compared to 2021, due to the decrease in obligations under long-term lease contracts by JD 60.7 million and an increase in long-term loans by JD 10.8 million.

Current liabilities increased by JD 69.9 million, demonstrating a 23% increase. The main reason for this is the increase in accounts payables and accruals by JD 34.7 million, resulting from the increase in operations during the year 2022 compared to 2021. Additionally, deferred revenues increased by JD 30.9 million, due to the increase in sales.

On the other hand, obligations under short-term lease contracts decreased by JD 19 million due to regular lease disbursements.





## Analysis of Business Results

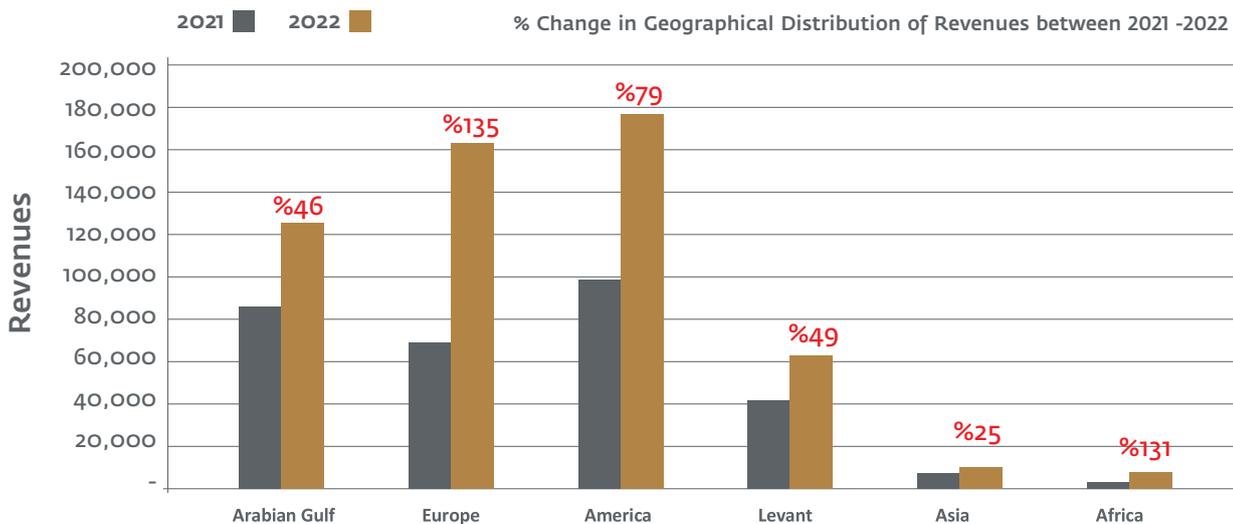
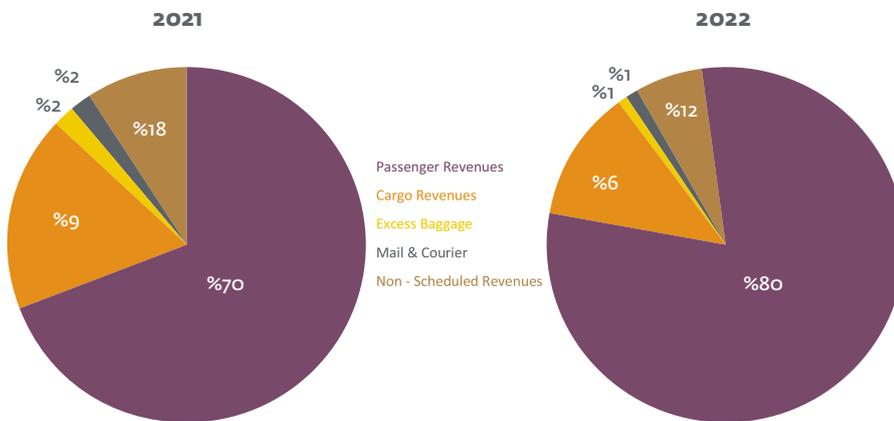
### 1. Revenues

Total revenues for the year 2022 amounted to (JD 612.9 million) compared to (JD 357.1 million) in 2021, an increase of 72%.

The main reason for the increase in revenues is the increase in passenger revenues by JD 241 million because of the increase in the demand on travel, as the number of passengers increased by 92% compared to the year 2021. The increase was mainly from America, Europe, and the Arab Gulf, by approximately JD 70.2 million, JD 86.5 million, and JD 36.0 million respectively.

Cargo revenues for the year 2022 amounted to (JD 36.2 million) compared to (JD 31 million) in 2021, an increase of 17%.

The following is an explanation of the percentages of revenues from their total during the years 2021 and 2022:





## 2. Cost of Revenues

Cost of Revenues increased for the year 2022 by JD 248.7 million, demonstrating a 68% increase, compared to 2021, and this increase is due to the following main reasons:

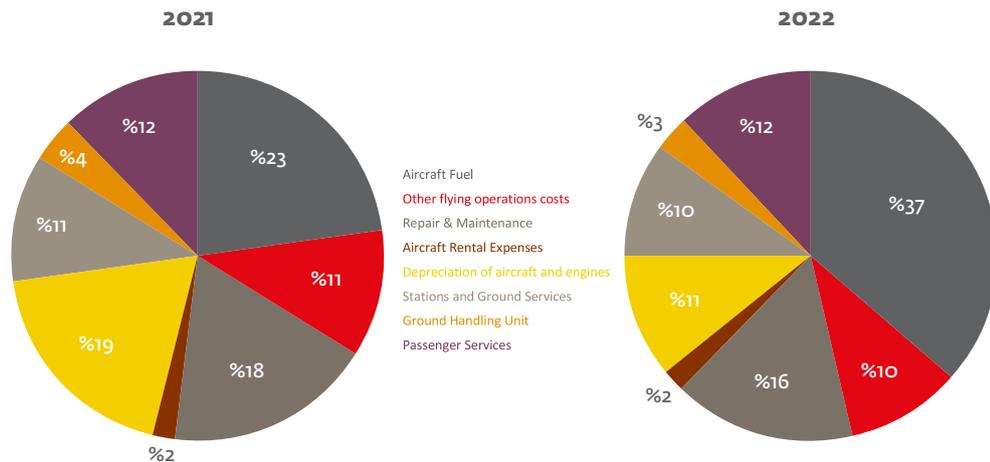
An increase in flying operations cost by JD 162.8 million, representing a 131% rise, mainly due to the increase in aircraft fuel costs by JD 143.3 million, 168% more than 2021 as a result of the increase in fuel prices by 69%. Additionally, an increase of 60% in flying hours in 2022 compared to last year contributed to a further increase in flying operations costs.

An increase in repair and maintenance costs by JD 29.1 million due to an increase in flying hours by 31,847 hours, representing an increase of 60% compared to 2021. Additionally, aircraft redelivery provisions were increased by JD 5 million.

An increase in passenger services costs by JD 29.8 million is mainly due to the increase in catering costs by JD 8.1 million, which is attributable to the 92% increase in the number of passengers. In addition to that, reservation costs increased by JD 7.3 million, and cabin crew time away from base allowances increased by JD 3.2 million.

An increase in stations and ground services costs by JD 18.5 million, mainly due to the increase in handling and landing costs by JD 11.7 million and JD 6.7 million, respectively, as the number of departures increased by 60% and the total number of passengers increased by 92%.

The following is an illustration of the costs of revenue from their total during the years 2021 and 2022:



## 3. Gross Loss and Net Operating Loss

The total gross loss for the year 2022 amounted to (JD 4 million), compared to a total gross loss of (JD 11.2 million) in 2021. The main reason for this is the increase in revenues for the current year by a greater percentage than the increase in costs of revenue which is mainly due to the increase in travel demand and the growth of the Seat Factor from 68% in 2021 to 77% in 2022.

As for the net operating loss, the company recorded for the year 2022 a net operating loss of JD 58 million, compared to a net operating loss of JD 48.2 million in 2021. This is mainly due to the increase in sales and marketing expenses by JD 14 million as a result of spending more on travel agents' incentives and commissions as well as credit card commissions, all of which are tied to the increase in revenues.

## 4. Net Loss

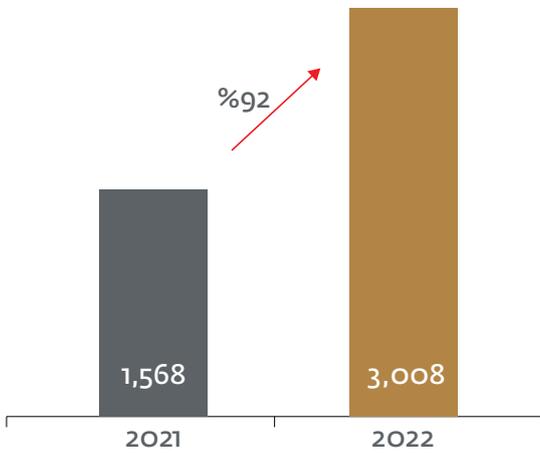
The company recorded a net loss in 2022 of JD 78.9 million, compared to a net loss of JD 74.3 million in 2021. The main reason for the 2022 loss is the substantial hikes in fuel prices which increased by 69% over the previous year.



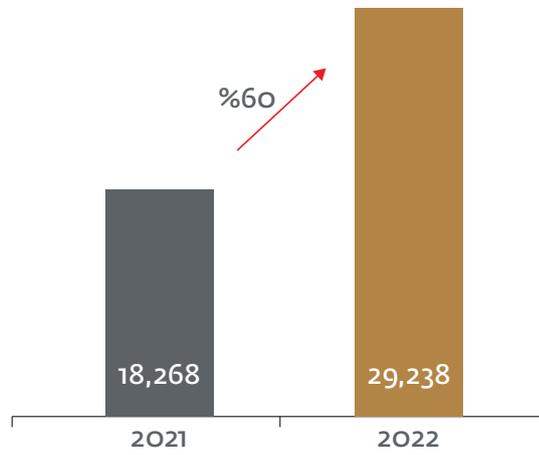
## Our Financial and Operational KPIs for 2022

### Our Operational KPIs

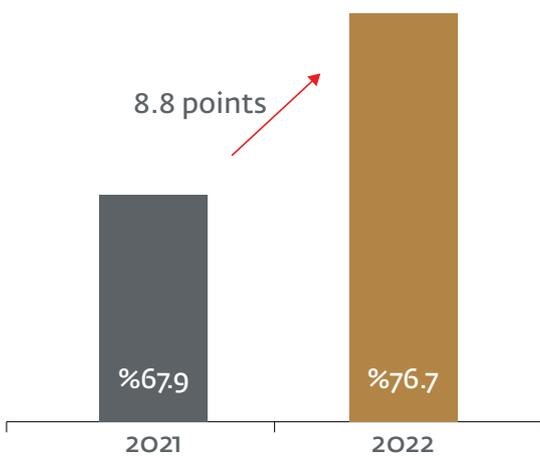
Number of Passengers '000



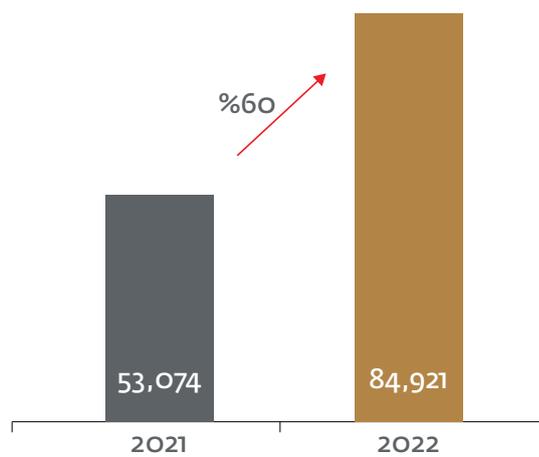
Number of Departures



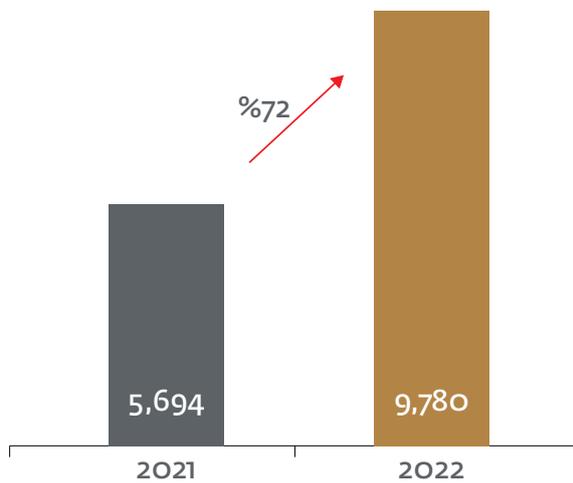
Seat Factor



Flying Hours



ASKs '000





Below is a summary of the main financial ratios (JD '000) and indicators for the years 2021 and 2022:

Financial Ratios	2022	2021	Variance %
Revenues	612,913	357,063	72%
Gross Loss	(-4,028)	(-11,217)	(64%)
Net Operating Loss	(-57,967)	(-48,155)	17%
Net Loss	(-78,860)	(-74,259)	6%
Non - Current Assets	489,410	542,053	(-10%)
Current Assets	232,423	168,255	38%
Deficit in Shareholders Equity	(-68,257)	(-59,100)	15%
Paid in Capital	324,610	324,610	0%
Net Cash Flows from Operating Activities	61,031	98,950	(-38%)
Return on Assets	(-10.9)	(-10.5%)	5%
Current Ratio	0.62	0.55	13%
Debt to Total Assets Ratio	109%	108%	1%
Debt Ratio	116%	112%	3%
Share Price at end of year (JD)	0.20	0.24	(-17%)
Earnings Per Share	(-0.243)	(-0.270)	(-10%)
Number of Shares Paid and Subscribed at End of Year ('000)	324,610	324,610	0%

### Audit Fees

The audit fees of Royal Jordanian and its subsidiaries for the year 2022 where as follows:

#### - Royal Jordanian

Royal Jordanian audit fees amounted to JD 81,200 inclusive of tax.

#### - Royal Wings

Royal Wings audit fee amounted to JD 1,700 inclusive of tax..

#### - Royal Jordanian Travel & Tourism (Royal Tours)

Royal Jordanian Travel & Tourism audit fee amounted to JD 3,364 inclusive of tax.

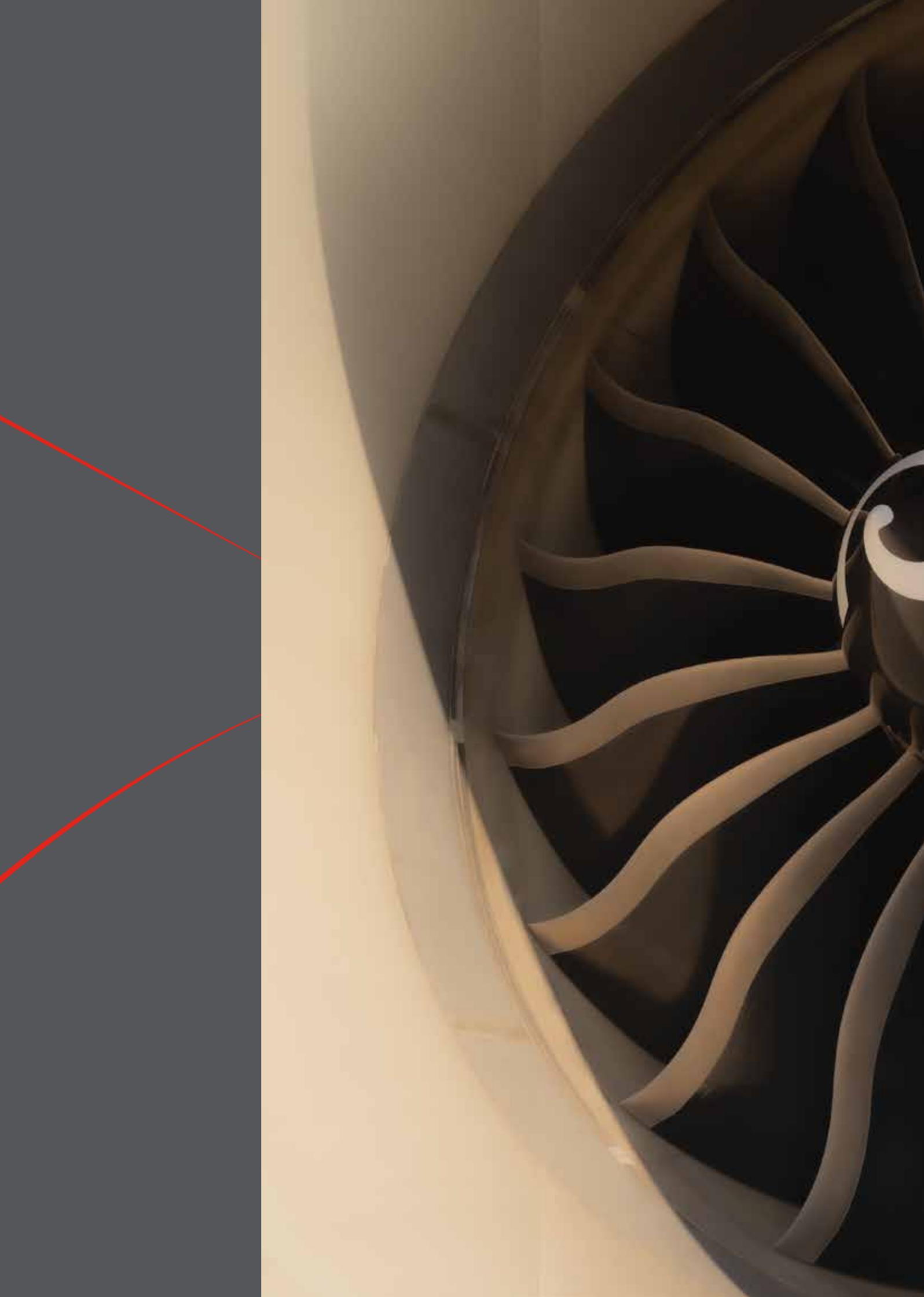
#### - Tikram Airport Services

Tikram Airport Service audit fee amounted to JD 2,500, inclusive of tax..





# **Future Plans for Network and Fleet**





## Future Plans for Network and Fleet

Royal Jordanian Airlines is currently developing its fleet and network through a new strategic plan over the next seven years to reach a total fleet of 42 aircraft in 2028. Ongoing studies are also being prepared with different scenarios on how the aviation sector is recovering from the Corona pandemic and on the direction that Royal Jordanian should take to develop its network of routes, and its alliances with the help of modern technological systems and solutions, which will contribute to enhancing the company's competitiveness in the region in order to develop the company's performance at the medium and long term levels.

Royal Jordanian has selected the GTF Aviation Engines from Pratt & Whitney, the world's leading aircraft engine design and manufacturer, for installation on 30 new aircraft as part of the company's fleet modernization plan for medium and short haul, and has been approved to operate up to 20 Airbus A320neo family aircraft and 10 Embraer E2 aircraft, as well as provide maintenance and technical support services for the engines through a comprehensive long-term agreement.

The company's policy is to review its network based on feasibility studies of operation, and in line with Royal Jordanian's objectives to provide the best service to its passengers, as these studies will be a continuous and periodic process throughout the year. Accordingly, operations will be carried out in 2023 to Khartoum, Bahrain, Aden, Düsseldorf, Stockholm, Trabzon, and AIUla to enhance Royal Jordanian's network and profitability if the right operating conditions are in place.



## Our new destinations – if all requirements are available – are in green as follows:

Royal Jordanian is also following up on its plans to restore all its operations that resulted from the





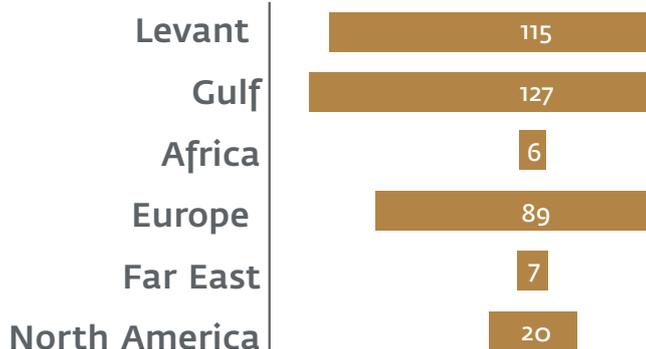
Corona pandemic and to adjust the number of its operational flights to the currently serviced stations, where Royal Jordanian will operate to seven stations added to the current operation in 2023, in addition to increasing the efficiency of connectivity across its flights to and from Amman and increasing the connectivity between flight arrival and departure times based on the real needs of the transit passenger market.

Royal Jordanian will continue to serve most of its existing routes in 2023 which will be served by (364) weekly flights distributed into (89) flights to Europe, (127) flights to the Arabian Gulf region, (115) flights to the Levant, in addition to (20) flights to North America and (6) flights to North Africa.

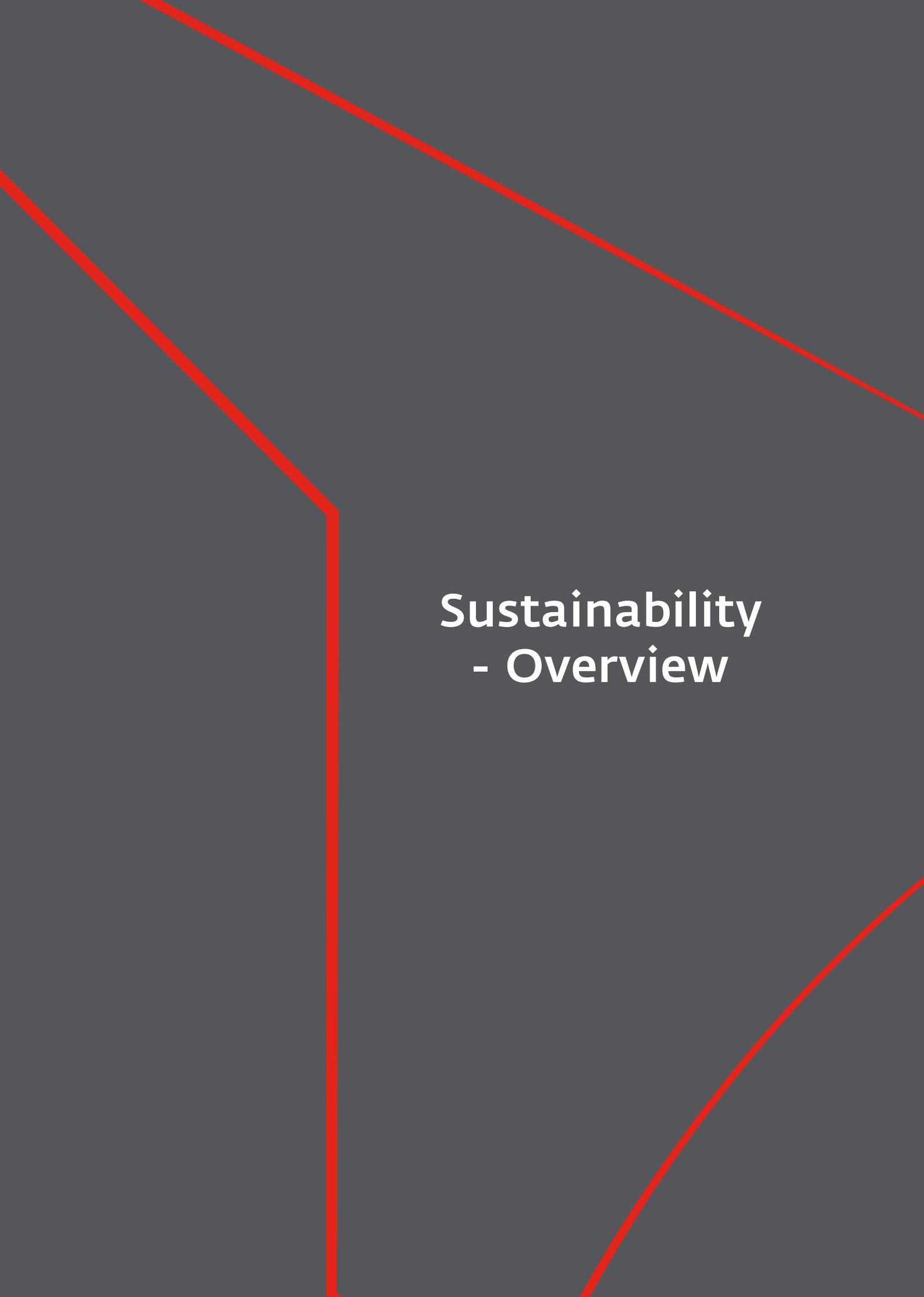
Royal Jordanian is working to introduce new aircraft on an ongoing basis in accordance with its policy of maintaining the efficiency and effectiveness of the operation of its fleet aircraft through continuous modernization and maintaining a small average age of fleet aircraft, which leads to reducing variable and fixed operating costs and maintenance costs, thus reducing operational costs, as it contributes to enhancing the competitive strength of the company.

Royal Jordanian is committed to restarting Damascus, Aleppo, Tripoli, and Benghazi within its network if security conditions allow.

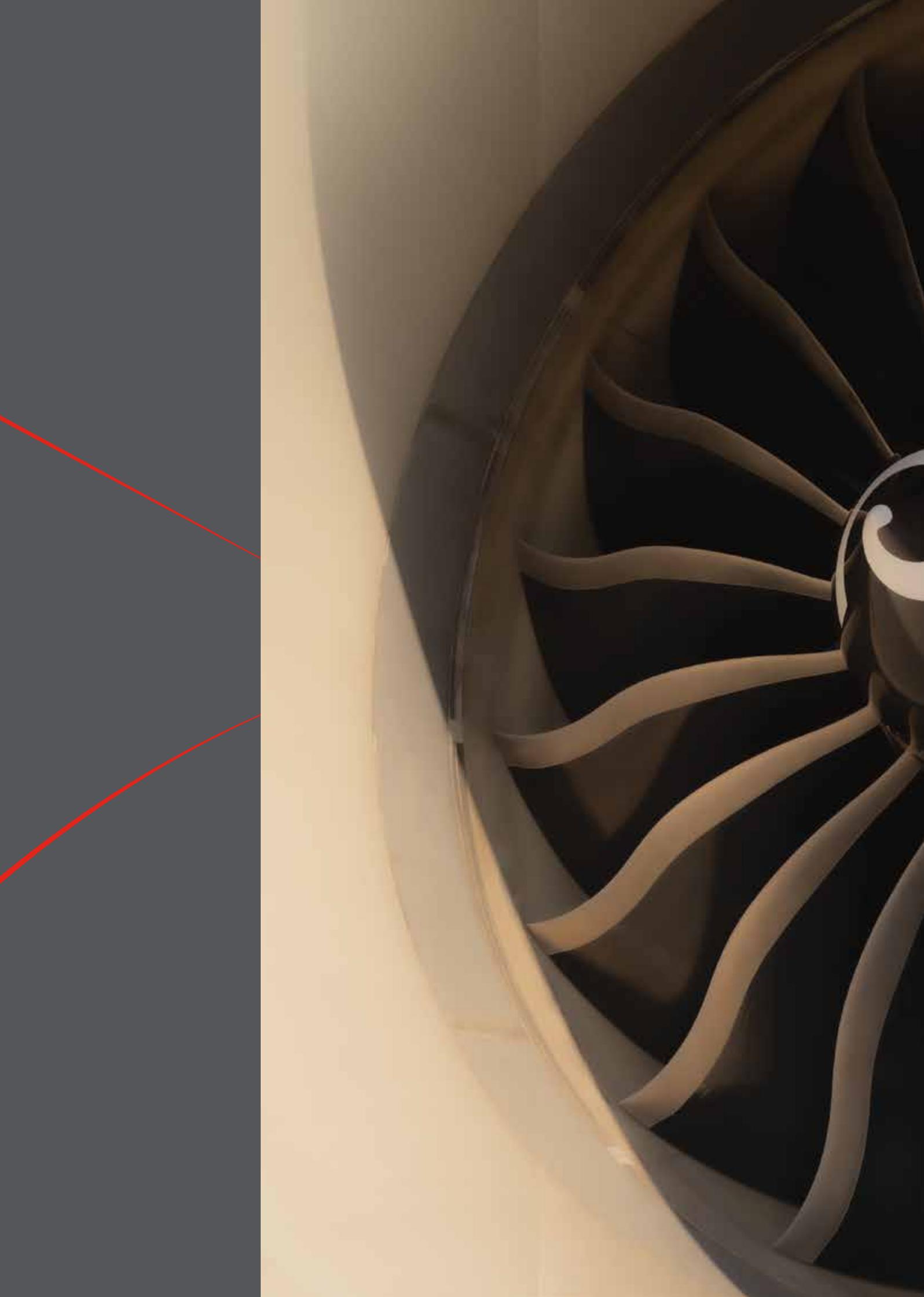
**Therefore, the company's fleet during the year 2023 will be as follows:**



Number of Aircraft	Our Fleet
7	Boeing B787 
2	Airbus A321 
7	Airbus A320 
2	Airbus A320 (Economy) 
4	Airbus A319 
2	Embraer EMJ 195 
2	Embraer EMJ 175 
1	Airbus A310 (freighter aircraft) 
<b>27</b>	<b>Total</b>

The background is a dark gray color. It features several thick red lines that create abstract geometric shapes. One line starts from the top left and goes diagonally down to the right. Another line starts from the top left, goes diagonally down to the right, then turns vertically down, and then turns diagonally down to the right again. A third line starts from the bottom left and goes diagonally up to the right. The text is centered in the middle of the page.

# Sustainability - Overview





## Sustainability- Overview

### Social Responsibility

Royal Jordanian's activities and initiatives in the fields of sustainability and community service, which identify the goals most relevant to its operations and its position as the national carrier of Jordan, are contributing to achieving many of the UN sustainable development goals. Below are important contributions in this field:

#### **Continuing to support the King Hussein Cancer Foundation and Center**

RJ continued to extend support to King Hussein Cancer Foundation and Center in their fight against this disease, deeply invested in a partnership striving to achieve the foundation's humane mission of finding the best treatment for patients.

- Royal Jordanian gave its traveler the opportunity to contribute in the treatment of cancer patients by donating air miles to the frequent flyer program, and the fundraising boxes were distributed at all the company's sales offices in Jordan and in the it's Crown Class Lounge at Queen Alia International Airport.

Royal Jordanian implemented a blood donation campaign among its employees for the benefit of cancer patients at the center.

- The company organized a trip to Aqaba for survivors in cooperation with the Jordanian Breast Cancer Program with the aim of spreading awareness and providing support and assistance to breast cancer survivors.

- The King Hussein Cancer Foundation honored Royal Jordanian at a ceremony held to honor the researchers who won the King Hussein Award for Cancer Research 2022. CEO Samer Majali received the award bestowed on RJ. The event, organized by the foundation, was attended by HRH Prince Talal, the chairperson of the Board of Trustees of the center, and HH Princess Ghida Talal.

#### **Partnership with Children's Museum Jordan**

Aiming to familiarize Jordanian children with Royal Jordanian, the airline renewed its partnership with the Children's Museum/Jordan. The partnership entails supporting the "Up & Away Area" at the museum, one of the most popular and visited zones, which gives children the chance to learn about aviation and the job of a crew member in a fun and exciting way.

#### **150 orphans invited to Ramadan Iftar**

Royal Jordanian continues to carry out its national and social role during the holy month of Ramadan. In 2022, the airline held an Iftar banquet at the Children's Museum/Jordan for 150 orphans.

#### **Cooperation agreement with Naua & Crown Prince Foundation**

Royal Jordanian can use Naua platform as a database for the community initiatives it implements to collect donations for charitable projects, and uses the "Nahno" national platform for youth volunteerism to train Royal Jordanian employees to engage in volunteer work and community service.

#### **Support of the "University Education Fund" for the Union of Air Transport Workers**

Royal Jordanian continues to provide support to the University Education Fund of the General Trade Union of Workers in Air Transportation and Tourism, which goes towards enabling children of workers in the air transport sector who successfully passed the high school exam to benefit from 10 scholarships at Jordanian universities.

#### **Distribution of 235 school bags to students in Giza**

As part of its support for the educational process, and in line with the 4th goal of ensuring "quality education", of the Sustainable Development Goals, Royal Jordanian distributed school bags to 235 primary school students at public schools in the Jiza area.



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### **Continuing to support the Hashemite Charity Organization**

Since 2014, RJ has been offering continuous support to the Charity Clothing Bank, one of the Jordan Hashemite Charity Organization initiatives, by placing donation boxes at different company locations to enable the staff to donate garments, shoes and toys that go to the beneficiaries of the clothing bank.

### **Sponsorship of five families from SOS villages**

Royal Jordanian reached a partnership agreement with the **SOS** Children's Villages, whereby the airline would sponsor five families for a whole year as part of its corporate social responsibility and in appreciation of SOS' humanitarian mission of caring for orphaned children and those who lack family support.

### **Supporting Wasel Organization for Awareness and Education**

With the aim of empowering the youth in the Jordanian society, RJ lent its support to "Shabbek Wa Bader" project of Wasel Organization, which is a network for public and private school students, through which they are able to learn different skills and carry out joint initiatives that help them interact with the society and remove barriers between them.

RJ provided support for four initiatives during the academic year 2022-2023: helped repair two streets in Ghor Al Mazraa area, planted trees on both sides of the road and lit them; helped translate a novel in Braille and disseminate it in libraries; helped launch and sell a picture book that shows the life cycle of battered women, whose proceeds will be allocated to entities that offer protection to women; is working to raise funds for shelters for stray dogs.

### **Empowering Jordanian society and Youths**

#### **- Women on the Frontlines Conference**

RJ sponsored the fifth edition of the Women on the Frontlines conference, organized by May Chidiac Foundation with the aim of empowering women and encouraging them to produce long-term outcomes that benefit the public good. The conference will put the spotlight on success stories of women and girls who have made significant contributions in various fields. Captain Alia Twal, the youngest flight instructor in the Middle East, was a main speaker at the event, where she shared her experience as a female pilot.

#### **- RJ sponsors Jordan Robotics Team**

Royal Jordanian sponsored the robotic team of Zaha Cultural Center, enabling it to participate in the 2022 FIRST Robotics World Championship, held in the US. The championship aims to provide students with the expertise and skills needed to work in the field of artificial intelligence. The Jordanian team won the Engineering Excellence Award in the global competition.

#### **- Jordan Basketball Association**

RJ was named the official carrier of the Jordan Basketball Federations' women and men teams. Through this sponsorship, the airline offered discounts on ticket fares and facilitated the teams' travels to various destinations on its route network.



### **- Official carrier for participants in the Jerash Festival for Culture and Arts**

RJ has been sponsoring the Jerash Festival for Culture and Arts, as the official carrier for Arab and international guests and delegations participating in it, for 36 years. RJ also facilitated the process of booking and issuing tickets for participants in the festival, offered ticket discounts and assigned staff members who had volunteered to organize and facilitate the festival's activities. RJ received full media exposure in exchange.

## **Environmental Responsibility**

Royal Jordanian is committed to boosting sustainability and preserving the environment in all its business and operations in the air and on the ground, and to a responsible interaction with the environment by implementing a policy consistent with its pioneering role in the Jordanian society. RJ has played a leading role in promoting the concept of sustainability, introducing new solutions and enhancing local and global partnerships. Its future plan focuses on sustainable operations, resource management, and reducing energy consumption.

Environmental protection is the mainstay of sustainability. Therefore, RJ seeks, through its policy, to achieve the following:

### **- Respond to global climate change**

This can be done by reducing greenhouse gas emissions, as much as possible, and in line with the official initiatives of the International Air Transport Association (**IATA**), the Arab Air Carriers Organization (**AACO**) and the global airline alliance **oneworld**. This is one of the greatest challenges in aviation.

### **- Commitment to global action on carbon offsetting**

The company has taken several measures to reduce pollution from its operations:

- The European program **EU-ETS**, to reduce carbon dioxide emissions and to improve environmental performance.
- The **CORSIA** program by **ICAO**, how the benefits from the use of sustainable aviation fuel are calculated and claimed in the context of the CORSIA plan, is important in terms of reducing the level of compensation needed for airlines.
- Britain's **UK-ETS** emissions system is part of Britain's plan to eliminate net greenhouse gas emissions by 2050 as part of the global push to slow climate change.

## **Reduce carbon emissions to zero by 2050**

RJ has joined a community of organizations dedicated to reducing till reaching zero emissions by 2050; meanwhile, by 2030 the aim is to emit 10% less carbon dioxide, complying with international laws and signing the Ambition Statement issued by the World Economic Forum in cooperation with the **oneworld** airline alliance.

## **IATA Environmental Assessment Program**

Royal Jordanian joined a large number of airlines that are now using the IATA Environmental Assessment Program (IEnvA). This sustainability program will be a key tool for RJ to achieve sustainability in all air and ground operations. Globally, IEnvA is used by airlines, aircraft maintenance services, on-board catering services and ground handlers to enhance environmental sustainability. IEnvA identifies the environmental impact and risks, and provides the tools to check the airline's commitment to sustainability. The program covers all aspects of sustainability, from CO<sub>2</sub> emissions, to single-use plastics to cabin waste to wildlife trafficking.

## **Modernizing the fleet and producing less noise**

Royal Jordanian's strategy entails modernizing its fleet and introducing new aircraft, which would greatly contribute to reducing air and noise pollution. RJ chose to introduce the medium-range



A320neo family aircraft to its fleet, which features the very latest fuel and environmentally efficient engines that will see 20% less fuel burn and CO<sub>2</sub> emission, in addition to adding new Embraer jets to optimally serve short-haul routes in the region, guaranteeing up to 25% fuel saving per seat compared to the current aircraft.

### **Evaluation of Royal Jordanian operations and activities**

To address environmental risks by conducting systematic inspection of facilities, equipment and work activities.

### **Resorting to sustainable Aviation Fuels (SAF)**

Royal Jordanian aspires to replace its current fuel with alternative types of fuel. RJ's current fleet is equipped to operate on sustainable fuel, if it is mixed with no more than 50% fossil fuels. Nonetheless, it is challenging to adopt this initiative at this time, as the number of sustainable fuel suppliers is limited globally and even more limited on the airline's network, in addition to the fact that the price of sustainable fuel is much higher than that of fossil fuels.

### **Developing and maintaining Environmental Management System (EMS)**

This system provides a structured approach to help the company reduce its operations that affect the environment and help ensure compliance with industry regulations.

Complying with the legislation, regulations and laws within Jordan that relate to the environment, and any other requirements shared by Royal Jordanian. Achieving the sustainable environmental goals set by Royal Jordanian through the introduction of environmental programs will help to:

- Improve fleet fuel efficiency.
- Optimize the use of resources, materials, equipment and facilities.
- Manage and optimize energy consumption .
- Reduce waste generation, emissions and noise .
- Reduce the use of hazardous materials and generate hazardous waste.
- Recycle materials and promoting the use of recycled products.
- Develop environmental campaigns and stakeholder engagement in achieving environmental excellence.
- Ground support equipment is usually the second largest contributor to local air pollution at airports. It includes emissions from the non-moving aircraft (e.g. Auxiliary Power Units (APU), all Ground Support Equipment (including GPU) for handling aircraft, and all vehicles circulating on airside premises.

### **Rationalization of resource consumption:**

- RJ was awarded the technical license for the 360 Foam Wash cleaning system through partnering with General Electric. The technical license enables RJ to perform 360 Foam Wash on its fleet of GENx-1B engines for Boeing 787 aircraft completely on its own. GE's 360 Foam Wash is an alternative to the water wash method. It restores engine performance, thus leading to reductions in fuel consumption.
- Royal Jordanian is keen on reducing the environmental impact of paper consumption by keeping paper correspondence to a minimum while switching to electronic communication, as well as automating all customer services. Royal Jordanian was one of the first international airlines to issue e-tickets, in line with IATA's and other parties' directions, starting with 2008, thus stopping the use of paper tickets. Over the past years, the company has been able to automate all travel procedures.
- RJ works to reduce energy consumption, although the nature of its operations requires huge



consumption of energy. The company is constantly working on finding ways to cut down energy consumption, such as using central gas as heating fuel for the headquarters building, given the fact that gas is safer, cleaner and more environmentally friendly.

- Royal Jordanian was among the first companies to ban smoking in all its offices, at all its facilities and on board its planes.

### **Tree Planting Initiative**

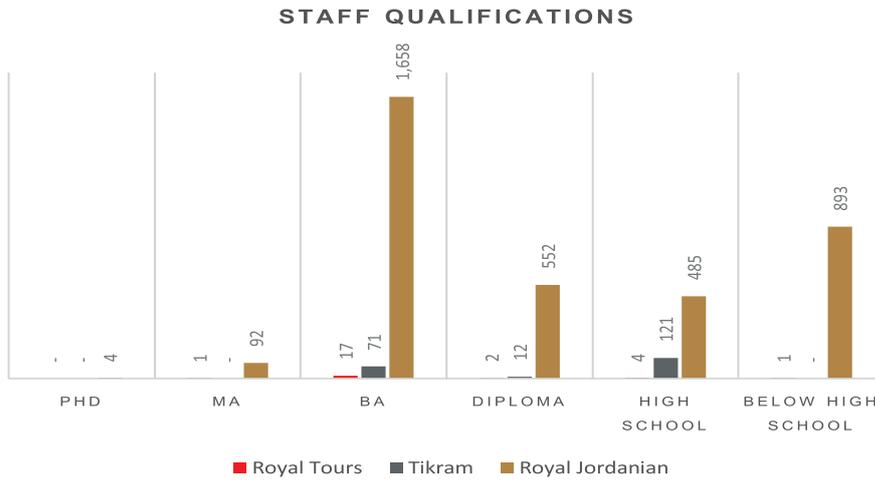
In order to support national efforts to preserve the environment, increase green area and combat desertification, Royal Jordanian planted 500 fruit trees in the Amriya area in Giza District as part of the Green Caravan program with the Arab Group for the protection of Nature.



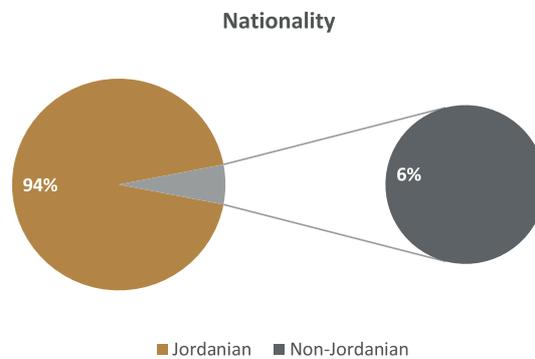
## Human Resources

### Number of employees and their educational qualifications

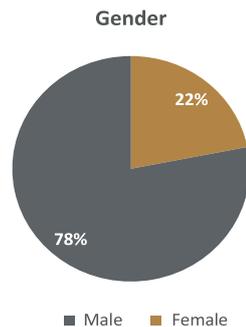
The following figure includes the number of employees of the parent company and its subsidiaries and their educational qualifications as at the end of 2022



### Total Number of Employees at Royal Jordanian by Nationality

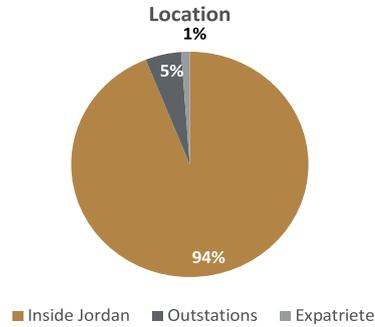


### Total Number of Employees at Royal Jordanian by Gender

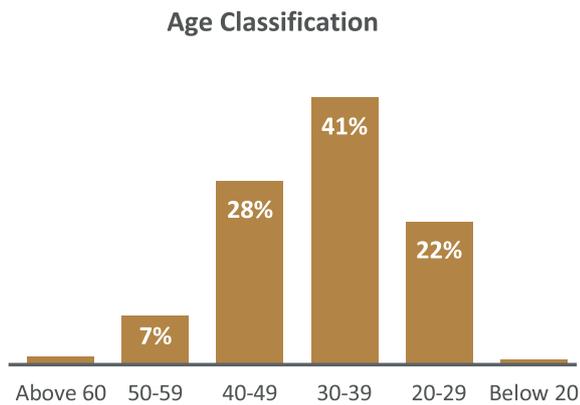




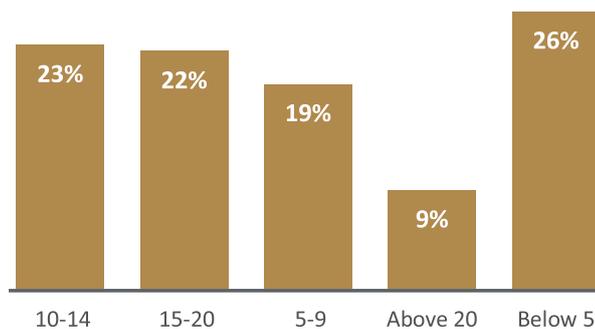
### Total Number of Employees at Royal Jordanian by Geographical Location of Work



### Total Number of Employees at Royal Jordanian by Age Group



### Total Number of Employees at Royal Jordanian by Years of Experience





## Training & Development

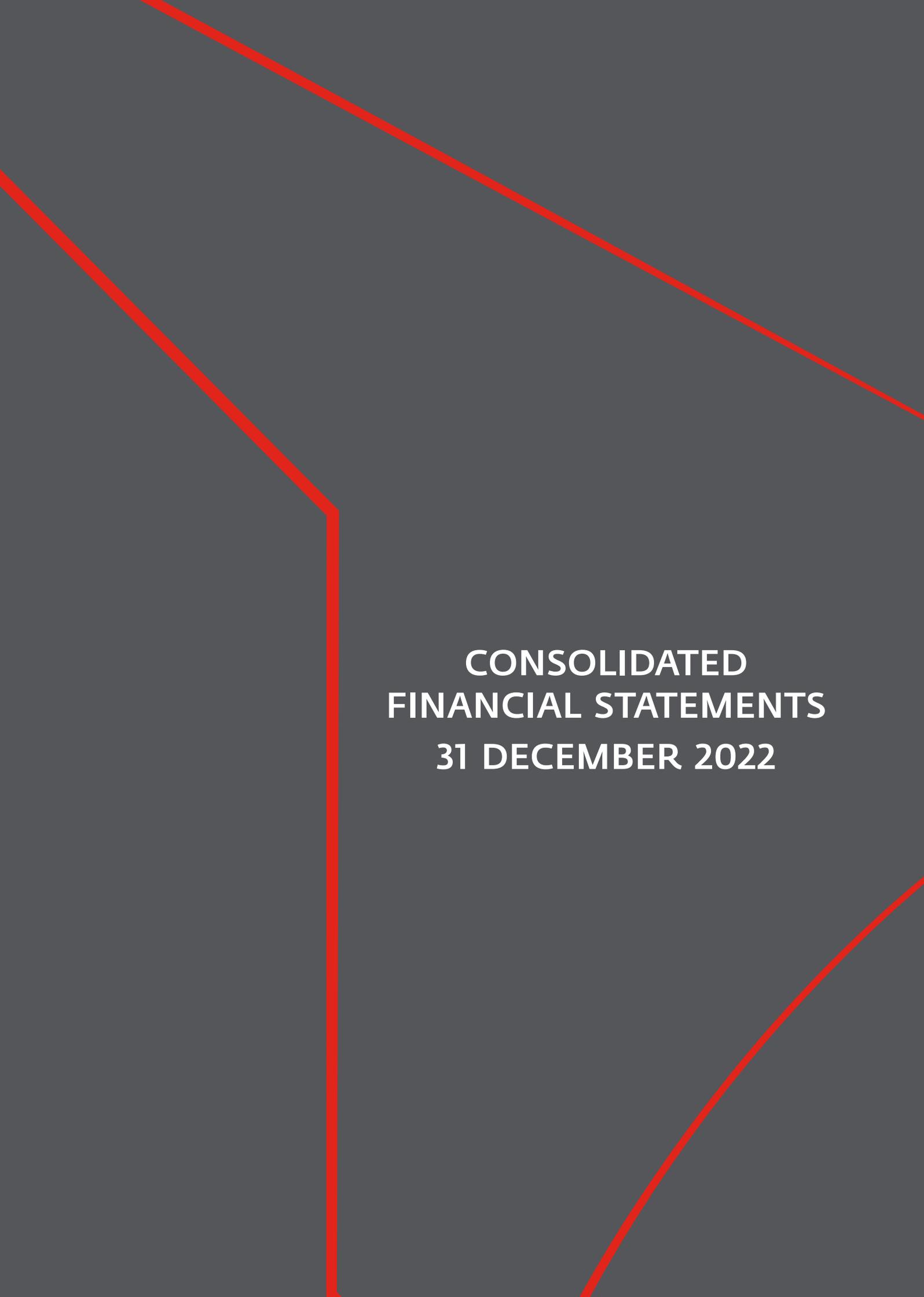
The company is committed to various training programs required by different aviation bodies, in addition to courses held for pilots, flight attendants and engineering and maintenance staff. These courses aim at improving staff level of efficiency and maintain standards of safety for RJ's passengers and aircraft. In 2022 the company provided training for the staff through 1,122 courses in which 7,521 participants from different departments took part to improve their managerial, technical and computer skills. There were also courses in marketing, sales and passenger services.

Here are the details of the courses and the number of attendees in each course:

Course Name	Number of Cycles	Number of participants
Marketing, sales and passenger services	6	98
Technical Courses	1,031	6,359
Managerial Courses	73	960
Computer and Information Technology Courses	12	104
<b>Total</b>	<b>1,122</b>	<b>7,521</b>

In addition to the previous courses, employees in outstations and different departments of the company were also trained through online training programs using (Talentlms) and (CPAT) as follows:

Course Name	Number of Courses	Number of participants
Technical Courses	26	2,681
<b>Total</b>	<b>26</b>	<b>2,681</b>



**CONSOLIDATED  
FINANCIAL STATEMENTS  
31 DECEMBER 2022**





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**ALIA - THE ROYAL JORDANIAN AIRLINES COMPANY (ROYAL JORDANIAN)  
A PUBLIC SHAREHOLDING COMPANY  
CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2022**



## **Material Uncertainty Related to Going Concern**

As disclosed in note (2-1) to the consolidated financial statements, the Group's accumulated losses of JD 400 million exceeded of the Group's capital as of 31 December 2022. Also, the Group's current liabilities exceeded its current assets by an amount of JD 144.9 million as of 31 December 2022. These events or conditions indicate that a material uncertainty exists that may cast significant doubt about the entity's ability to continue as a going concern. According to Article (266) of the Jordanian Company's Law No. 22 for the year 1997 and its amendments, if the accumulated losses of the Public Shareholding Company exceeded 75% of its capital, the Company shall be liquidated unless the General Assembly of the Company issues a decision on its extraordinary meeting to increase the Company's capital or to deal with the Company's losses.

On 18 May 2022, the Prime Ministry of Jordan resolved in its resolution number (7056) to authorize the Ministry of Finance to proceed with further procedures to increase the Company's capital by JD 70 million over two phases. An amount of JD 35 million was received during May 2022 and the remaining amount was received during August 2022. Capital increase procedures were not completed up to the date of the consolidated financial statements.

The Company received a comfort letter from the Ministry of Finance (the Jordanian Government's representative), stating that the Government is in favor of continuing to support the Company's operations in the future. Our opinion is not modified in this regard.

## **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2022. In addition to the matter described in the Material Uncertainty Related to Going Concern section, these matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



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## **INDEPENDENT AUDITOR'S REPORT**

**To the Shareholders of Alia - The Royal Jordanian Airlines (Royal Jordanian)  
Amman - Jordan**

### **Report on the Audit of the Consolidated Financial Statements**

#### **Opinion**

We have audited the consolidated financial statements of **Alia - The Royal Jordanian Airlines (Royal Jordanian)** (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, consolidated income statement, consolidated comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards, are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants* (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Jordan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



## 2. Lease contracts

Refer to the note (18) to the consolidated financial statements

### Key Audit matter

IFRS (16) specifies how to recognize, measure, present and disclose leases. The standard requires the lessee to recognize assets and liabilities for all leases unless the lease term is short-term lease (i.e. 12 months or less) or the underlying asset has a low value.

We focus on lease contracts because:

- There is a high level of judgment needed in establishing the underlying key assumptions that include identifying which contracts are in scope of IFRS (16), the lease term and the discount rate used in the calculation.
- The recoverability of Right of Use Assets "ROUA" is considered a complex area that requires the use of models, assumptions and forecasts of future cash flows to determine the recoverable amount of ROUA's.

### How the key audit matter was addressed in the audit

Our procedures included:

- Evaluating the application of IFRS (16) for new contracts and testing the resulted impact on the Group's consolidated financial statements.
- Testing management's assumptions used in preparation of assessments related to new contracts, including if whether exemptions are acceptable and in accordance with IFRS (16) (short term leases and leases for low value assets).
- Assessing whether the accounting treatment regarding leases is consistent with the definitions of IFRS (16) including factors such as lease term, discount rate and measurement principles.
- Reviewing management's assumptions in determining the interest rate to be used in calculating the net present value of future lease payments, and that there is no implicit interest rate within the lease contracts. Hence, ensuring that management rationale of calculation of the average incremental borrowing rate is appropriate.
- Recalculating the incremental borrowing rate used in discounting the future lease payments.



<b>1. Passenger and cargo revenue recognition</b> Refer to the note (23) to the consolidated financial statements	
<b>Key Audit matter</b>  Passengers' tickets and cargo airway bills sales are reflected in the consolidated statement of financial position as deferred revenue and recognized as revenue in the consolidated income statement when the transportation service is provided.  We focus on revenue recognition because: <ul style="list-style-type: none"><li>- Passengers and Cargo revenues are material to the financial statements, and recognition of these revenues upon fulfillment of the performance obligation requires a process that is highly automated.</li><li>- In respect of customer loyalty program, the Group provides a frequent flyer program; Royal Club, in a form of free travel awards to its members on accumulated mileage earned from flights. A portion of the fair value of the consideration received is allocated to the award credits and deferred, this is then recognized as revenue over the period that the award credits are redeemed.</li></ul> The fair value of the award credits is estimated by reference to the fair value of the awards for which the points could be redeemed and is reduced to take into account the proportion of award credits that are not expected to be redeemed by customers. The Group exercises its judgment in determining the assumptions to be adopted in respect of the number of points not expected to be redeemed through the use of statistical modelling and historical trends and in determining the mix and fair value of the award credits.	<b>How the key audit matter was addressed in the audit</b>  Our audit procedures included: <ul style="list-style-type: none"><li>- Obtaining an understanding of management's process related to scoping and identifying the revenue streams.</li><li>- Considering the appropriateness of the Group's revenue recognition policies in accordance with IFRS (15).</li><li>- Testing the Group's controls around revenue recognition and key controls in the revenue cycle including those controls that requires the involvement of our IT specialists.</li><li>- Testing refunds of passengers' tickets and cargo airwaybills.</li><li>- Selecting a sample before and after the cutoff period to assess whether the revenue was recognized in the correct period.</li><li>- Performing substantive analytical procedures using financial and non-financial information about the revenue figures for the year.</li><li>- Selecting and testing a representative sample of journal entries.</li></ul>



## **Auditor's Responsibilities for the Audit of the consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Company to cease to continue as a going concern.



	<ul style="list-style-type: none"><li>- Assessment of the valuation models and inputs used in the calculation of the recoverable amounts of the ROUA's and impairment losses including assessment of reasonableness of key inputs used in the valuation such as the expected future cash flows and involving our specialists to support our conclusions.</li></ul>
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### **Other information included in the Group's 2022 annual report**

Other information consists of the information included in the Group's 2022 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2022 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

### **Responsibilities of Management and Those Charged with Governance for the consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonable be expected to outweigh the public interest benefits of such communication.

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

The Company maintains proper books of accounts which are in agreement with the consolidated financial statements considering what has been mentioned in the Material Uncertainty Related to Going Concern paragraph.

The partner in charge of the audit resulting in this auditor's report was Ali Hasan Samara; license number 503.

Amman - Jordan  
30 March 2023

**ERNST & YOUNG**  
Amman - Jordan



**Consolidated Statement of Financial Position  
At 31 December 2022  
(In Thousands of Jordanian Dinars)**

	Notes	2022	2021
<b>ASSETS</b>			
<b>Non-current assets</b>			
Right-of-use assets	18-a	371,377	420,933
Property and equipment	8	51,169	59,961
Advances on purchase and modification of aircraft	9	3,218	3,218
Financial assets at fair value through other comprehensive income	10	2,087	2,087
Investments in associates	11	18,603	17,482
Restricted cash against lease contracts	18-b	30,634	26,050
Deferred tax assets		12,322	12,322
		<b>489,410</b>	<b>542,053</b>
<b>Current assets</b>			
Other current assets	12	28,854	19,640
Spare parts and supplies	13	6,008	5,890
Accounts receivable	14	36,253	26,966
Cash and bank balances	15	161,308	115,759
		<b>232,423</b>	<b>168,255</b>
Assets held for sale	32	103	-
<b>TOTAL ASSETS</b>		<b>721,936</b>	<b>710,308</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Paid-in capital	16	324,610	324,610
Share discount	16	(78,205)	(78,205)
Payments in respect of capital increase	16	70,000	-
Statutory reserve	16	14,808	14,808
Fair value reserve		133	133
Cash flow hedges		-	297
Accumulated losses		(399,965)	(321,024)
		<b>(68,619)</b>	<b>(59,381)</b>
Non-controlling interests		362	281
<b>Deficit in shareholders' equity</b>		<b>(68,257)</b>	<b>(59,100)</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term loans	17-a	100,733	89,960
Long-term lease obligations	18-a	306,770	367,424
Long-term grants	17-b	4,874	4,213
Other long-term liabilities	19	353	379
		<b>412,730</b>	<b>461,976</b>
<b>Current liabilities</b>			
Current portion of long-term loans	17-a	19,262	38,307
Accrued expenses	20	127,356	105,954
Accounts payable and other current liabilities	21	77,013	63,741
Deferred revenues	22	86,199	55,260
Short-term lease obligations	18-a	64,594	41,461
Short-term grants	17-b	2,874	2,709
		<b>377,298</b>	<b>307,432</b>
Liabilities directly associated with the assets held for sale	32	165	-
<b>Total liabilities</b>		<b>790,193</b>	<b>769,408</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>721,936</b>	<b>710,308</b>

The attached notes from 1 to 41 form part of these consolidated financial statements



**Consolidated Income Statement  
For the Year Ended 31 December 2022  
(In Thousands of Jordanian Dinars)**

	Notes	2022	2021
<b>Continuing Operations:</b>			
Revenues from contracts with customers	23	612,913	357,063
Cost of revenues	<b>24</b>	<b>(616,941)</b>	<b>(368,280)</b>
<b>Gross loss</b>		(4,028)	(11,217)
General and administrative expenses	26	(11,644)	(9,608)
Selling and marketing expenses	27	(41,038)	(27,086)
Other provisions	13,14	(1,257)	(244)
<b>Net operating loss</b>		<b>(57,967)</b>	<b>(48,155)</b>
Group's share of profits of associates, net	11	2,992	884
Other (expense) income, net	25	(29)	918
(Loss) gain on disposal of property and equipment		(435)	43
Provision for voluntary termination	29	(526)	(1,582)
Loss on foreign currency exchange	37	(1,235)	(490)
Finance costs	28	(26,028)	(25,736)
Interest income		3,923	1,343
<b>Loss for the year from continuing operations before income tax</b>		<b>(79,305)</b>	<b>(72,775)</b>
Income tax expense	31	-	-
<b>Loss for the year from continuing operations</b>		<b>(79,305)</b>	<b>(72,775)</b>
<b>Discontinued operations:</b>			
Profit (loss) for the year from discontinued operations after income tax	32	445	(1,484)
<b>Loss for the year</b>		<b>(78,860)</b>	<b>(74,259)</b>
<b>Attributable to:</b>			
Equity holders of the parent		(78,941)	(74,317)
Non-controlling interests		81	58
		(78,860)	(74,259)
<b>Earnings per share</b>			
Basic and diluted earnings per share attributable to equity holders of the parent	30	JD (0.243)	JD (0.270)

The attached notes from 1 to 41 form part of these consolidated financial statements



**Consolidated Statement of Comprehensive Income**  
**For the Year Ended 31 December 2022**  
**(In Thousands of Jordanian Dinars)**

	Note	2022	2021
<b>Loss for the year</b>		<b>(78,860)</b>	(74,259)
<b>Other comprehensive income</b>			
Other comprehensive income items that will be reclassified to profit or loss in subsequent periods (net of tax):			
Net (loss) gain on cash flow hedges		(297)	139
<b>Total comprehensive income for the year</b>		<b>(79,157)</b>	<b>(74,120)</b>
<b>Attributable to:</b>			
Equity holders of the parent		(79,238)	(74,178)
Non-controlling interests		81	58
		<b>(79,157)</b>	<b>(74,120)</b>

The attached notes from 1 to 41 form part of these consolidated financial statements

**Consolidated Statement of Changes in Equity  
For the Year Ended 31 December 2022  
(In Thousands of Jordanian Dinars)**

	Attributable to equity holders' of the parent										Non-controlling interests	Total equity
	Paid-in capital	Share discount	Payments in respect of capital increase	Statutory reserve	Fair value reserve	Cash flow hedges	Accumulated losses	Total				
<b>2022 -</b>												
<b>Balance as of 1 January 2022</b>	<b>324,610</b>	<b>(78,205)</b>	<b>-</b>	<b>14,808</b>	<b>133</b>	<b>297</b>	<b>(321,024)</b>	<b>(59,381)</b>	<b>281</b>		<b>(59,100)</b>	
Loss for the year	-	-	-	-	-	-	(78,941)	(78,941)	81		(78,860)	
Other comprehensive income items	-	-	-	-	-	(297)	-	(297)	-		(297)	
Total comprehensive income for the year	-	-	-	-	-	(297)	(78,941)	(79,238)	81		(79,157)	
Payments in respect of capital increase (Note 16)	-	-	70,000	-	-	-	-	70,000	-		70,000	
<b>Balance as of 31 December 2022</b>	<b>324,610</b>	<b>(78,205)</b>	<b>70,000</b>	<b>14,808</b>	<b>133</b>	<b>-</b>	<b>(399,965)</b>	<b>(68,619)</b>	<b>362</b>		<b>(68,257)</b>	
<b>2021 -</b>												
<b>Balance as of 1 January 2021</b>	<b>274,610</b>	<b>(78,205)</b>	<b>25,000</b>	<b>14,808</b>	<b>133</b>	<b>158</b>	<b>(246,406)</b>	<b>(9,902)</b>	<b>223</b>		<b>(9,679)</b>	
Loss for the year	-	-	-	-	-	-	(74,317)	(74,317)	58		(74,259)	
Other comprehensive income items	-	-	-	-	-	139	-	139	-		139	
Total comprehensive income for the year	-	-	-	-	-	139	(74,317)	(74,178)	58		(74,120)	
Payments in respect of capital increase (Note 16)	-	-	25,000	-	-	-	-	25,000	-		25,000	
Capital increase (Note 16)	50,000	-	(50,000)	-	-	-	-	-	-		-	
Capital increase costs	-	-	-	-	-	-	(301)	(301)	-		(301)	
<b>Balance as of 31 December 2021</b>	<b>324,610</b>	<b>(78,205)</b>	<b>-</b>	<b>14,808</b>	<b>133</b>	<b>297</b>	<b>(321,024)</b>	<b>(59,381)</b>	<b>281</b>		<b>(59,100)</b>	

The attached notes from 1 to 41 form part of these consolidated financial statements





## Consolidated Statement of Cash Flows For the Year Ended 31 December 2022 (In Thousands of Jordanian Dinars)

	Notes	2022	2021
<b>OPERATING ACTIVITIES</b>			
Loss for the year from continuing operations before income tax		(79,305)	(72,775)
Profit (loss) for the year from discontinued operations before income tax		445	(1,484)
		(78,860)	(74,259)
<b>Adjustments for:</b>			
Depreciation of property and equipment	8	17,324	21,443
Depreciation of right-of-use assets	18-a	56,362	56,744
Share of profits of associate	11	(2,992)	(884)
Finance costs	28	26,028	25,736
Other income – amortization of government grants		(2,769)	(2,565)
Gain on terminated lease contracts		(11)	-
Impairment loss on associates		800	-
Provision for expected credit losses	14	1,209	-
Provision for slow moving inventory	13	48	244
Loss (gain) from sale of property and equipment		435	(43)
Provision for voluntary termination	29	526	1,582
Reversal of end of service indemnity provision	19	-	(34)
Amortization of deferred revenue – Jordan Flight Catering Ltd.		-	(125)
Interest income		(3,923)	(1,343)
Legal cases provision		1,860	1,300
<b>Working capital changes:</b>			
Accounts receivable		(10,525)	29,265
Spare parts and supplies		(166)	427
Other current assets		(7,990)	(5,631)
Deferred revenues		30,939	18,114
Accounts payable and other current liabilities		14,429	(6,677)
Accrued expenses		19,529	39,371
End of service indemnity payments	19	(26)	-
Voluntary termination program payments		(627)	(3,183)
Legal cases payments		(569)	(532)
<b>Net cash flows from operating activities</b>		<b>61,031</b>	<b>98,950</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment	8	(9,174)	(6,791)
Financial assets at fair value through other comprehensive income		-	15
Proceeds from sale of property and equipment		207	87
Interest income received		2,985	626
Change in restricted cash against lease contracts		(4,584)	(3,091)
Short-term deposits		(51,887)	(47,809)
<b>Net cash flows used in investing activities</b>		<b>(62,453)</b>	<b>(56,963)</b>
<b>FINANCING ACTIVITIES</b>			
Repayment of term loans		(13,251)	(18,211)
Proceeds from loans		5,271	31,057
Capital increase costs		-	(301)
Payments in respect of capital increase	16	70,000	25,000
Payments of lease obligations	18-a	(61,638)	(59,040)
Interest paid		(5,238)	(6,049)
<b>Net cash flows used in financing activities</b>		<b>(4,856)</b>	<b>(27,544)</b>
Net (decrease) increase in cash and cash equivalents		(6,278)	14,443
Cash and cash equivalents at the beginning of the year		62,586	48,143
<b>Cash and cash equivalents at the end of the year</b>	<b>15</b>	<b>56,308</b>	<b>62,586</b>

The attached notes from 1 to 41 form part of these consolidated financial statements



## **(1) GENERAL**

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

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

The consolidated financial statements were authorized for issue by the Board of Directors in their meeting held on 20 March 2023.

## **(2) BASIS OF PREPARATION**

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

The consolidated financial statements have been prepared on a historical cost basis, except for the financial assets at fair value through other comprehensive income that have been measured at fair value at the date of the consolidated financial statements.

The consolidated financial statements have been presented in Jordanian Dinar which is the functional currency of the Group. All values are rounded to the nearest thousands (JD 000) except when otherwise indicated.

### **(2-1) Fundamental Accounting Concepts**

The consolidated financial statements have been prepared on the assumption of going concern. However, as disclosed in note (3) to the consolidated financial statements which shows how the Company's operations are recovering after the negative impact of Covid-19 and how it is still being negatively impacted by the effect of the Russian-Ukraine conflict on fuel prices, the Group's accumulated losses of JD 400 million exceeded of the Group's capital as of 31 December 2022. Also, the Group's current liabilities exceeded its current assets by an amount of JD 144.9 million as of 31 December 2022. These events and conditions indicate that a material uncertainty exists that may cast significant doubt about the entity's ability to continue as a going concern. According to Article (266) of the Jordanian Company's Law No. 22 for the year 1997 and its amendments, if the accumulated losses of the Public Shareholding Company exceeded 75% of its capital, the Company shall be liquidated unless the General Assembly of the Company issues a decision on its extraordinary meeting to increase the Company's capital or to deal with the Company's losses.

On 18 May 2022, the Prime Ministry of Jordan resolved in its resolution number (7056) to authorize the Ministry of Finance to proceed with further procedures to increase the Company's capital by JD 70 million over two phases. An amount of JD 35 million was received during May 2022 and the remaining amount was received during August 2022. Capital increase procedures were not completed up to the date of the consolidated financial statements.

The Company received a comfort letter from the Ministry of Finance (the Jordanian Government's representative), stating that the Government is in favor of continuing to support the Company's operations in the future.

## **(3) EFFECT OF COVID-19 AND RUSSIAN-UKRAINE CONFLICT ON THE GROUP**

The COVID-19 pandemic looks to be over based on the volume of the travel demand, which has been recovering almost nonstop since the mass dissemination of COVID vaccines and the gradual relief of boarders restrictions. While daily passenger traffic at airports hasn't yet reached 2019 levels, it has come relatively close. However, the ongoing conflict between Russia and Ukraine has created uncertainty regarding the development of the world economy including the airline industry which is presented in the uncertainty of fluctuations of oil prices that represent major part of the Group's costs of flying operations.



As the conflict is evolving, the Group's management will continue monitoring the impact of oil prices' fluctuation on their operations and going concern assessment in order to take the necessary actions and properly address the situation.

#### (4) BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Alia - The Royal Jordanian Airlines Company (the "Company") and the following subsidiaries (collectively referred to as the "Group") as at 31 December 2022:

	Ownership Interest	Country
Royal Wings Company – under liquidation (note 32)	100%	Jordan
Royal Tours for Travel and Tourism Company	80%	Jordan
Al Mashriq for Aviation Services "Tikram"	100%	Jordan

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

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

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

A change in the ownership interest of a subsidiary without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.



## Shareholders who have a significant influence over the Company

The Government of the Hashemite Kingdom of Jordan presented by Government Investments Management Company owns 86.23% from the Company's shares as at 31 December 2022 (31 December 2021: 84.80%).

## (5) CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2021 except for the adoption of new amendments on the standards effective as of 1 January 2022 shown below:

### Reference to the Conceptual Framework – Amendments to IFRS 3

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

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

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

These amendments had no impact on the consolidated financial statements of the Group.

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

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

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

These amendments had no impact on the consolidated financial statements of the Group.

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

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

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

These amendments had no impact on the consolidated financial statements of the Group.



## **IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter**

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the consolidated financial statements of the Group.

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

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

These amendments had no impact on the consolidated financial statements of the Group.

## **IAS 41 Agriculture – Taxation in fair value measurements**

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

These amendments had no impact on the consolidated financial statements of the Group.

## **(6) USE OF ESTIMATES**

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities, the accompanying disclosure, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

### **Significant estimates are as follows:**

#### **Useful lives of property and equipment**

The Group's management determines the estimated useful lives of its property and equipment for calculating depreciation based on expected usage of the asset or physical wear and tear, management reviews the residual value and useful lives annually and future depreciation charge would be adjusted prospectively where the management believes the useful lives differ from previous estimates.

#### **Provision for expected credit losses**

The Group uses a provision matrix to calculate the expected credit losses (ECL) for trade receivables. The provision rates are based on days past due for groupings of various customers segments that have similar loss patterns.



The provision matrix is initially based on the Groups historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information with regard to COVID-19. For instance, if forecast economic conditions (i.e. gross domestic product) are expected to deteriorate over the next year which can lead to an increase number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Groups' historical credit loss experience and forecast of economic conditions may also not be representative of the customers actual default in the future.

### **Impairment of non-financial assets**

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

### **Provision for aircraft return conditions**

The measurement of the provision for aircraft return conditions includes assumptions relating to expected costs, escalation rates, discount rates commensurate with the expected obligation maturity and long-term maintenance schedules. An estimate is therefore made at each reporting date to ensure that the provision corresponds to the present value of the expected costs to be borne by the Company. A significant level of judgement is exercised by management given the long-term nature and diversity of assumptions that go into the determination of the provision. A reasonably possible change in any single assumption will not result in a material change to the provision.

### **Revenue recognition – Frequent Flyer points for customer loyalty program**

The Group estimates the fair value of points awarded under the Frequent Flyer Program by applying statistical techniques. Inputs to the models include making assumptions about expected redemption rates and customer preferences. Such estimates are subject to varying degrees of uncertainty. As at 31 December 2022, the estimated liability for unredeemed points was approximately JD 8,406 (2021: JD 8,582).

### **Significant Judgments and estimates related to the application of IFRS 16**

The application of IFRS 16 requires the Group to make judgments and estimates that affect the measurement of right-of-use assets and liabilities. In determining the lease term, the Group consider all facts and circumstances that create an economic incentive to exercise renewal options. Assessing whether a contract includes a lease also requires judgment. Estimates are required to determine the appropriate discount rate used to measure lease liability.



## (7) SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are as follows:

### Business combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree.

For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in the consolidated income statement.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

### Impairment of Goodwill

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairments is determined for goodwill by assessing the recoverable amount of each cash generating unit (or group of cash generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than their carrying amount, an impairment loss is recognized.

### Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and any impairment in value. Land is not depreciated. Property and equipment are depreciated to their estimated residual values on a straight-line basis over their estimated useful lives. The depreciation rates and periods used are summarized as follows:

	Depreciation Rate (%)
Owned passenger and cargo aircraft, aircraft engines and aircraft components	5 - 5.5
Machinery and equipment	10 - 15
Computers	25
Furniture and fixtures	10
Vehicles	15 - 20
Buildings	2.5 - 10

	Period
Capitalized maintenance	24 - 120 months



The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amounts. The recoverable amount is the higher of asset's fair value less cost to sell or value in use. Impairment losses are recognized in the consolidated income statement.

An item of property and equipment and any significant part initially recognized is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income when the asset is derecognized.

Useful lives and depreciation method are reviewed on regular basis to ensure that the depreciation method and the period of depreciation are selected based on the economic benefits expected from assets.

### **Right-of-use assets**

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease obligations.

The cost of right-of-use assets includes the amount of lease obligations recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the

exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. Right-of-use assets are subject to impairment.

### **Lease obligations**

At the commencement date of the lease, the Group recognizes lease obligations measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease obligations is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

### **Short-term leases and leases of low-value assets**

The Group applies the short-term lease recognition exemption to some of its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value (less than 5,000 USD annually). Lease payments on short-



term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

### **Significant judgement in determining the lease term of contracts with renewal options**

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew.

That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group included the renewal period as part of the lease term for leases of property and equipment due to the significance of these assets to its operations. These leases have a short non-cancellable period and there will be a significant negative effect on production if a replacement is not readily available.

### **Restricted cash against lease contracts**

The Company's restricted cash against lease contracts represents amounts paid to the Company's Aircraft and engines lessors as refundable amounts until the end of the lease contract by which the lessor's technical team ensures the Aircraft or engines are redelivered in a good maintained condition.

### **Financial assets at fair value through other comprehensive income**

Financial assets at fair value through other comprehensive income are recorded at fair value plus acquisition costs at the date of acquisition and subsequently measured at fair value. Changes in fair value are reported as a separate component in the consolidated statement of other comprehensive income and in the consolidated statement of changes in equity, including the change in fair value resulting from conversion differences of non-cash items of assets at foreign currencies. In case of sale of such assets or part of it, the gain or loss is recorded in the consolidated statement of comprehensive income and in the consolidated statement of changes in equity, and the valuation reserve balance for sold assets will be transferred directly to retained earnings. These assets are not subject to impairment testing and dividends received are recognized in the consolidated income statement when declared.

### **Investments in associates**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investments in its associates are accounted for using the equity method.

Under the equity method, the investment in an associate initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associates since the acquisition date. Goodwill relating to the associates is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated income statement reflects the Group's share of the results of operations of the associates. Any change in other comprehensive income of those investees is presented as part of the



Group's other comprehensive income (OCI). In addition, when there has been a change recognized directly in the equity of the associates, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associates.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated income statement within operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associates are prepared for the same reporting period and using the same accounting policies as the Group.

### **Spare parts and other supplies**

Spare parts and other supplies are valued at the lower of cost, using the weighted average method, or net realizable value.

### **Accounts receivable**

Accounts receivables are stated at original invoice amount less any provision for expected credit losses. For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

### **Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, bank balances and short-term deposits with an original maturity of three months or less after deducting bank overdraft balances.

### **Impairment and uncollectibility of financial assets**

The adoption of IFRS (9) has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS (9) requires the Company to record an allowance for ECL for all debt instruments measured at amortized cost.

For all debt instruments, the Group has applied the standard's simplified approach and has calculated ECL based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

### **Fair value measurement**

Fair values of financial instruments are disclosed in notes 35 and 36.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:



In the principal market for the asset or liability or, In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for both recurring fair value measurement, such as unquoted available for sales financial assets, and for non-recurring measurement, such as assets held for distribution in discontinued operation.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

### **End of service indemnity provision**

The Group provides end of service indemnity benefits to its local employees in certain outstations. Provision represents amounts payable to local employees in outstations based on the rules and regulations of those countries.

### **Accounts payable and accruals**

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.



## Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) arising from a past event and the costs to settle the obligation are both probable and able to be reliably measured.

### Provision for aircraft return conditions

Provision for aircraft return conditions represents the estimate of the cost to meet the contractual lease end obligations on certain aircraft and engines held under lease contracts. The present value of the expected cost is recognized over the lease term considering the existing fleet plan and long-term maintenance schedules.

## Loans

All loans are initially recognized at fair value of the consideration received less directly attributable transaction costs. After initial recognition, loans are subsequently measured at amortized cost using the effective interest method.

Interests on loans are recognized in the consolidated income statement in the period they occur including the grace period, if any.

## Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and

all attached conditions will be complied with.

loans received from a government at a rate that appears to be below-market are considered government grants. The benefit of a below-market rate loan which is the excess of the consideration received from loan's proceeds over the initial carrying amount of the loan calculated as the net present value of the future cash flows at prevailing market interest rates is recorded as a government grant in the consolidated statement of financial position in accordance with International Accounting Standard IAS 20 - Government Grants.

Subsequently, interest will be imputed to the loan using the effective interest method. The grant is amortized in the consolidated income statement on a systematic basis that matches the related costs incurred (interest).

## Revenue recognition

Revenue is recognized under IFRS (15) five step model approach which include determining the contract, price, performance obligation and revenue recognition based on satisfaction of performance obligation.

Passenger and cargo revenues are recognized when the transportation is provided. Passenger tickets and airway bills sales are reflected in the consolidated statement of financial position as deferred revenue until recognized as revenue.

Other revenues are recognized at the time the service is provided.

The Company operates a frequent flyer program, (Royal club), which allows frequent travelers to accumulate mileage credits which entitle them to a choice of upgrade to business class or free travel. A portion of the fair value of the consideration received is allocated to the award credits and deferred, this is then recognized as revenue over the period that the award credits are redeemed.

Group's revenue falls under IFRS (15) "revenue from contracts with customers". The Group provides services to its customers through passenger tickets. Revenues are recognized after deduction of taxes collected on behalf of Governments.



## **Maintenance and repair costs**

Routine maintenance and repair costs for leased and owned aircraft and flight equipment are charged to the consolidated income statement as incurred.

Aircraft, engines, and components heavy maintenance expenses are capitalized on property and equipment and are being depreciated over the period until the next scheduled heavy maintenance is due or upon the redelivery of the aircraft to the lessor which is shorter.

## **Finance costs**

Finance costs are recognized as an expense when incurred. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized.

## **Income tax**

Tax expense comprises current tax and deferred taxes.

Current tax is based on taxable profits, which may differ from accounting profits published in the consolidated financial statements. Accounting profits may include non-taxable profits or expenses which may not be tax deductible in the current but in subsequent financial years. Current income tax is calculated in accordance with the Income Tax law applicable in the Hashemite Kingdom of Jordan.

Deferred income tax is provided using the liability method on temporary differences at the consolidated financial statements date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax is measured at the tax rates that are expected to apply to the year when the tax liability is settled, or the tax asset is realized.

The balance of deferred income tax assets is reviewed at each consolidated financial statement date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

## **Foreign currencies**

### **1) Transactions and balances**

Transactions in foreign currencies are initially recorded in the functional currency at the spot rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency at rates of exchange at the reporting date. All foreign exchange differences arising on non-trading activities are taken to other operating income (expense) in the consolidated income statement.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition.

### **2) Group companies**

On consolidation, the assets and liabilities in foreign operations are translated into Jordanian Dinar at the spot rate of exchange prevailing at the reporting date and their income statements are translated at spot exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in OCI.

## **Non-current assets held for sale and discontinued operations**

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.



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The criteria for held for sale classification is regarded as met only when the sale is highly probable, and

the asset or disposal group is available for immediate sale in its present condition. Actions required to

complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated income statement.

Additional disclosures are provided in note (32). All other notes to the consolidated financial statements include amounts for continuing operations, unless indicated otherwise.

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)  
Public Shareholding Company  
Notes to The Consolidated Financial Statements  
31 December 2022**

**(In Thousands of Jordanian Dinars, except for amounts in foreign currencies)**

**(8) PROPERTY AND EQUIPMENT**

2022	Aircraft	Spare engines	Capitalized maintenance on aircrafts' engines, and components	Aircrafts' main componentsequipment	Machinery and equipment	Computers	Furniture and fixtures	Vehicles	Land and buildings	Total
<b>Cost:</b>										
Balance as of 1 January 2022	156,057	1,091	49,501	51,198	59,144	20,189	9,444	10,499	44,357	401,480
Additions	-	-	7,083	768	878	381	39	25	-	9,174
Disposals	(503)	-	(22,627)	(158)	(654)	(164)	(91)	(61)	-	(24,258)
Disposal of assets classified as held for sale (note 32)	(3,998)	-	(5,473)	-	-	-	-	-	-	(9,471)
Balance as of 31 December 2022	151,556	1,091	28,484	51,808	59,368	20,406	9,392	10,463	44,357	376,925
<b>Accumulated depreciation:</b>										
Balance as of 1 January 2022	146,127	928	40,815	46,957	50,759	18,655	9,002	10,018	18,258	341,519
Depreciation expense for the year	5,725	-	5,475	550	2,886	424	214	165	1,885	17,324
Disposals	-	-	(22,563)	(87)	(650)	(164)	(91)	(61)	-	(23,616)
Disposal of assets classified as held for sale (note 32)	(3,998)	-	(5,473)	-	-	-	-	-	-	(9,471)
Balance as of 31 December 2022	147,854	928	18,254	47,420	52,995	18,915	9,125	10,122	20,143	325,756
<b>Net book value as of 31 December 2022</b>	<b>3,702</b>	<b>163</b>	<b>10,230</b>	<b>4,388</b>	<b>6,373</b>	<b>1,491</b>	<b>267</b>	<b>341</b>	<b>24,214</b>	<b>51,169</b>

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)  
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31 December 2022**

**(In Thousands of Jordanian Dinars, except for amounts in foreign currencies)**

2021	Aircraft	Spare engines	Capitalized maintenance on aircrafts' engines, and components	Aircrafts' main Components	Machinery and Equipment	Computers	Furniture and Fixtures	Vehicles	Land and buildings	Total
<b>Cost:</b>										
Balance as of 1 January 2021	155,335	1,091	46,440	50,387	73,429	20,355	9,426	10,606	44,302	411,371
Additions *	722	-	4,367	818	1,448	96	29	17	55	7,552
Disposals	-	-	(1,306)	(7)	(15,733)	(262)	(11)	(124)	-	(17,443)
Balance as of 31 December 2021	156,057	1,091	49,501	51,198	59,144	20,189	9,444	10,499	44,357	401,480
<b>Accumulated depreciation:</b>										
Balance as of 1 January 2021	141,011	928	32,011	46,518	63,565	18,431	8,737	9,910	16,364	337,475
Depreciation expense for the year	5,116	-	10,110	439	2,925	485	275	199	1,894	21,443
Disposals	-	-	(1,306)	-	(15,731)	(261)	(10)	(91)	-	(17,399)
Balance as of 31 December 2021	146,127	928	40,815	46,957	50,759	18,655	9,002	10,018	18,258	341,519
<b>Net book value as of 31 December 2021</b>	<b>9,930</b>	<b>163</b>	<b>8,686</b>	<b>4,241</b>	<b>8,385</b>	<b>1,534</b>	<b>442</b>	<b>481</b>	<b>26,099</b>	<b>59,961</b>

\* During the year ended 31 December 2021, the Group acquired property and equipment with a cost of JD 7,552 of which an amount of JD 6,791 represents cash additions.





The depreciation charge has been allocated in the consolidated income statement as follows:

	2022	2021
Cost of revenues (note 24)	15,543	19,539
General and administrative expenses (note 26)	1,615	1,670
Selling and marketing expenses (note 27)	166	234
	17,324	21,443

#### (9) ADVANCES ON PURCHASE AND MODIFICATION OF AIRCRAFT

	2022	2021
Advances for the purchase of Boeing 787 aircraft	3,218	3,218

#### (10) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

This item includes investments in equity shares of non-listed Companies. The Group holds non-controlling interests in these Companies. These investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

	2022	2021
Royal Jordanian Air Academy, net	1,748	1,748
SITA depositary certificates	317	317
Others	22	22
	2,087	2,087

#### (11) INVESTMENTS IN ASSOCIATES

	Country of incorporation	Ownership		Balance	
		2022	2021	2022	2021
Jordan Flight Catering Company Ltd.	Jordan	30%	30%	4,300	4,080
Jordan Aircraft Maintenance Company (Joramco)	Jordan	20%	20%	12,426	10,631
Jordan Aircraft Training and Simulation Company (JATS)	Jordan	20%	20%	1,877	2,771
				18,603	17,482



Movement on investments in associates was as follows:

	2022	2021
Balance as at 1 January	17,482	16,755
Group's share of profits for the year	2,992	959
Group's share from prior year results	-	(75)
Impairment loss – Jordan Aircraft Training and Simulation Company (JATS)	(800)	-
Dividends received	(1,071)	(157)
Balance as at 31 December	18,603	17,482

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

	Jordan Flight Catering Company Ltd.		Jordan Aircraft Maintenance Company (Joramco)		Jordan Aircraft Training and Simulation Company (JATS)		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Statement of financial position								
Current assets	<b>7,865</b>	6,464	<b>45,546</b>	32,700	<b>1,663</b>	1,567	<b>55,074</b>	40,731
Non-current assets	<b>3,601</b>	4,012	<b>29,374</b>	25,274	<b>7,694</b>	8,819	<b>40,669</b>	38,105
Current liabilities	<b>(5,658)</b>	(4,939)	<b>(19,343)</b>	(15,525)	<b>(1,438)</b>	(330)	<b>(26,439)</b>	(20,794)
Non-current liabilities	<b>(3,185)</b>	(3,650)	<b>(18,905)</b>	(16,306)	<b>(4,615)</b>	(5,159)	<b>(26,705)</b>	(25,115)
Net assets	<b>2,623</b>	1,887	<b>36,672</b>	26,143	<b>3,304</b>	4,897	<b>42,599</b>	32,927
Group's ownership percentage	<b>30%</b>	30%	<b>20%</b>	20%	<b>20%</b>	20%		
Investment in associates	<b>787</b>	566	<b>7,334</b>	5,229	<b>661</b>	979	<b>8,782</b>	6,774



Income statement	Jordan Flight Catering Company Ltd.		Jordan Aircraft Maintenance Company (JORAMCO)		Jordan Aircraft Training and Simulation Company (JATS)		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Revenues	18,269	8,636	78,172	62,771	2,178	2,428	98,619	73,835
Cost of revenues	(13,201)	(6,620)	(48,863)	(41,614)	(1,259)	(3,064)	(63,323)	(51,298)
Other income and expenses	(755)	(770)	(20,332)	(17,597)	(1,391)	-	(22,478)	(18,367)
Profit (Loss) before income tax	4,313	1,246	8,977	3,560	(472)	(636)	12,818	4,170
Income tax	(9)	-	-	-	-	-	(9)	-
Profit (Loss) for the year	4,304	1,246	8,977	3,560	(472)	(636)	12,809	4,170
Group's Share of profits (losses) for the year	1,291	374	1,795	712	(94)	(127)	2,992	959

As of 31 December 2022, the associate Companies have contingent liabilities of JD 711 (2021: JD 610) in respect of guarantees and letter of credits.

## (12) OTHER CURRENT ASSETS

	2022	2021
Receivables from lessors - maintenance claims	10,164	1,230
Advances to suppliers	5,619	5,887
Prepaid expenses	3,182	3,104
Accrued revenues	4,475	3,342
Refundable deposits	3,994	4,003
Employees' receivables	269	147
Derivatives	-	453
Others	1,151	1,474
	28,854	19,640

## (13) SPARE PARTS AND SUPPLIES

	2022	2021
Spare parts and supplies	16,641	16,475
Provision for slow moving inventory	(10,633)	(10,585)
	6,008	5,890

Movement on provision for slow moving inventory was as follows:



	2022	2021
Balance as at 1 January	10,585	10,341
Provision for the year	48	244
Balance as at 31 December	10,633	10,585

#### (14) ACCOUNTS RECEIVABLE

	2022	2021
Accounts receivable	51,037	43,827
Provision for expected credit losses	(14,784)	(16,861)
	36,253	26,966

Movement on provision for expected credit losses was as follows:

	2022	2021
Balance as at 1 January	16,861	16,861
Provision for the year	1,209	-
Assets held for sale (note 32)	(3,286)	-
Balance as at 31 December	14,784	16,861

As at 31 December, the aging of unimpaired trade receivables was as follows:

	Neither past due nor impaired	Past due but not impaired					Total
		1-30 days	31-60 days	61-90 days	91-180 days	181-360 days	
2022	1,270	18,162	1,255	2,125	6,168	7,273	36,253
2021	2,537	14,927	2,427	1,064	619	5,392	26,966

Based on the Group's management estimates, the unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. The Group obtains bank guarantees as collateral from the majority of its general sales agents and cargo receivables. The Group does not obtain collateral over other receivables; therefore, they are unsecured.



## (15) CASH AND BANK BALANCES

	2022	2021
Cash and bank balances	25,804	47,148
Short-term deposits *	13,667	3,011
Cash in transit **	16,777	12,427
Cash and cash equivalents	56,248	62,586
Short-term deposits mature after 3 months ***	105,060	53,173
Cash and bank balances	161,308	115,759

\* This item represents deposits in Jordanian Dinars in Jordanian Banks as of 31 December 2022 with an interest rate ranging between 4% and 5.63% (2021: 3% and 4%) and are due within three months.

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

\*\*\* This item represents deposit in Banks in Jordanian Dinar (JD 104,811) with an interest rate ranging between 4.35% and 5.6%, in addition to Libyan Dinar equivalent to JD 249 as of 31 December 2022 and are due after more than three months. (31 December 2021: JD 52,289 Jordanian Dinar with an average interest rate ranging between 3.23% and 4.1%, in addition to Libyan Dinar equivalent to JD 74 and a deposit of 150,000 Thousand Algerian Dinar equivalent to JD 810 with an average interest rate of 3.25% and are due after more than three months).

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

	2022	2021
Cash and cash equivalents	56,248	62,586
Add: discontinued operations (Note 32)	60	-
	56,308	62,586

## (16) SHAREHOLDERS' EQUITY

- Paid-in capital	2022	2021
Authorized capital (Par value of one Jordanian Dinar per share)	324,610	324,610
Paid-in capital	324,610	324,610

- Share discount

Share discount amounted to JD 78.2 million as at 31 December 2022 and 31 December 2021. The accumulated balance in this account represents the difference between the issuing price and the par value of the shares issued.



#### - Payments in respect of capital increase

On 18 May 2022, the Prime Ministry of Jordan resolved in its resolution number (7056) to authorize the Ministry of Finance to proceed with further procedures to increase the Company's capital by JD 70 million over two phases. An amount of JD 35 million was received during May 2022 and the remaining amount was received during August 2022. Capital increase procedures were not completed up to the date of the consolidated financial statements.

On 25 October 2020, the Prime Ministry of Jordan resolved in its resolution number (126) to authorize the Ministry of Finance to proceed with further procedures to increase the Company's paid-in capital by JD 50 million over two phases, subject to a comprehensive turnaround and rightsizing plan across all key operational and financial pillars. An amount of JD 25 million was received during the fourth quarter of 2020 and the second phase of JD 25 million was received during the second quarter of 2021. The Company's General Assembly resolved in its extraordinary meeting held on 30 August 2021 to increase the Company's capital by JD 50 million. Capital increase procedures were completed during December 2021.

#### - Statutory Reserve

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

### (17) BANK LOANS AND GOVERNMENT GRANTS

#### (17 - a) Bank Loans

	2022		2021	
	Loans' Installments		Loans' Installments	
	Short-term	Long-term	Short-term	Long-term
Syndicated loan *	16,682	40,313	38,842	31,404
Capital Bank loan **	-	44,282	-	46,308
Social Security- "Himaya" program ***	3,115	16,183	-	12,827
Less: directly attributable transaction costs	(535)	(45)	(535)	(579)
	19,262	100,733	38,307	89,960

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

On 5 February 2020, the Company signed a loan restructuring agreement for the syndicated loan. The loan installments were extended until 2024. The first installment amounting to JD 1.9 million fell due on 5 March 2020 with an annual interest rate of one-month LIBOR plus 2.65% (minimum 4.5%).

As part of the Company's action plan to manage its cashflows during COVID-19 outbreak, the Company signed an amendment letter to the loan agreement, in which the loan installments for the period from March 2020 to September 2020 were rescheduled and allocated to the remaining installments after September 2020 on a proportional basis.

On 1 April 2021, the Company has signed second amendment letter in which 50% of the loan installments for the period from April 2021 to June 2021 were rescheduled and allocated to the installments after June 2021 on a proportional basis. During July 2021, the Company has signed third



amendment letter in which 50% of the loan installments for the period from July 2021 to September 2021 were rescheduled and allocated to the installments after September 2021 on a proportional basis. On 21 November 2021, the Company signed fourth amendment letter in which 50% of the loan installments for the period from November 2021 to April 2022 were rescheduled and allocated to the installments after April 2022 on a proportional basis.

On 8 August 2022, the Company signed fifth amendment letter in which the Company was granted a grace period for the installments from June to November 2022 in return of extending the loan installment until 2026.

The loan agreement contains loan covenants which require the Company to meet certain financial ratios. During June 2021, the Company has amended the agreement whereas the Company was not required to meet those financial ratios until 30 September 2022. On 21 November 2021, The Company has amended the agreement whereas the Company is not required to meet those financial ratios until 31 December 2022. In April 2022, the Company signed an amendment letter, whereas the Company is not required to meet the financial ratios until the end of 2023.

According to the loan agreement, the Company is obliged to transfer the proceeds from its sales from travel agents in 21 stations that are collected through IATA to the Company's account at Al-Mashreq Bank - UAE as a collateral.

\*\* On 18 May 2020, the Company signed a loan agreement with Capital Bank which amounted to JD 50 million bearing an annual interest rate of 1%. The Company has utilized the full loan balance of JD 50 million as of 31 December 2022 and 2021. The loan was repayable through one payment on 18 September 2023. On 29 December 2022, the Company got an initial approval to extend the loan settlement to be repayable through one payment on 13 July 2025 with an annual interest rate of 1.5%. On 29 March 2023, the Company obtained an approval from Capital Bank to extend the loan's term until 13 July 2025 and to increase the interest rate to become 2.5%. Interest is payable on a quarterly basis.

The loan was granted from Capital bank through the Central Bank of Jordan's program to support companies that have been affected by COVID-19 at a below-market interest rate.

The benefit of a below-market rate loan has been recognized as a government grant in accordance with International Accounting Standard IAS 20 - Government Grants (Note 17 - b).

\*\*\* The Company implemented Defense Order No. (14) and No. (24) "Himaya" program and its related announcements where the Social Security Corporation supported the most affected companies due to the pandemic through granting loans that cover part of August through November 2020 salaries and January 2021 through June 2022 salaries. The Social Security Corporation contributed 40% of employees' salaries with a ceiling ranging between JD 500 and JD 1,000 per employee per month.

The loan was repayable during 2026. On 2 December 2022, the Company got a confirmation from Social Security Corporation to repay the loan through 43 installments starting from June 2023. The loan bears an annual interest rate of 4%. The Company will bear an interest rate of 1%, and the Government of Jordan will bear 3% up until December 2026. If the loan was not settled by December 2026, the Company will bear an annual interest according to the social security law and its related regulations.

The benefit of a below-market rate loan has been recognized as a government grant in accordance with International Accounting Standard IAS 20 - Government Grants (Note 17- b).



Principal installments payable during the year 2023 and after are as follows:

Year	JD
2023	19,797
2024	22,940
2025	67,222
2026	10,616
	120,575

### (17 - b) Government Grants

	2022			2021		
	Related to			Related to		
	Capital Bank's loan	Social security "Himaya" program's loan	Total	Capital Bank's loan	Social security "Himaya" program's loan	Total
Balance as at 1 January	3,692	3,230	6,922	4,003	-	4,003
Recognized during the year	3,965	(370)	3,595	1,737	3,747	5,484
Released to the consolidated income statement (note 25)	(1,938)	(831)	(2,769)	(2,048)	(517)	(2,565)
Balance as at 31 December	5,719	2,029	7,748	3,692	3,230	6,922

Non-current	3,692	1,182	4,874	1,572	2,641	4,213
Current	2,027	847	2,874	2,120	589	2,709
	5,719	2,029	7,748	3,692	3,230	6,922

### (18) Leases

#### (18 - a ) Right of use assets and lease obligations

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

Lease terms are as follows:

	Years
Aircraft	3 – 7
Aircraft's engines	8
Offices rent	2 – 13

There are several lease contracts that include extension and termination options and variable lease payments.



The Group also has certain leases of offices and other assets with lease terms of 12 months or less and leases for assets of low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets and lease obligations recognized and the movement during the years 2022 and 2021:

	Right-of-use assets				Lease obligations*
	Aircraft	Aircraft's engines	Offices	Total	
Balance as at 1 January 2022	367,898	34,566	18,469	420,933	408,885
Additions	5,200	-	1,421	6,621	6,621
Lease-term modifications	513	-	-	513	513
Terminated contracts	-	-	(328)	(328)	(339)
Depreciation	(50,299)	(2,599)	(3,464)	(56,362)	-
Finance costs (Note 28)	-	-	-	-	17,322
Payments	-	-	-	-	(61,638)
Balance as at 31 December 2022	323,312	31,967	16,098	371,377	371,364
Balance as at 1 January 2021	374,672	37,167	21,837	433,676	407,160
Lease-term modifications	43,832	-	340	44,172	44,172
Terminated contracts	-	-	(171)	(171)	(171)
Depreciation	(50,606)	(2,601)	(3,537)	(56,744)	-
Finance costs (Note 28)	-	-	-	-	16,764
Payments	-	-	-	-	(59,040)
Balance as at 31 December 2021	367,898	34,566	18,469	420,933	408,885

\* Lease obligations details are as follows:

31 December 2022			31 December 2021		
Short-term	Long-term	Total	Short-term	Long-term	Total
64,594	306,770	371,364	41,461	367,424	408,885

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

### **(18 – b) Restricted cash against lease contracts**

The Company's restricted cash against lease contracts represents amounts paid to the Company's Aircraft and engines lessors as refundable amounts until the end of the lease contract by which the lessor's technical team ensures the Aircraft or engines are redelivered in a good maintained condition.



## (19) OTHER LONG-TERM LIABILITIES

	2022	2021
Provision for end of service indemnity	353	379

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

	2022	2021
Balance as at 1 January	379	413
(Reversal of) provision for the year	-	(34)
Payments during the year	(26)	-
Balance as at 31 December	353	379

## (20) ACCRUED EXPENSES

	2022	2021
Accrued expenses related to flying operations expenses	56,842	52,736
Accrued expenses related to lease contracts	70,514	53,218
	127,356	105,954

## (21) ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

	2022	2021
Spare parts suppliers and accounts payable	18,381	15,219
Fuel suppliers	547	1,194
Ministry of Finance	270	249
Employees Provident fund (Note 33)	5,327	4,209
Others*	52,488	42,870
	77,013	63,741

\* Included in this item international taxes, departure and airports usage taxes of JD 46,567 that are payable to international tax authorities and airports (2021: JD 37,492).



## (22) DEFERRED REVENUES

	2022	2021
Unutilized passenger tickets, air waybills and other service sales	86,199	55,260

## (23) REVENUES FROM CONTRACTS WITH CUSTOMERS

	2022	2021
Scheduled Services		
Passengers	496,136	254,471
Cargo	36,240	31,001
Excess baggage	5,912	5,855
Airmail	6,808	6,650
Total scheduled services (Note 34)	545,096	297,977
Chartered flights (Note 34)	7,788	12,634
Cargo warehouse revenues	14,720	14,512
Commercial revenues from arriving and departing aircraft of other Companies	14,639	11,571
Royal tours revenues (Tours operating revenues)	8,990	5,734
First class services revenues	5,300	3,036
Frequent flyer revenues	3,170	2,128
Ancillary revenue	4,512	3,021
Revenues from technical and maintenance services provided to other Companies	3,341	2,864
Revenues from NDC (Galileo)	2,785	1,686
Other revenues	2,572	1,900
	612,913	357,063



## (24) COST OF REVENUES

	2022	2021
Flying operations costs		
Aircraft Fuel	228,390	85,110
Other flying operations costs	59,062	39,551
Total flying operations costs	287,452	124,661
Repair and maintenance	96,336	67,232
Aircraft rental expenses	11,882	6,533
Depreciation of property and equipment and Right-of-use assets (Aircraft and engines and capitalized maintenance)	65,924	69,391
Stations and ground services	60,883	42,418
Ground handling unit	20,143	13,534
Passenger services	74,321	44,511
	616,941	368,280

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

	2022	2021
Salaries and wages	29,833	20,018
Provident Fund contribution	2,863	2,341
Medical expenses	1,894	2,324
Social Security contribution	4,499	1,662
Overtime	1,162	563
End of service indemnity	386	164
Other benefits	1,667	1,341
	42,304	28,413



## (25) OTHER (EXPENSE) INCOME, NET

	2022	2021
Other income – Amortization of government grants (note 17-b)	2,769	2,565
Legal cases provision	(1,860)	(1,300)
Other expenses	(938)	(347)
	(29)	918

## (26) GENERAL AND ADMINISTRATIVE EXPENSES

	2022	2021
Salaries and wages	3,384	2,341
Computer expenses	1,765	1,496
Depreciation	1,719	1,789
Professional and consultation expenses	1,150	855
Social Security contribution	471	194
Water, electricity and heating	440	422
Medical expenses	336	331
Provident Fund contribution	292	235
Maintenance and cleaning expenses	232	215
Legal expenses	215	181
Employees benefits	195	165
Life insurance	131	135
Communication expense	28	26
Overtime	24	5
Rent	15	15
End of service indemnity	-	52
Others	1,247	1,151
	11,644	9,608



## (27) SELLING AND MARKETING EXPENSES

	2022	2021
Commissions	17,889	8,775
Salaries and wages	7,792	6,217
Marketing and advertisement	3,623	881
Other employee benefits	1,385	1,334
Social Security contribution	1,325	1,083
Computer expenses	1,321	1,469
Depreciation	897	993
Communication expenses	713	516
Medical expenses	581	688
Rent	546	681
Provident Fund contribution	298	234
End of service indemnity	274	312
Legal expenses	225	184
Maintenance and cleaning expenses	176	135
Water, electricity and heating	122	128
Overtime	108	51
Life insurance	93	143
Consulting expenses	88	97
Others	3,582	3,165
	41,038	27,086

## (28) FINANCE COSTS

	2022	2021
Leases contracts – finance cost (Note 18-a)	17,322	16,764
Interest on loans	7,253	7,571
Other interest and bank charges	1,453	1,401
	26,028	25,736

## (29) PROVISION FOR VOLUNTARY TERMINATION

	2022	2021
Voluntary termination program	-	1,358
Outstations' voluntary termination program	526	224
	526	1,582



Voluntary termination program:

On 22 March 2021, the Company signed a labor collective contract with the General Trade Union of Workers in Air Transport and Tourism. The agreement covered the period from 1 April 2021 to 31 May 2021, giving the Company's staff the choice to obtain a voluntary release from their jobs. Accordingly, the Company has provided a provision of JD 1,358 during the year ended 31 December 2021 which represents the accrued amounts for the employees who applied for the plan and for whom the management approved their applications.

### **Outstations' termination program**

During 2020, the Company started a termination process of contracts for local employees in some outstations according to the business needs and based on the rules and regulations of those countries. Accordingly, the Company has recorded a provision amounted to JD 526 (2021: JD 224).

### **(30) EARNINGS PER SHARE**

	2022	2021
Loss for the year attributed to the equity holders of the parent ('000)	(78,941)	(74,317)
Weighted average number of shares ('000)	324,610	274,884
Basic and diluted earnings per share (JD)	(0.243)	(0.270)

### **(31) INCOME TAX**

No provision for income tax was calculated by the Company for the year ended 31 December 2022 and 2021 due to the excess of deductible expenses over taxable income in accordance with the Income Tax Law No. (34) of 2014 and its amendments.

The Company filed its tax return for the years from 2019 to 2021 within the statutory period. The Company has reached a final settlement with the Income and Sales Tax Department up to the year ended 31 December 2018 whereas the years from 2019 to 2021 are yet to be reviewed.

The Income and Sales Tax Department raised claims to RJ by an amount of JD 2,271 which represents sales tax differences for the year 2016. The Company appealed the cases at the Tax Court. The Tax Court of First Instance issued a decision to reject the claim, and the Tax General Attorney appealed the case and dismissed it. The cases are still outstanding up to date of the consolidated financial statement.

Royal Wings Company filed its tax return for the years from 2019 until 2021 within the statutory period. The Income and Sales Tax Department is yet to review the Company's accounting records up to the date of the consolidated financial statements in respect to the years 2019 until 2021. Royal Wings Company reached a final settlement with the Income and Sales Tax Department up to the year 2018.

Royal Tours for Travel and Tourism Company filed its tax return for the years from 2019 to 2021 within the statutory period. The Income and Sales Tax Department did not review the Company's accounting records for the years from 2019 to 2021 up to the date of the consolidated financial statements. Royal Tours for Travel and Tourism Company reached a final settlement with the Income and Sales Tax Department up to the year 2018.

Al-Mashriq for Aviation Services Company "Tikram" filed its tax returns for the years from 2019 to 2021. The Income and Sales Tax Department has not reviewed the Company's accounting records up to the date of the consolidated financial statements. Al-Mashriq for Aviation Services Company "Tikram" reached a final settlement with the Income and Sales Tax Department up to the year 2018.



Reconciliation between accounting profit and taxable profit is as follows:

	2022	2021
Accounting loss	(78,860)	(74,259)
Non-taxable profits	(2,992)	(1,029)
Non-deductible expenses	16,397	16,502
Prior years' tax losses	(301,290)	(242,504)
Accumulated tax losses	(366,745)	(301,290)
Relates to:		
Total loss – Parent Company	(367,868)	(300,367)
Total profit (loss) – Subsidiaries	1,123	(923)
Effective income tax rate for subsidiaries	20%	20%
Statutory income tax rate	20%	20%
Income tax expense	-	-

### **(32) DISCONTINUED OPERATIONS**

The Company's Board of Directors resolved on 24 January 2023 to liquidate Royal Wings Company (a wholly owned subsidiary). Accordingly, Royal Wings Company's assets and liabilities were classified as held for sale in the consolidated financial statements as of 31 December 2022 in accordance with IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations.

The results of Royal Wings Company for the years 2022 and 2021 are presented as follow:

	2022	2021
Revenues	-	-
Cost of revenues	(350)	(1,478)
Gross loss	(350)	(1,478)
General and administrative expenses	(56)	(5)
Other income (expenses), net	851	(1)
Profit (loss) before tax from discontinued operations	445	(1,484)
Income tax	-	-
Profit (loss) from discontinued operations	445	(1,484)



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

	31 December 2022
<b>ASSETS</b>	
Accounts receivable and other debit balances	43
Cash and bank balances	60
Assets classified as held for sale	103
<b>LIABILITIES</b>	
Accounts payable and other credit balances	148
Accrued expenses	17
Liabilities associated with assets classified as held for sale	165
Deficit in net assets classified as held for sale	62

### (33) RELATED PARTY TRANSACTIONS

Related party transactions represent transactions with associated Companies, employees' Provident fund, and the Government of the Hashemite Kingdom of Jordan. Pricing policies and terms of these transactions are approved by the Group's management.

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

	2022		2021	
	Accounts receivable	Accounts payable	Accounts receivable	Accounts payable
Government of Jordan	4,687	850	5,176	884
Employees' Provident Fund (Note 21)	-	5,327	-	4,209
Jordan Aircraft Maintenance Company (JORAMCO)	298	-	1,717	-
Jordan Flight Catering Company Ltd.	-	3,458	-	2,729
Jordan Aircraft Training and Simulation Company (JATS)	-	244	-	4
	4,985	9,879	6,893	7,826

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

	2022	2021
Government Investments Management Company (Note 16)	70,000	-



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

	2022	2021
Jordan Aircraft Maintenance Company (Joramco):		
Scheduled services revenues	223	187
Repair and maintenance expenses	(3,032)	(4,602)
Jordan Flight Catering Company Ltd.:		
Passenger services expenses	(16,582)	(8,372)
Jordan Aircraft Training and Simulation Company (JATS):		
Scheduled services revenues	6	50
Pilots training expenses	(976)	(578)

The Company signed a 4 year maintenance contract with Jordan Aircraft Maintenance Company (Joramco) during January 2005, and in return the Company was granted a 20% share in Jordan Aircraft Maintenance Company. The contract was extended for 7 years up to the end of October 2016. The contract was extended for a period up to December 2021, then it was renewed for unlimited period with three months' notice of termination.

The Company signed a 4 year training contract with Jordan Aircraft Training and Simulation Company (JATS) during July 2006 and in return the Company was granted a share of 20% in Jordan Aircraft Training and Simulation Company which has been extended until the end of April 2023.

Alia – The Royal Jordanian Airlines Company signed a 11 years and six months catering contract with Jordan Flight Catering Company during 2010, and in return the Company was granted an additional share of 10% in Jordan Flight Catering Company to reach a total share of 30%. The Company signed three extension agreements with Jordan Flight Catering Company Ltd. which will expire on 30 April 2023.

- Following is a summary of the transactions with the Government of the Hashemite Kingdom of Jordan included in the consolidated income statement:

	2022	2021
Scheduled services revenues – passengers	4,463	2,385
Scheduled services revenues – cargo	1,032	1,388
Chartered flights	213	1,277
	5,708	5,050

- The Company's contribution to the employees' saving fund amounted to JD 3,453 and JD 2,810 for the years 2022 and 2021, respectively.



## Compensation of key management personnel

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

	2022	2021
Salaries and other benefits	929	710
Board of Directors remuneration	29	35

## (34) GEOGRAPHICAL DISTRIBUTION OF REVENUES

All operations are integrated under the airline business. The Group does not have any segment information other than the geographical distribution of revenues, which is used by the management executives to measure the Group's performance:

	2022				2021			
	Scheduled	Chartered Flights		Total	Sched- uled	Chartered Flights		Total
	services	Passengers	Cargo		services	Passen- gers	Cargo	
Levant	63,131	43	884	64,058	41,436	234	1,206	42,876
Europe	162,602	471	1,978	165,051	67,220	809	2,114	70,143
Arab Gulf	125,526	1,196	-	126,722	85,729	888	-	86,617
America	176,727	-	1,943	178,670	98,150	-	1,153	99,303
Asia	9,070	-	1,114	10,184	2,125	99	5,899	8,123
Africa	8,040	43	116	8,199	3,317	93	139	3,549
Total Revenues	545,096	1,753	6,035	552,884	297,977	2,123	10,511	310,611

## (35) FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and bank balances, accounts receivable, financial assets at fair value through other comprehensive income, and some other current assets. Financial liabilities consist of accounts payable, bank loans, lease obligation and some other current liabilities.

The fair values of financial instruments are not materially different from their carrying values.

## (36) Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 – market prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.



<b>31 December 2022</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets:				
Financial assets at fair value through other comprehensive income	-	-	2,087	2,087
	-	-	2,087	2,087
<b>31 December 2021</b>				
Financial assets:				
Financial assets at fair value through other comprehensive income	-	-	2,087	2,087
Derivative financial instruments (note 12)	453	-	-	453
	453	-	2,087	2,540



## (37) RISK MANAGEMENT

### Interest rate risk

The Group is exposed to interest rate risk on its interest-bearing financial assets and liabilities (bank deposits, obligation under leases and bank loans).

The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates on the Group's profit for one year, based on the floating rate financial assets and financial liabilities held at 31 December 2022 and 31 December 2021.

The following table demonstrates the sensitivity of the consolidated income statement to reasonably possible changes in interest rates as of 31 December 2022 and 2021, with all other variables held constant.

	Increase in interest rate	Effect on loss
2022-	(points)	
Currency		
USD	50	(657)
JD	50	236

	Decrease in interest rate	Effect on loss
	(points)	
Currency		
USD	(25)	(329)
JD	(25)	118

	Increase in interest rate	Effect on loss
2021-	(points)	
Currency		
USD	50	773
JD	50	54

	Decrease in interest rate	Effect on loss
	(points)	
Currency		
USD	(25)	(387)
JD	(25)	(27)

### Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables and with respect to banks by only dealing with reputable banks.



The Group provides its services to a large number of customers. No single customer accounts for more than 10% of outstanding accounts receivable at 31 December 2022 and 2021.

### Liquidity risk

The Group limits its liquidity risk by ensuring bank facilities are available.

The table below summarises the maturities of the Group's (undiscounted) financial liabilities at 31 December 2022 and 2021, based on contractual payment dates and current market interest rates.

31 December 2022	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Accounts payables and other current liabilities	77,013	-	-	-	77,013
Bank loans	3,698	21,566	112,719	-	137,983
Lease obligations	10,268	57,920	260,594	60,201	388,983
Other long-term liabilities	-	-	-	353	353
Total	90,979	79,486	373,313	60,554	604,332

31 December 2021					
Accounts payables and other current liabilities	63,741	-	-	-	63,741
Bank loans	3,621	38,312	99,012	-	140,945
Lease obligations	13,145	41,812	294,912	105,623	455,492
Other long-term liabilities	-	-	-	379	379
Total	80,507	80,124	393,924	106,002	660,557

### Currency risk

The table below indicates the Group's foreign currency exposure at 31 December, as a result of its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the JD currency rate against the foreign currencies, with all other variables held constant, on the consolidated statement of income.

2022 -		
Currency	Increase in foreign currency rate to the JD currency	Effect on loss
	(%)	
Euro	5	(771)
GBP	5	126

Currency	Decrease in foreign currency rate to the JD currency	Effect on loss
	(%)	
Euro	(5)	771
GBP	(5)	(126)



2021 -		
Currency	Increase in foreign currency rate to the JD currency	Effect on loss
	(%)	
Euro	5	(400)
GBP	5	(130)

Currency	Decrease in foreign currency rate to the JD currency	Effect on loss
	(%)	
Euro	(5)	400
GBP	(5)	130

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

Losses on foreign exchange rates amounted to JD 1,235 for the year ended 31 December 2022 (31 December 2021: JD 490).

### **(38) CAPITAL MANAGEMENT**

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value.

Capital comprises of share capital, share discount, payments in respect of capital increase, statutory reserve and accumulated losses and is measured at a deficit of JD 68,752 as at 31 December 2022 (31 December 2021: Deficit of JD 59,811).

The Group's accumulated losses of JD 400 million exceeded of the Group's capital as of 31 December 2022. Also, the Group's current liabilities exceeded its current assets by an amount of JD 144.9 million as of 31 December 2022. These events and conditions indicate that a material uncertainty exists that may cast significant doubt about the entity's ability to continue as a going concern. According to Article (266) of the Jordanian Company's Law No. 22 for the year 1997 and its amendments, if the accumulated losses of the Public Shareholding Company exceeded 75% of its capital, the Company shall be liquidated unless the General Assembly of the Company issues a decision on its extraordinary meeting to increase the Company's capital or to deal with the Company's losses.

On 18 May 2022, the Prime Ministry of Jordan resolved in its resolution number (7056) to authorize the Ministry of Finance to proceed with further procedures to increase the Company's capital by JD 70 million over two phases. An amount of JD 35 million was received during May 2022 and the remaining amount was received during August 2022. Capital increase procedures were not completed up to the date of the consolidated financial statements.

The Company received a comfort letter from the Ministry of Finance (the Jordanian Government's representative), stating that the Government is in favor of continuing to support the Company's operations in the future.



## **(39) CONTINGENCIES AND COMMITMENTS**

### **Letters of credit and guarantees**

As of 31 December 2022, the Group had letters of credit amounted to JD 22,789 and letters of guarantees amounted to JD 1,086 (31 December 2021: letters of credit: JD 23,493 and letters of guarantees: JD 331).

### **Claims against the Group**

The Group is a defendant in a number of lawsuits amounting to JD 10,774 (2021: JD 14,661) representing legal actions and claims related to its ordinary course of business. Related risks have been analyzed as to the likelihood of occurrence, although the outcome of these matters cannot always be ascertained with precision. In the opinion of the Group and their legal counsels, the provision recognized as of 31 December 2022 is sufficient to cover any contingent liabilities and claims that may arise from these lawsuits.

### **Capital commitments**

As of 31 December 2022, the Group had capital commitments of USD 303,051,349 (31 December 2021: USD 303,051,349), equivalent to JD 214,930 (31 December 2021: JD 214,930) relating to finance lease agreements signed for two new aircraft (31 December 2021: two new aircraft).

The Group has the option not to purchase these aircrafts given that it informs the aircrafts manufacturer during a maximum period of thirty-seven months prior to the date of delivery of these aircraft.

## **(40) STANDARDS ISSUED BUT NOT YET EFFECTIVE**

The standards and interpretations that are issued but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

### **IFRS 17 Insurance Contracts**

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) which was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach),
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.



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

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

- What is meant by a right to defer settlement,
- That a right to defer must exist at the end of the reporting period,
- That classification is unaffected by the likelihood that an entity will exercise its deferral right,
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.
- The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

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

### **Definition of Accounting Estimates - Amendments to IAS 8**

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

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

### **Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2**

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.



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### **Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12**

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognized for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

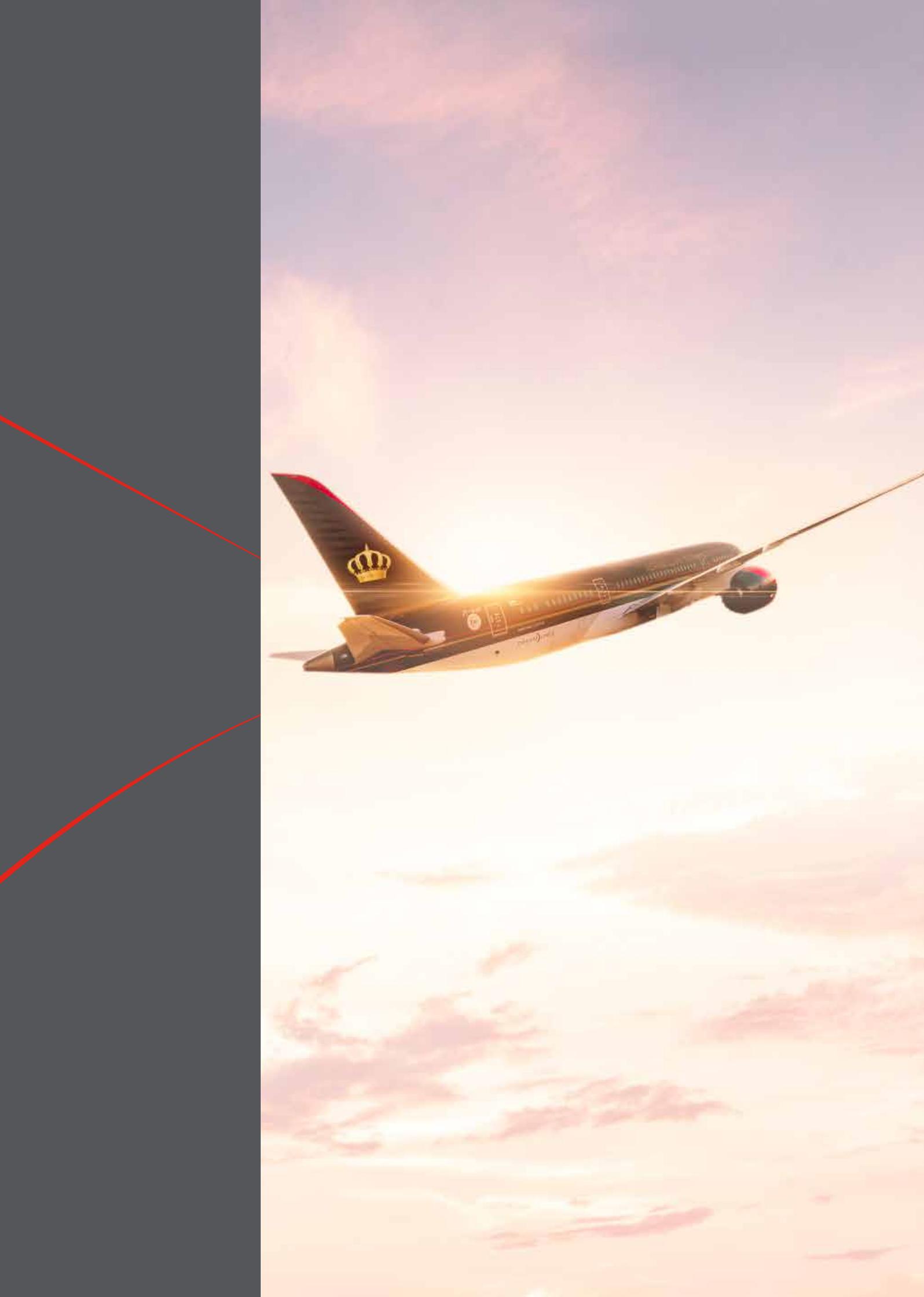
The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

### **(41) COMPARATIVE FIGURES**

Some of 2021 balances were reclassified to correspond with the consolidated financial statements figures for the year 2022 presentation, with no effect on profit and equity for the year 2021.



# **Corporate Governance Report**





## Corporate Governance Report

### Royal Jordanian's Governance Framework

As Royal Jordanian is a public shareholding company that has been listed on the Amman Stock Exchange since 2007 and its shares have been traded since then to date, and the company is depending on the provisions of the Companies Law and its amendments and the provisions of the Governance Regulations issued by the Jordan Securities Commission for the year 2017, and on the company's articles of association and internal rules and policies in developing its internal governance. Furthermore, and where the company has adhered to the laws, regulations and instructions in force in Jordan related to governance as well as the principles of Governance issued by the Organization for Economic Cooperation and Development (OECD) in a manner that ensures good governance in the company, achieving transparency, fairness and accountability, and ensuring the protection of shareholders' rights, and ensuring that the company is managed in a way that serves its stakeholders.

In the year 2022, Royal Jordanian's Board of Directors continued to operate in accordance with the policies and procedures required and recommended by the Company's Corporate Governance Committee and emanating from the Board of Directors in order to achieve transparency in the interest of its shareholders and stakeholders, such as continuing to apply the disclosure and transparency policy, and the conflict of interest policy, the social responsibility policy, and application of procedures related to receiving suggestions and complaints from shareholders, publishing all financial and non-financial disclosures of the company through the electronic disclosure system of the Jordan Securities Commission, as well as publishing the annual reports and quarterly financial statements on its website, in addition to the implementation of the policy of combating money laundering and terrorist financing with its various procedures and forms adopted.

In order to monitor the company's compliance with the requirements of governance, the company is constantly reviewing the policies, procedures and forms used in implementing the governance system, and the members of the Board of Directors and members of the Executive Management periodically fill out questionnaires, in order to disclose their membership in the boards of other public shareholding companies, and the ownership of securities in Royal Jordanian by themselves, their relatives or any company they control and owns shares in RJ. Furthermore, a training course was held for the members of the Board who were appointed in the Board during the year 2022, focusing on the principles of governance, the regulations related to corporate governance, and how to implement them within the company. The Remunerations and Incentives Committee, in accordance with the governance regulations, has carried out an evaluation of the Board's performance to identify its points of strength and areas of improvement.

The Company's Governance Committee, consisting of 3 members from the Board of Directors, held two meetings during the year 2022 to review and approve the Corporate Governance Report for the year 2021, in addition to reviewing the policies, procedures and forms related to the application of the Company's governance system, and ensuring that the system fulfills all the requirements of the Governance regulations.

In compliance with the Corporate Governance Regulations for public shareholding Companies for the year 2017, this report has been prepared including the following data:



## Members of the Board of Directors (Current/ Resigned, Dependent/ Independent, and Juristic/ Natural)

The table below shows all current/resigned board members, their independency, and whether the member is executive or non-executive.

Board Member	Position	Independency	Executive/ Non-Executive
<b>Government Investments Management Company</b>			
H.E. Eng. Said Samih Darwazah	Chairman of the Board	Dependent	Non-Executive
H.E. Eng. Samer Abdelsalam Majali	Vice Chairman/ Board Designee- CEO	Dependent	Executive
H.E. Eng. Bassem Khalil Al-Salem	Member	Dependent	Non-Executive
H.E. Ms. Kholoud Mohammad Saqqaf (Until 27 Oct 2022)	Member	Dependent	Non-Executive
H.E. Dr. Abdelhakim Mousa Shibli*	Member	Dependent	Non-Executive
H.E. Mr. Omar Munther Fahoum	Member	Dependent	Non-Executive
H.E. Mr. Rajaie Kamal Dajani	Member	Dependent	Non-Executive
<b>Social Security Corporation</b>			
H.E Mr. Sameer Abdallah Shahrour** (from 19 Jun 2022)	Member	Independent	Non-Executive
<b>Mint Trading Middle East Ltd.</b>			
H.E Eng. "Mohammad Ali" Issam Bdair	Member	Dependent	Non-Executive

\*Became a representative of the Government Investments Management Company on 10.3.2022 after being a representative of the Social Security Corporation

\*\*Mr. Sameer Shahrour was named as a representative of the Social Security Corporation on 19.6.2022



## Members of the Board of Directors (Current and Juristic)

The table below shows all current and juristic/representative board members, their independency, and whether the member is executive or non-executive

Board Member	Position	Independency	Executive/ Non-Executive
<b>Government Investments Management Company</b>			
H.E. Eng. Said Samih Darwazah	Chairman of the Board	Dependent	Non-Executive
H.E. Eng. Samer Abdelsalam Majali	Vice Chairman/ Board Designee- CEO	Dependent	Executive
H.E. Eng. Bassem Khalil Al-Salem	Member	Dependent	Non-Executive
H.E. Mr. Omar Munther Fahoum	Member	Dependent	Non-Executive
H.E. Mr. Rajaie Kamal Dajani	Member	Dependent	Non-Executive
H.E. Dr. Abdelhakim Mousa Shibli*	Member	Dependent	Non-Executive
<b>Social Security Corporation</b>			
H.E. Mr. Sameer Abdallah Shahrour (from 19 Jun 2022)	Member	Independent	Non-Executive
<b>Mint Trading Middle East Ltd.</b>			
H.E. Eng. "Mohammad Ali" Issam Bdair	Member	Dependent	Non-Executive

\*Became a representative of the Government Investments Management Company on 10.3.2022 after being a representative of the Social Security Corporation

\*\*Mr. Sameer Shahrour was named as a representative of the Social Security Corporation on 19.6.2022

## Senior Executive Management

The table below shows the current Senior Executive Management members and their positions

Name	Position	Date Appointed
H.E. Eng. Samer Majali	Vice Chairman/Board Designee-CEO	30.03.2021
Mr. Feras Qarrain	Executive Chief Finance & Resources Officer	07.10.2019
Mr. Karime Makhoulf	Chief Commercial Officer	14.06.2021
Captain Ghassan Obeidat	Chief Technical Officer	02.11.1996
Ms. Amal Hattar	Chief Finance Officer	15.12.2004
Ms. Suha Al Arda	Chief Treasury Officer	28.08.2007
Dr. Fawzi Mulki	Chief Services Officer	09.09.2012



## The Memberships of the Natural Board of Directors' Members in Public Shareholding Companies

There are no memberships.

## Governance Liaison Officer

Eng. Samer Ibrahim Samman has been appointed as the Liaison Officer to follow up on all matters related to the implementation of the Company's governance system and in coordination with the Jordan Securities Commission.

## Board Meetings and Names of Attendees

The Board of Directors of the Company held nine meetings during the year 2022 as follows:

Board Member	No. of Meetings Attended	1st Meeting	2nd Meeting	3rd Meeting	4th Meeting	5th Meeting	6th Meeting	7th Meeting	8th Meeting	9th Meeting
		3-Feb-22	15-Mar-22	27-Apr-22	2-Jun-22	21-Jul-22	27-Jul-22	27-Oct-22	7-Nov-22	30-Nov-22
<b>Government Investments Management Company</b>										
H.E. Eng. Said Samih Darwazah	8/9	√	√	√	√	√	X	√	√	√
H.E. Eng. Samer Abdelsalam Majali	9/9	√	√	√	√	√	√	√	√	√
H.E. Eng. Bassem Khalil Al-Salem	7/9	√	√	√	√	X	X	√	√	√
H.E. Ms. Kholoud Mohammad Saqqaf (Until 27.Oct.2022)	6/6	√	√	√	√	√	√	•	•	•
H.E. Dr. Abdelhakim Mousa Shibli*	7/9	√	√	√	√	√	√	√	X	X
H.E. Mr. Omar Munther Fahoum	9/9	√	√	√	√	√	√	√	√	√
H.E. Mr. Rajaie Kamal Dajani	9/9	√	√	√	√	√	√	√	√	√
<b>Social Security Corporation</b>										
H.E Mr. Sameer Abdallah Shahrour (from 19 Jan 2022)	5/5	•	•	•	•	√	√	√	√	√
Mr. Fadi Abu Ghosh (Representing Social Security Corporation)	2/2	•	•	√	√	•	•	•	•	•
<b>Mint Trading Middle East Ltd.</b>										
H.E. Eng. "Mohammad Ali" Bdair	7/9	√	√	√	√	√	√	X	X	√

√ attended the meeting      X did not attend the meeting      • Was not a member.

\*Became a representative of the Government Investments Management Company on 10.3.2022 after being a representative of the Social Security Corporation

\*\*Mr. Sameer Shahrour was named as a representative of the Social Security Corporation on 19.6.2022

## Board of Directors Committees

- Audit Committee
- Remuneration and Incentives Committee
- Governance Committee
- Risk Management Committee
- Information Technology Steering Committee
- Investment Committee (formed on November 2022)



## Audit Committee

It mainly supervises and controls the accounting, control and auditing work in the company, and its main purpose is to assist the board of directors in supervising the fairness of the company's financial statements, financial reporting mechanisms and internal control systems in the company, as well as supervising the company's compliance with legislations and regulatory requirements, the independence and efficiency of the external auditor, and the performance of the internal audit department.

The Audit Committee consists of 4 members as follows:

- H.E. Mr. Omar Munther Fahoum (Head)
- H.E. Mrs. Kholoud Mohammed Al-Saqqaf (until 27/10/2022)
- H.E. Dr. Abdelhakim Mousa Shibli
- H.E. Eng. "Mohammad Ali" Issam Bdair
- H.E. Mr. Sameer Abdallah Shahrour (starting from 30/11/2022)

## Names of the head and members (current and resign) of the Audit Committee, their qualifications and experience



### H.E. Mr. Omar Munther Fahoum

Board Member  
Dependent/ Non-Executive

#### Appointment

30 March 2021

#### Representing

Government Investments Management Co.

Mr. Fahoum has thirty years of experience as a partner and the last twenty years as CEO of Deloitte & Touche M.E., where he held the following positions:

- Member of the Board of Directors of the global company (Deloitte Touche Tohmatsu) between 2007-2011 and 2017-2019
- CEO of the company in the Middle East from 2001 to 2020.
- Operations Manager in Saudi Arabia 1998.
- Partner in charge of the evaluation work in 1995.
- Responsible for the company's business in the Eastern Province of Saudi Arabia 1995.

Mr. Fahoum holds the following positions in other firms:

- Board member in the Arab Bank.
- Co-founded Young Presidents Organization (YPO) of Jordan and Bahrain Chapters, YPO is a global leadership community empowering youth towards leadership in the global economy.
- Senior Advisor to the Private Equity Fund of Singapore.
- Chairman of Amman Academy.

He holds a Bachelor's degree in Accounting from the University of Texas (Austin) and is a Certified Public Accountant (CPA) in the United States and Jordan.



### **H.E. Dr. Abdelhakim Mousa Shibli**

Board Member  
Dependent/ Non-Executive

#### **Appointment**

8 May 2018

#### **Representing**

Government Investments Management Co.

Dr. Shibli held the following positions in his career path:

- The Secretary General of the Ministry of Finance, which was upon Royal Decree in 2018.
- Chaired the Directorate of Studies and Economic Policies in the Ministry of Finance between 2010-2018.
- He took part in several Governmental committees and worked as core economic team at the Ministry of Finance and on IMF program, the World Bank, and the Arab Monetary Fund. Dr. Shibli has been working in the field of in the economic and financial policy formulation and the implementation of important national and international programs such as the Economic and Social Reform Initiative, the Financial Reform Program, the Modernization of Financial Management, and the Revision Program with the IMF.
- Economic advisor in the Ministry of Planning and International Cooperation between 2004–2007.
- Worked also as a part-time lecturer in the Faculty of Business Administration at the University of Jordan, Department of Economics in 2002.
- Economist at the Central Bank of Jordan between 1991-2004.

He holds a PhD. in Economics specializing in macroeconomics and fiscal policy, from Leeds University Business School, UK.



### **H.E. Eng. "Mohammad Ali" Issam Bdair**

Board Member  
Dependent/ Non-Executive

#### **Appointment**

27 March 2008

#### **Representing**

Mint Trading Middle East Ltd.

- Mr. Bdair currently holds the position of General Manager of Best Dimension Investment Co..

In his career path, he held the following positions:

- Chairman of General Mining Co.
- Board member of the Jordan Electric Power Co.
- Former General Manager of the International Company for Communication Technology 2000-2005.
- Former board member of Jordan Investment Board.

He has a bachelor's degree in industrial engineering from Purdue University (USA), and a Master's degree in Engineering Management from the American University of Beirut 2001.



**H.E. Mr. Sameer Abdallah Shahrour**

Board Member  
Independent/ Not- Executive

Appointment	Representing
19 June 2022	Social Security Corporation

Mr. Shahrour serves as Project Finance and Tourism Portfolio Director at Social Security Investment Fund - Jordan (SSIF) starting 2018

Mr. Shahrour has more than 25 years of experience in investments, corporate finance, portfolio management and banking with reputable financial institutions and GCC..

- He worked with multi-billion international groups in the GCC as he held the position of Investment Manager during the period (2007 - 2017).
- He held various positions in Arab Bank and JIF Bank during 1994-2005 as a credit officer, and head of the credit review manager.
- He Served as Section Head of Corporate Valuation at Project Finance Department at SSIF during 2005-2007

Mr. Shahrour holds a master's degree in applied finance from the University of Western Sydney-Australia. He also holds professional certificates; CLBB (Certified Lender Business Banker) and CRP (Certified Risk Professional) from American Bankers Association.



## **H.E. Ms. Kholoud Mohammad Saqqaf**

Board Member  
Dependent/ Non-Executive

<b>Appointment</b>	<b>Representing</b>
30 March 2021 until 27 October 2022	Government Investments Management Co.

**Ms. Saqqaf held the position of CEO/ vice chairman on the board of the Social Security Corporation Investment SSIF, in addition to her membership in Social Security Corporation BoD and she has more than 25 years of experience in banking, finance and financial control, where she held the following positions and board memberships:**

- Vice Chairperson in Central Bank of Jordan.
- Chairperson in Jordan Mortgage Refinance Company.
- Board member of Social Security Corporation, Insurance Commission, Arab National Leasing Company, and The National Committee for Anti-Money Laundering and Counter-Terrorist Financing.
- Vice Chairman on the board of the first Jordanian Credit Bureau Company.
- Vice Chairman on the board of Jordan Mortgage Refinance Company.
- Vice Chairman on the board of Ethmar Islamic Microfinance Company and Business Development Centre.
- Board of Trustees of the Center for Strategic Studies.
- Served as the President of the Board of the International Women's Forum – Jordan Chapter.
- Appointed as Executive Vice President, Group Risk Management from November 2013 until October 2018.
- She held several positions at the Central Bank of Jordan during the periods 1993 – 2004, and 2006 -2012 including Executive Manager of the Banking Supervision Department and Deputy Governor of the Central Bank of Jordan as the first Arab woman to occupy such a regulatory position.
- Served as the Director of the Research Department at the Insurance Commission of Jordan during the period 2004-2006.
- Joined Arab Bank in 2012 as Executive Vice President, Country Manager of Jordan & Palestine.

Mrs. Kholoud holds a master's degree in economics from University of Jordan.



## Audit Committee Meetings

The Audit Committee held seven meetings during 2022 as follows:

Name	No. of Meetings Attended	1st Meeting	2nd Meeting	3rd Meeting	4th Meeting	5th Meeting	6th Meeting	7th Meeting
		14-Mar-22	27-Apr-22	1-Jun-22	27-Jul-22	3-Oct-22	26-Oct-22	8-Dec-22
<b>Government Investments Management Company</b>								
H.E. Mr. Omar Munther Fahoum	7/7	√	√	√	√	√	√	√
H.E. Ms. Kholoud Mohammad Saqqaf (Until 27.Oct.2022)	6/6	√	√	√	√	√	√	•
H.E. Dr. Abdelhakim Mousa Shibli	5/7	√	X	√	√	√	√	X
<b>Social Security Corporation</b>								
H.E. Mr. Sameer Abdallah Shahrour (from 30 Nov 2022)	1/1	•	•	•	•	•	•	√
<b>Mint Trading Middle East Ltd.</b>								
H.E. Eng. "Mohammad Ali" Issam Bdair	6/7	√	√	√	√	√	X	√

√ attended the meeting

X did not attend the meeting

• Was not a member

The external auditors attended four meetings of the Audit Committee during the year 2022.

## Remuneration and Incentives Committee

The Remuneration and Incentives Committee is primarily responsible for preparing recommendations to the Board of Directors regarding proposed nominations for the Company's senior executive management, remuneration, benefits and incentives policies and employee salaries, includes evaluating the management, BoD and its committees performance.

The Remuneration and Incentives Committee consists of 3 members as follows:

- H.E. Eng. Said Samih Darwazah (Head)
- H.E. Eng. Bassem Khalil Al-Salem
- H.E. Mr. Rajaie Kamal Dajani (starting from 21/7/2022)

The Remuneration and Incentives Committee held 2 meetings during the year 2022 as follows:

Name	No. of Meetings Attended	1st Meeting	2nd Meeting
		2-Feb-22	18-Dec-22
<b>Government Investments Management Company</b>			
H.E. Eng. Said Samih Darwazah	2/2	√	√
H.E. Eng. Bassem Khalil Al-Salem	2/2	√	√
H.E. Mr. Rajaie Kamal Dajani	1/1	•	√

√ attended the meeting

X did not attend the meeting

• Was not a member

## Governance Committee

It is primarily responsible for ensuring compliance with and enforcement of corporate governance requirements, regulations and instructions.

The Governance Committee consists of 3 members as follows:

- H.E. Mrs. Kholoud Mohammed Saqqaf (Head) - until 27/10/2022



- H.E. Mr. Rajaie Kamal Dajani (Head - from 30/11/2022)
- H.E. Eng. "Mohammad Ali" Issam Bdair
- H.E. Mr. Sameer Abdallah Shahrour (from 30/11/2022)

The Governance Committee held 2 meetings during the year 2022 as follows:

Name	No. of Meetings Attended	1st Meeting	2nd Meeting
		24-Feb-22	7-Dec-22
<b>Government Investments Management Company</b>			
H.E. Ms. Kholoud Mohammad Saqqaf (Until 27.Oct.2022)	1/1	√	•
H.E. Mr. Rajaie Kamal Dajani	2/2	√	√
<b>Social Security Corporation</b>			
H.E. Mr. Sameer Abdallah Shahrour (from 30 Nov 2022)	1/1	•	√
<b>Mint Trading Middle East Ltd.</b>			
H.E. Eng. "Mohammad Ali" Issam Bdair	2/2	√	√

√ attended the meeting      X did not attend the meeting      • Was not a member

### Risk Management Committee

It is mainly assumed the task of managing the risks that the company may be exposed to, and developing strategies for managing and dealing with them.

The Risk Committee consists of 4 members as follows:

- H.E. Eng. Bassem Khalil Al-Salem (Head)
- H.E. Eng. Samer Abdelsalam Majali
- H.E. Mr. Rajaie Kamal Dajani
- H.E. Mr. Sameer Abdallah Shahrour (from 21/7/2022)

The Risk Management Committee held 2 meetings during the year 2022 as follows:

Name	No. of Meetings Attended	1st Meeting	2nd Meeting
		5-Oct-22	7-Nov-22
<b>Government Investments Management Company</b>			
H.E. Eng. Bassem Khalil Al-Salem	2/2	√	√
H.E. Eng. Samer Abdelsalam Majali	2/2	√	√
H.E. Mr. Rajaie Kamal Dajani	2/2	√	√
<b>Social Security Corporation</b>			
H.E. Mr. Sameer Abdallah Shahrour (from 19 Jun 2022)	1/2	X	√

√ attended the meeting      X did not attend the meeting      • Was not a member



### Information Technology Steering Committee

It was formed for the purpose of supporting the Board in IT governance and management by providing strategic IT leadership by aligning strategic IT objectives and activities with the Company's strategic objectives. It is composed of 5 members of the Board of Directors and Executive Management as follows:

- H.E. Eng. Samer Abdelsalam Majali (Head).
- H.E. Eng. "Mohammad Ali" Issam Bdair.
- Mr. Feras Qarrain – Executive Chief Finance & Resources Officer.
- Mr. Ashraf Ayoub – Head of Information Technology Department.
- Mr. Abdullah Qadadah – Executive Director – Internal Audit and Risk Management.

The IT Steering Committee held three meetings during 2022 as follows:

Name	No. of Meetings Attended	1st Meeting	2nd Meeting	3rd Meeting
		16-Jan-22	29-May-22	7-Dec-22
<b>Government Investments Management Company</b>				
H.E. Eng. Samer Abdelsalam Majali	3/3	√	√	√
Mint Trading Middle East Ltd.				
H.E Eng. "Mohammad Ali" Bdair	3/3	√	√	√
<b>RJ Management</b>				
Mr. Feras Qarrain	3/3	√	√	√
Mr. Ashraf Ayoub	3/3	√	√	√
Mr. Abdullah Qadadah	3/3	√	√	√

√ attended the meeting      X did not attend the meeting      • Was not a member

### Investment Committee

The Investment Committee was formed on 30/11/2022 with the aim of supporting one of the strategic goals of the company by restoring the building of its investment units operating in the field of complementary activities to the aviation sector and researching and evaluating investment opportunities available in the Jordanian airports or any other investment opportunities, and evaluating these opportunities, and submitting the related recommendations to the Board of Directors. The Investment Committee is composed of 4 members of the Board of Directors as follows:

- H.E. Eng. Said Samih Darwazah (Head).
- H.E. Eng. Bassem Khalil Al-Salem.
- H.E. Eng. Samer Abdelsalam Majali.
- H.E. Mr. Omar Munther Fahoum.

The committee did not hold any meeting during the year 2022.

### Chairman of the Board



**Eng. Said Samih Darwazah**



## Board of Directors Declarations



As shown in the financial statements in the annual report, RJ's accumulated losses have exceeded 100% of its paid-up capital, and this is due to two main reasons; the first is related to losses during the years 2020 and 2021, where the net losses in these two years have reached JD235.3 million due to the impact of the Corona pandemic and its repercussions. As for the second reason, it relates to losses in 2022 as a result of the increase in fuel prices globally due to the repercussions of the Russian-Ukrainian war, which incurred huge additional operating costs for the company. Article No. 266 of Companies Law No. 22 of 1997 and its amendments stipulates that if the accumulated losses of the public shareholding company exceed 75% of its capital, a request to liquidate the company must be submitted, unless the company restructures the rights of its shareholders and increases its capital. The company's ability to continue as a going concern depends mainly on correcting its operational and financial conditions in line with the current and expected market conditions, increasing the capital, and providing the necessary cash to finance its activities. The company's board of directors seeks to achieve this by working on the operational and financial restructuring of the company and communicating with the main shareholder with the aim of increasing the capital and providing the necessary liquidity.

1. The Company's Board of Directors hereby declares its responsibility for the preparation of the financial statements and an effective control system in the Company.



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**Said S. Darwazah**  
Chairman of the Board



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**Samer A. Majali**  
Vice Chairman



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**Bassem Kh. Al-Salem**  
Member



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**Abdelhakim M. Shibli**  
Member



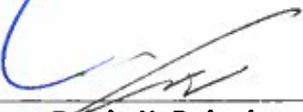
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**"Mohammad Ali" I. Bdeir**  
Member



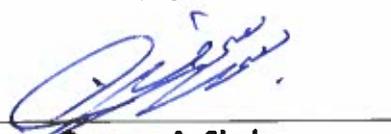
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**Omar M. Fahoum**  
Member



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**Rajaie K. Dajani**  
Member



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**Sameer A. Shahrour**  
Member

2. We, the undersigned acknowledge the correctness, accuracy and completeness of the information in the annual report for the year 2022.



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**Said S. Darwazah**  
Chairman of the Board



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**Samer A. Majali**  
Board Designee/CEO



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**Feras M. Qarrain**  
Executive Chief Finance &  
Resources Officer



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

Contact		Offices
+962 6 5100000/ +962 6 5202000	– Headquarters Sales office 5th Circle	مكتب مبيعات المبنى الرئيسي – الدوار الخامس
+962 6 5100000	– Abdali Sales Office Opposite to the Parliament Council	مكتب مبيعات العبدلي – مقابل مجلس النواب
+962 6 5100000	– City Terminal Sales Office 7th Circle	مكتب مبيعات الدوار السابع – مبنى المسافرين
+962 6 4793170	– Airport Sales Office Queen Alia International Airport	مكتب مبيعات المطار – داخل مطار الملكة علياء
+962 6 5100000	– Aqaba Sales Office Shareef Hussein Bin Ali Street	مكتب مبيعات العقبة – شارع الشريف الحسين بن علي
+962 6 5100000/ 962 2 7277805	– Irbid Sales Office Baghdad Street	مكتب مبيعات إربد – شارع بغداد
+962 6 5822811	Royal Jordanian for Tourism & Travel – Royal Tours	الملكية الأردنية للسياحة والسفر – رويال تورز
+962 6 5204030	Tikram for Airport Services	شركة «تكرم» لخدمات الطيران



Contact	Offices
+44 207 878 6300	London لندن
+33 142 659 980	Paris باريس
+39 6 4787 055	Rome روما
+31 20 3460150	Amsterdam امستردام
+30 210 9242601/2/3	Athens اثينا
+357 24008466/7	Larnaca لارنكا (المطار)
+357 22460044	Nicosia نيقوسيا
+34 910 338 047	Madrid مدريد
+34 615 994 373	Barcelona برشلونة
+41442869920	Geneva جنيف
+41442869920	Zurich زيورخ
+393517703676	Milan ميلان
+49 69231853/54	Frankfurt فرانكفورت
+45 53 73 23 33 4531449907	Copenhagen كوبنهاجن
+74959337161	Moscow موسكو
+902124655106/7	Istanbul اسطنبول
97126275084/5	Abu Dhabi ابو ظبي
97147024200	Dubai دبي
971 3 7024200	Alain العين
971 6 5102564	Sharjah الشارقة
966112936031/32/33/35	Riyadh الرياض
966 (012) 6382500/01/02/03/04/05/06/07/08/09	Jeddah جدة
966 14 8252262	Madina munawara المدينة المنورة
966 3 8992006 966 1 38949523	Dammam الدمام
97444423888	Doha الدوحة
96522923017/18/22	Kuwait الكويت
964781977709/964771110527	Baghdad بغداد
9647801982285	Basra البصرة
9647730888660/+9647809235392	Najaf النجف
9647509006166	Erbil اربيل
9647703330400	Sulaymaniyah السليمانية
25750714/25750875	Cairo القاهرة
97235381100	Tel Aviv تل ابيب
97022961780/97022743717	West Bank الضفة الغربية
9611 493 320/1 9611 493480/1 9611 379990/1	Beirut بيروت
21671255194/21671330514	Tunis تونس
No contact for now	Algiers الجزائر
6626382960	Bangkok بانكوك
85228041203	HongKong هونغ كونغ
12129490060	New York نيويورك
12245398300	Chicago شيكاغو
12245398300	Detroit ديترويت
+15146312403	Montreal مونتريال

