

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

**A PUBLIC SHAREHOLDING COMPANY**

**UNAUDITED INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**30 June 2021**



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

***Introduction***

We have reviewed the accompanying interim condensed consolidated financial statements of Alia - The Royal Jordanian Airlines Company (the “Company”) and its subsidiaries (together referred to as the “Group”) as at 30 June 2021, comprising the interim consolidated statement of financial position as at 30 June 2021 and the related interim consolidated income statement, consolidated statements of comprehensive income, changes in equity and cash flows for the six month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard IAS 34 Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

***Scope of Review***

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

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

As disclosed in note (2-2) to the interim condensed consolidated financial statements, the Company’s accumulated losses of JD 307.2 million as of 30 June 2021 exceeded the Company’s capital. Also, the Company’s current liabilities exceeded its current assets by an amount of JD 168.1 million as of 30 June 2021. 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 exceed 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.



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The Prime Ministry of Jordan resolved 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. The first phase was received during the fourth quarter of 2020 and the second phase was received during the second quarter of 2021. 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. Also, the Company's management is in the process of performing the restructuring business plan that supports the Company's business continuity and its ability to recover its assets and generate future cash flows to settle its liabilities. Our conclusion is not modified in this regard.

### **Conclusion**

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

Amman – Jordan  
29 July 2021

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)  
Public Shareholding Company  
Interim Consolidated Statement of Financial Position  
At 30 June 2021  
(In Thousands of Jordanian Dinars)**

	Notes	30 June 2021 (Unaudited)	31 December 2020 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Right-of-use assets	5	433,299	433,676
Property and equipment	6	65,739	73,896
Advances on purchase and modification of aircrafts		3,218	4,813
Financial assets at fair value through other comprehensive income		2,265	2,265
Investments in associates		16,914	16,755
Restricted cash against lease contracts		23,889	22,959
Deferred tax assets		12,322	12,322
		<u>557,646</u>	<u>566,686</u>
<b>Current assets</b>			
Other current assets		13,639	10,498
Spare parts and supplies, net		7,766	8,210
Accounts receivable, net		71,601	57,532
Cash and bank balances	7	90,174	53,508
		<u>183,180</u>	<u>129,748</u>
<b>TOTAL ASSETS</b>		<u>740,826</u>	<u>696,434</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Paid-in capital	9	274,610	274,610
Share discount	9	(78,205)	(78,205)
Payments in respect of capital increase	9	50,000	25,000
Statutory reserve	9	14,808	14,808
Fair value reserve		133	133
Cash flow hedges		419	158
Accumulated losses		(307,232)	(246,406)
		<u>(45,467)</u>	<u>(9,902)</u>
Non-controlling interests		218	223
<b>Net deficit in shareholders' equity</b>		<u>(45,249)</u>	<u>(9,679)</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term loans	8	105,027	95,428
Long-term lease obligations	5	329,366	336,683
Other long-term liabilities		415	413
		<u>434,808</u>	<u>432,524</u>
<b>Current liabilities</b>			
Bank overdrafts	7	957	-
Current portion of long-term loans	8	33,476	26,380
Accrued expenses		81,285	66,783
Accounts payable and other current liabilities		79,612	73,195
Deferred revenues		69,845	36,754
Short-term lease obligations	5	86,092	70,477
		<u>351,267</u>	<u>273,589</u>
<b>Total liabilities</b>		<u>786,075</u>	<u>706,113</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>740,826</u>	<u>696,434</u>

The attached notes from 1 to 15 form part of these interim condensed consolidated financial statements

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Public Shareholding Company**  
**Interim Consolidated Income Statement**  
**For The Six Months Ended 30 June 2021 (Unaudited)**  
**(In Thousands of Jordanian Dinars)**

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2021	2020	2021	2020
Revenues from contracts with customers	10	69,904	22,823	108,835	136,936
Cost of revenues		(79,133)	(47,164)	(139,218)	(164,089)
<b>Gross loss</b>		(9,229)	(24,341)	(30,383)	(27,153)
Administrative expenses		(3,321)	(3,573)	(6,502)	(8,538)
Selling and marketing expenses		(6,055)	(4,689)	(10,953)	(13,985)
Other provisions		(54)	-	(54)	-
<b>Net operating loss</b>		(18,659)	(32,603)	(47,892)	(49,676)
Group's share of (losses) profits of associates		(83)	(807)	159	(479)
Other income (expenses), net		32	(713)	(149)	(1,034)
Provision for voluntary termination	15	-	-	(1,503)	(910)
Loss on foreign currency exchange		(154)	(533)	(84)	(896)
Finance costs		(5,745)	(6,722)	(11,823)	(14,500)
Interest income		214	87	461	738
<b>Loss for the period before tax</b>		(24,395)	(41,291)	(60,831)	(66,757)
Income tax expense	11	-	-	-	-
<b>Loss for the period</b>		(24,395)	(41,291)	(60,831)	(66,757)
<b>Attributable to:</b>					
Equity holders of the parent		(24,397)	(41,270)	(60,826)	(66,731)
Non-controlling interests		2	(21)	(5)	(26)
		(24,395)	(41,291)	(60,831)	(66,757)
<b>Earnings per share</b>					
Basic and diluted earnings per share attributable to equity holders of the parent		JD (0.089)	JD (0.150)	JD (0.222)	JD (0.243)

The attached notes from 1 to 15 form part of these interim condensed consolidated financial statements

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Public Shareholding Company**  
**Interim Consolidated Statement of Comprehensive Income**  
**For The Six Months Ended 30 June 2021 (Unaudited)**  
**(In Thousands of Jordanian Dinars)**

	<b>For the three months ended 30 June</b>		<b>For the six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Loss for the period</b>	(24,395)	(41,291)	(60,831)	(66,757)
<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	(35)	217	261	(248)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):				
Change in fair value reserve of financial assets at fair value through other comprehensive income	-	-	-	(390)
<b>Total comprehensive income for the period</b>	<b>(24,430)</b>	<b>(41,074)</b>	<b>(60,570)</b>	<b>(67,395)</b>
<b>Attributable to:</b>				
Equity holders of the parent	(24,432)	(41,053)	(60,565)	(67,369)
Non-controlling interests	2	(21)	(5)	(26)
	<b>(24,430)</b>	<b>(41,074)</b>	<b>(60,570)</b>	<b>(67,395)</b>

The attached notes from 1 to 15 form part of these interim condensed consolidated financial statements

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Public Shareholding Company**  
**Interim Consolidated Statement of Changes in Equity**  
**For The Six Months Ended 30 June 2021 (Unaudited)**  
**(In Thousands of Jordanian Dinars)**

	<i>Attributable to equity holders of the parent</i>									
	<i>Payments in respect</i>							<i>Non – controlling interests</i>	<i>Total equity</i>	
	<i>Paid-in capital</i>	<i>Share discount</i>	<i>of capital increase</i>	<i>Statutory reserve</i>	<i>Fair value reserve</i>	<i>Cash flow hedges</i>	<i>Accumulated losses</i>			<i>Total</i>
<b>For the six months ended 30 June 2021</b>										
Balance as of 1 January 2021	274,610	(78,205)	25,000	14,808	133	158	(246,406)	(9,902)	223	(9,679)
Total comprehensive income for the period	-	-	-	-	-	261	(60,826)	(60,565)	(5)	(60,570)
Payments in respect of capital increase	-	-	25,000	-	-	-	-	25,000	-	25,000
<b>Balance as of 30 June 2021</b>	<b>274,610</b>	<b>(78,205)</b>	<b>50,000</b>	<b>14,808</b>	<b>133</b>	<b>419</b>	<b>(307,232)</b>	<b>(45,467)</b>	<b>218</b>	<b>(45,249)</b>
<b>For the six months ended 30 June 2020</b>										
Balance as of 1 January 2020	274,610	(78,205)	-	14,808	523	119	(85,389)	126,466	266	126,732
Total comprehensive income for the period	-	-	-	-	(390)	(248)	(66,731)	(67,369)	(26)	(67,395)
<b>Balance as of 30 June 2020</b>	<b>274,610</b>	<b>(78,205)</b>	<b>-</b>	<b>14,808</b>	<b>133</b>	<b>(129)</b>	<b>(152,120)</b>	<b>59,097</b>	<b>240</b>	<b>59,337</b>

The attached notes from 1 to 15 form part of these interim condensed consolidated financial statements

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)  
Public Shareholding Company  
Interim Consolidated Statement of Cash Flows  
For The Six Months Ended 30 June 2021 (Unaudited)  
(In Thousands of Jordanian Dinars)**

	Notes	For the Six months ended 30 June	
		2021	2020
<b>OPERATING ACTIVITIES</b>			
Loss for the period before income tax		(60,831)	(66,757)
<b>Adjustments for:</b>			
Depreciation of property and equipment		11,620	11,681
Depreciation of right-of-use assets	5	31,638	34,257
Share of (profits) losses of associates		(159)	479
Finance costs		11,823	14,500
Provision for slow moving inventory		54	-
Provision for end of service indemnity		2	22
Provision for voluntary termination	15	1,503	910
Interest income		(461)	(738)
Amortization of deferred revenue – Jordan Flight Catering Company Ltd.		(125)	(150)
<b>Working capital changes:</b>			
Accounts receivable		(14,069)	4,022
Spare parts and supplies		390	(194)
Other current assets		(2,409)	1,998
Deferred revenues		32,500	(7,503)
Accounts payable and other current liabilities		9,831	19,149
Accrued expenses		12,638	(5,540)
Voluntary termination program payments		(1,819)	(582)
<b>Net cash flows from operating activities</b>		<b>32,126</b>	<b>5,554</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment	6	(2,755)	(7,685)
Change in restricted cash against lease contracts		(930)	10,343
Proceeds from sale of property and equipment		7	-
Interest income received		258	955
Short-term deposits		(2,628)	21,344
Dividends received from associates		-	1,133
<b>Net cash flows (used in) from investing activities</b>		<b>(6,048)</b>	<b>26,090</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from loans		23,697	-
Payments in respect of capital increase		25,000	-
Repayment of term loans		(7,269)	(5,849)
Payments of lease obligations	5	(31,801)	(27,837)
Interest paid		(2,624)	(3,336)
<b>Net cash flows from (used in) financing activities</b>		<b>7,003</b>	<b>(37,022)</b>
Net increase (decrease) in cash and cash equivalents		33,081	(5,378)
Cash and cash equivalents at the beginning of the period		48,143	52,283
<b>Cash and cash equivalents at the end of the period</b>	7	<b>81,224</b>	<b>46,905</b>

The attached notes from 1 to 15 form part of these interim condensed consolidated financial statements



**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)  
Public Shareholding Company  
Notes to The Interim Condensed Consolidated Financial Statements  
30 June 2021 (unaudited)  
(In Thousands of Jordanian Dinars except for amounts in foreign currencies)**

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**1. GENERAL**

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

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

The interim condensed consolidated financial statements were authorized for issue by the Board of Directors in their meeting held on 28 July 2021.

**2. BASIS OF PREPARATION**

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

The interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the Group's annual consolidated financial statements as of 31 December 2020. In addition, results of the six months period ended 30 June 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

The interim condensed 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. Changes in accounting polices**

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2020 except for the adoption of new standard and amendments effective as of 1 January 2021 shown below:

**Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16**

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

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The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the interim condensed consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

## **2-2. Fundamental Accounting Concepts**

The interim condensed consolidated financial statements have been prepared on the assumption of going concern. However, as disclosed in note (3) to the interim condensed consolidated financial statements which shows the negative impact of COVID-19 pandemic, the Group's accumulated losses of JD 307.2 million exceeded the Company's capital as of 30 June 2021. Also, the Company's current liabilities exceeded its current assets by an amount of JD 168.1 million as of 30 June 2021. 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 exceed 75% of its capital, the Company shall be liquidated unless the General Assembly of the Company issues a decision on its extraordinary meeting to increase the Company's capital or to deal with the Company's losses.

The Prime Ministry of Jordan resolved to authorize the Ministry of Finance to proceed with further procedures to increase the Company's capital by JD 50 million over 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 was received during the second quarter of 2021. Accordingly, the Company has recorded an amount of JD 50 million as payments in respect of capital increase as of 30 June 2021 (31 December 2020: JD 25 million). Capital increase procedures were not completed up to the date of the interim condensed 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. Also, the Company's management is in the process of performing the restructuring business plan that supports the Company's business continuity and its ability to recover its assets and generate future cash flows to settle its liabilities.

### **3. Coronavirus (Covid-19) outbreak and its impact on Royal Jordanian Airlines**

Coronavirus (COVID-19) pandemic have affected businesses amongst others with a suspension of travel and closure of boundaries with other countries. The Covid-19 pandemic along with the measures necessary to contain the virus have triggered an economic downturn and caused an unprecedented economic crisis.

During 2020, the Company has initiated a reshape project to adapt to the new operational and financial challenges and to ensure that the Company can sustain its operations in the coming future.

The Company's operations, liquidity and cash flows impact as a result of the outbreak is summarized as follows:

- As part of the Company's action plan to manage cashflows along with the ongoing reshape project, management entered into discussions with the aircrafts' lessors and lenders to reschedule the leases and loan payments.
- Negotiations were initiated with the Company's major suppliers to defer the payments and reduce the costs were possible.
- During 2020, the Company signed an amendment letter to the syndication loan agreement, in which loan installments for the period from March 2020 to September 2020 were rescheduled and allocated to the installments after September 2020 on a proportional basis. On 1 April 2021, the Company signed the second amendment letter in which 50% of the loan installments for the period from April 2021 to June 2021 are rescheduled and allocated to the installments after June 2021 on a proportional basis. During July 2021, the Company has signed the third amendment letter in which 50% of the loan installments for the period from July 2021 to September 2021 are rescheduled and allocated to the installments after September 2021 on a proportional basis.
- During 2019, the Company has obtained a credit facility granted from Arab Bank with a ceiling of JD 20 million and an annual interest rate of 5.625%. On 18 March 2020, the Company signed an amendment agreement with Arab Bank to increase the ceiling of the credit facility to become JD 40 million with the same existing terms and conditions. The Company has utilized an amount of JD 957 of the credit facility as of 30 June 2021. (31 December 2020: Nil) (Note 7).

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- The board of directors resolved in their meeting held on 27 April 2020 to approve a new loan facility of JD 50 million to finance the Company's cash flows and to meet unavoidable cash obligations when becoming due during the lockdown period. The Company has utilized an amount of JD 50 million of this facility as of 30 June 2021. (31 December 2020: JD 35 million) (Note 8).
- 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 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 was received during the second quarter of 2021. Accordingly, the Company has recorded an amount of JD 50 million as payments in respect of capital increase as of 30 June 2021 (31 December 2020: JD 25 million). Capital increase procedures were not completed up to the date of the interim condensed consolidated financial statements (note 9).
- The Company implemented Defense Order No. (1) - Suspension of old age and early retirement insurance for March, April, May and December 2020 will be extended until the end of December 2021. The social security percentage paid by the Company became 4.25% instead of 14.25%.
- The Company Implemented Defense Order No. (24) "Estidama Program" effective from December 2020 and will be extended until the end of December 2021. Employees' salaries are reduced by 25%. The Social Security Corporation contributed 37.5% of employees' monthly salary with a ceiling of JD 500.
- The Company implemented Defense Order number (14) and number (24) "Himaya" program 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 December 2021.

The Social Security Corporation contributed of 37.5% of employees' salaries with a ceiling of JD 1000 and a minimum of JD 220 per month (note 8).

The Company's management is going through an ongoing discussion with the stakeholders and the Government to obtain the needed support.

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

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#### **4. BASIS OF CONSOLIDATION**

The interim condensed consolidated financial statements comprise the financial statements of Alia - The Royal Jordanian Airlines Company (the "Company") and the following subsidiaries (collectively referred to as the "Group") as of 30 June 2021:

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

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

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

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- 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 and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the interim condensed 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.

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
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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 Group**

The Government of the Hashemite Kingdom of Jordan presented by Government Investments Management Company, Mint Trading Middle East Ltd. and Social Security Corporation own 82.03%, 4.99% and 5.33%, respectively from the Company's shares as at 30 June 2021 (31 December 2020: 82.03%, 4.99% and 5.33% respectively).

**5. Leases**

Set out below are the carrying amounts of right-of-use assets and lease obligations recognized and the movements during period ended 30 June 2021:

	<b>Right-of-use assets</b>				<b>Lease obligations*</b>
	<b>Aircrafts</b>	<b>Aircraft's engines</b>	<b>offices</b>	<b>Total</b>	
<b>At 1 January 2021</b>	374,672	37,167	21,837	433,676	407,160
Additions	-	-	163	163	163
Lease-term modifications	31,098	-	-	31,098	31,098
Depreciation	(28,605)	(1,300)	(1,733)	(31,638)	-
Finance costs	-	-	-	-	8,838
Payments	-	-	-	-	(31,801)
<b>At 30 June 2021</b>	<b>377,165</b>	<b>35,867</b>	<b>20,267</b>	<b>433,299</b>	<b>415,458</b>

\* Lease obligations details are as follows:

<b>30 June 2021</b>			<b>31 December 2020</b>		
<b>(unaudited)</b>			<b>(audited)</b>		
<b>Short-term</b>	<b>Long-term</b>	<b>Total</b>	<b>Short-term</b>	<b>Long-term</b>	<b>Total</b>
86,092	329,366	415,458	70,477	336,683	407,160

**6. PROPERTY AND EQUIPMENT**

During the six months ended 30 June 2021, the Group has acquired property and equipment with a cost of JD 3,471, of which an amount of JD 2,755 represents cash additions (30 June 2020: cash additions of JD 7,685).

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
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**7. CASH AND CASH EQUIVALENTS**

	<u>30 June 2021</u> <u>(unaudited)</u>	<u>31 December 2020</u> <u>(audited)</u>
Cash and bank balances	47,668	39,948
Short term deposits*	18,000	3,598
Cash in transit **	16,513	4,597
Total cash and short-term deposits	<u>82,181</u>	<u>48,143</u>
Short-term deposits mature after 3 months ***	<u>7,993</u>	<u>5,365</u>
	<u><u>90,174</u></u>	<u><u>53,508</u></u>

\* This item represents deposits in Jordanian Dinars in Jordanian Banks as of 30 June 2021 with an interest rate ranging between 3.25% - 3.8% (2020: 2.75% - 3%) and are due within three months.

\*\* This item includes cash received on tickets sales and airwaybills sales through IATA accredited agents during June that were deposited in the Group's bank accounts during July 2021.

\*\*\* This item represents deposits in Banks in Jordanian Dinar of JD 7,060 with an average interest rate ranging between 3.5% - 3.7% (31 December 2020: 3.25%), in addition to Libyan Dinar and Syrian Lira equivalent to JD 207 and a deposit of 150,000 Thousand Algerian Dinar equivalent to JD 726 as of 30 June 2021 (31 December 2020: JD 4,000 Jordanian Dinar and 238,465 thousand Sudanese Pounds which is equivalent to JD 340, Libyan Dinar and Syrian Lira equivalent to JD 215 in addition to a deposit of 150,000 Thousand Algerian Dinar equivalent to JD 810) with an average interest rate ranging between 1.14% - 3.25% (31 December 2020: 1.14% - 3.25%) and are due after more than three months (31 December 2020: more than three months).

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

	<u>30 June 2021</u> <u>(unaudited)</u>	<u>30 June 2020</u> <u>(unaudited)</u>
Cash on hand and at banks	82,181	46,905
Less: bank overdraft ****	<u>(957)</u>	<u>-</u>
	<u><u>81,224</u></u>	<u><u>46,905</u></u>

\*\*\*\* This item represents the utilized amount of the credit facility granted from Arab Bank with a ceiling of JD 20 million and annual interest rate of 5.625%. On 18 March 2020, the Company signed an amendment agreement with Arab Bank to increase the ceiling of the credit facility to become JD 40 Million with the same existing terms and conditions.

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**8. LOANS**

	30 June 2021		31 December 2020	
	(unaudited)		(audited)	
	Loans' installments		Loans' installments	
	Short-term	Long-term	Short-term	Long-term
Syndicated loan*	34,011	47,177	26,915	61,542
Capital Bank loan**	-	50,000	-	35,000
Social Security – “Himaya” program ***	-	8,697	-	-
Less: directly attributable transaction costs	(535)	(847)	(535)	(1,114)
	<b>33,476</b>	<b>105,027</b>	<b>26,380</b>	<b>95,428</b>

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

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

The loan agreement contains loan covenants which require the Company to meet certain financial ratios. As per the amendment letter signed during April 2020, the Company is not required to comply with these covenants during the period from 1 January 2020 to 31 March 2021. During March 2021, the Company has amended the agreement whereas the Company is not required to meet those financial ratios until the end of 2021. During June 2021, the Company has amended the agreement whereas the Company is not required to meet those financial ratios until 30 September 2022.



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According to the loan agreement, the Company is obliged to transfer the proceeds from its sales from travel agents in 22 stations that are collected through IATA to the Company's account at Al-Mashreq Bank as a collateral.

- \*\* On 18 May 2020, the Company signed a loan agreement with Capital Bank that amounted to JD 50 million bearing an annual interest rate of 1%. The Company has utilized an amount of JD 50 million of this facility as of 30 June 2021. (31 December 2020: JD 35 million). The loan is repayable through one payment on 18 September 2023. Interest is payable on a quarterly basis.
- \*\*\* The Company implemented Defense Orders number (14) and number (24) "Himaya" program where the Social Security Corporation supported the most affected companies due to the Covid-19 pandemic through granting loans that cover part of August through November 2020 salaries and January through December 2021 salaries.

The Social Security Corporation contributed of 37.5% of employees' salaries with a ceiling of JD 1000 and a minimum of JD 220 per month.

The loan is payable by December 2024. 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 2024. If the loan was not settled by December 2024, the Company will bear an annual interest rate of 3% starting from January 2025 and onwards.

Principal installments payable for the period ended 30 June 2021 and after are as follows:

Period	Amount
1 July 2021 – 30 June 2022	34,011
1 July 2022 – 30 June 2023	31,461
1 July 2023 – 30 June 2024	65,716
1 July 2024 – 30 June 2025	8,697

**9. SHAREHOLDERS' EQUITY**

**- Paid-in capital**

	<u>30 June 2021</u> <u>(unaudited)</u>	<u>31 December 2020</u> <u>(audited)</u>
Authorized capital (Par value of Jordanian Dinar per share)	<u>274,610</u>	<u>274,610</u>
Paid-in capital	<u>274,610</u>	<u>274,610</u>

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**- Share discount**

Share discount amounted to JD 78.2 million as at 30 June 2021 and 31 December 2020. 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 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 was received during the second quarter of 2021. Accordingly, the Company has recorded an amount of JD 50 million as payments in respect of capital increase as of 30 June 2021 (31 December 2020: JD 25 million). Capital increase procedures were not completed up to the date of the interim condensed consolidated financial statements.

**- Statutory Reserve**

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

**10. REVENUES**

	For the three months ended 30 June		For the six months ended 30 June	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
<b>Scheduled Services</b>				
Passengers	46,085	8,041	<b>67,678</b>	95,103
Cargo	6,720	3,943	<b>11,445</b>	10,742
Excess baggage	1,401	249	<b>2,153</b>	1,832
Airmail	1,453	2,578	<b>2,540</b>	4,636
<b>Total scheduled services (note 13)</b>	<b>55,659</b>	<b>14,811</b>	<b>83,816</b>	<b>112,313</b>
Chartered flights (note 13)	1,416	3,587	<b>3,876</b>	5,770
Commercial revenues from arriving and departing aircrafts of other companies	4,044	492	<b>5,797</b>	2,660
Revenues from technical and maintenance services provided to other companies	622	132	<b>1,142</b>	1,160
Royal tours revenue (Tours operating revenues)	897	-	<b>1,298</b>	913
Ancillary revenues	622	53	<b>937</b>	908
Frequent flyer revenues	296	147	<b>524</b>	1,222
Cargo warehouse revenues	3,869	2,718	<b>6,859</b>	6,205
First class services revenues	430	-	<b>835</b>	1,121
Change and cancellation of reservation revenues	1,200	495	<b>2,412</b>	3,007
Revenues from National Distribution Center (Galileo)	167	-	<b>418</b>	504
Other revenues	682	388	<b>921</b>	1,153
	<u>69,904</u>	<u>22,823</u>	<u><b>108,835</b></u>	<u>136,936</u>

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**11. INCOME TAX**

No provision for income tax was calculated by the Company for the periods ended 30 June 2021 and 2020 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 2019 and 2020. The Income Tax Department has not reviewed the Company's accounting records up to the date of the interim condensed consolidated financial statements. The Company reached a final settlement with the Income and Sales Tax Department up to the year 2018.

The Income and Sales Tax Department raised claims to RJ by an amount of JD 2,972 which represents sales tax differences for the years 2012, 2013, 2014 and 2016. The Company appealed the case at the Tax Court. The case is still outstanding up to date of the interim condensed consolidated financial statement. Although results of the case cannot be determined accurately, management believes that no material liability is likely to result.

Royal Wings Company filed its tax return for the years from 2017 until 2020. The Income Tax Department has not reviewed the Company's accounting records up to the date of the interim condensed consolidated financial statements. Royal Wings Company reached a final settlement with the Income Tax Department up to the year 2016.

Royal Tours Company filed its tax return for the years of 2017 and 2020. The Income Tax Department has not reviewed the Company's accounting records up to the date of the interim condensed consolidated financial statements. Royal Tours for Travel and Tourism Company reached a final settlement with the Income and Sales Tax Department up to the year 2016 in addition to the year 2018.

Al-Mashriq for Aviation Services Company filed its tax return for the years 2019 and 2020. The Income Tax Department has not reviewed the Company's accounting records up to the date interim condensed of the consolidated financial statements. Al-Mashriq for Aviation Services Company reached a final settlement with the income tax department up to the year 2018.

**12. COMMITMENTS AND CONTINGENCIES**

**- Letters of credit and guarantees**

As of 30 June 2021, the Group had letters of credit that amounted to JD 21,142 and letters of guarantees amounted to JD 405 (31 December 2020: letters of credit amounted to JD 19,721 and letters of guarantees amounted to JD 476).

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**- Claims against the Group**

The Group is a defendant in a number of lawsuits amounting to JD 14,744 as at 30 June 2021 (31 December 2020: JD 14,821) representing legal actions and claims related to its ordinary course of business. Related risks have been analyzed as to the likelihood of occurrence, although the outcome of these matters cannot always be ascertained with precision. In the opinion of the Group and their legal counsels, the provision recognized as of 30 June 2021 is sufficient to cover any contingent liabilities and claims that may arise from these lawsuits.

**- Capital Commitments**

As of 30 June 2021, the Group had capital commitments of USD 303,051,349 (31 December 2020: USD 453,013,157), equivalent to JD 214,930 (31 December 2020: JD 321,286) relating to finance lease agreements signed for two new aircraft (31 December 2020: three 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 aircrafts.

During January 2021, the Company exercised its right to cancel without any liability the first aircraft which was scheduled to be delivered by the first quarter of 2024. The amount of the advances paid for the related aircraft amounted to USD 2,249,060 was deducted from the Company's payables.

**13. GEOGRAPHICAL DISTRIBUTION OF REVENUES**

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

**For the three months ended 30 June (unaudited):**

	<b>2021 (Unaudited)</b>				<b>2020 (Unaudited)</b>			
	<b>Scheduled</b>	<b>Chartered Flights</b>			<b>Scheduled</b>	<b>Chartered Flights</b>		
	<b>Services</b>	<b>Passengers</b>	<b>Cargo</b>	<b>Total</b>	<b>services</b>	<b>Passengers</b>	<b>Cargo</b>	<b>Total</b>
Levant	<b>7,294</b>	<b>29</b>	<b>156</b>	<b>7,479</b>	487	-	249	736
Europe	<b>8,923</b>	<b>77</b>	<b>671</b>	<b>9,671</b>	4,218	119	559	4,896
Arab Gulf	<b>16,178</b>	<b>42</b>	-	<b>16,220</b>	4,090	-	-	4,090
America	<b>22,397</b>	-	-	<b>22,397</b>	5,546	-	532	6,078
Asia	<b>527</b>	-	<b>372</b>	<b>899</b>	335	-	2,085	2,420
Africa	<b>340</b>	<b>31</b>	<b>38</b>	<b>409</b>	135	43	-	178
Total revenues	<b>55,659</b>	<b>179</b>	<b>1,237</b>	<b>57,075</b>	14,811	162	3,425	18,398

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For the six months ended 30 June (unaudited):

	2021 (Unaudited)				2020 (Unaudited)			
	Scheduled services	Chartered Flights		Total	Scheduled services	Chartered Flights		Total
		Passengers	Cargo			Passengers	Cargo	
Levant	11,318	45	680	12,043	12,937	-	821	13,758
Europe	13,070	77	1,043	14,190	28,977	119	1,251	30,347
Arab Gulf	25,631	42	-	25,673	31,800	-	56	31,856
America	32,503	-	-	32,503	27,229	-	1,078	28,307
Asia	588	-	1,833	2,421	8,877	317	2,085	11,279
Africa	706	31	125	862	2,493	43	-	2,536
Total revenues	<u>83,816</u>	<u>195</u>	<u>3,681</u>	<u>87,692</u>	<u>112,313</u>	<u>479</u>	<u>5,291</u>	<u>118,083</u>

**14. 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 interim consolidated statement of financial position:

	30 June 2021		31 December 2020	
	Accounts receivable (unaudited)	Accounts payable (unaudited)	Accounts receivable (audited)	Accounts payable (audited)
Government of the Hashemite Kingdom of Jordan	47,067	787	43,778	1,318
Employees' Provident Fund	-	6,156	-	5,853
Jordan Aircraft Maintenance Company	607	-	882	-
Jordan Flight Catering Company	-	1,531	-	527
Jordan Aircraft Training and Simulation Company	-	32	-	31
	<u>47,674</u>	<u>8,506</u>	<u>44,660</u>	<u>7,729</u>

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

	For the three months ended 30 June		For the six months ended 30 June	
	<b>2021</b> <b>(unaudited)</b>	2020 (unaudited)	<b>2021</b> <b>(unaudited)</b>	2020 (unaudited)
<b>Jordan Aircraft Maintenance Company (JORAMCO):</b>				
Scheduled services revenues	<u>53</u>	<u>8</u>	<u>96</u>	<u>80</u>
Repair and maintenance expenses	<u>(1,329)</u>	<u>(396)</u>	<u>(2,137)</u>	<u>(1,067)</u>
<b>Jordan Flight Catering Company:</b>				
Passenger services expenses	<u>(1,423)</u>	<u>(130)</u>	<u>(2,204)</u>	<u>(2,588)</u>
<b>Jordan Aircraft Training and Simulation Company:</b>				
Scheduled services revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>14</u>
Pilots training expenses	<u>(77)</u>	<u>(47)</u>	<u>(287)</u>	<u>(301)</u>

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

	For the three months ended 30 June		For the six months ended 30 June	
	<b>2021</b> <b>(unaudited)</b>	2020 (unaudited)	<b>2021</b> <b>(unaudited)</b>	2020 (unaudited)
Scheduled services revenues – passengers	<u>454</u>	<u>427</u>	<u>789</u>	<u>974</u>
Scheduled services revenues – cargo	<u>384</u>	<u>102</u>	<u>668</u>	<u>452</u>
Chartered flights	<u>71</u>	<u>87</u>	<u>426</u>	<u>285</u>
	<u><b>909</b></u>	<u>616</u>	<u><b>1,883</b></u>	<u>1,711</u>

**Compensation of key management personnel:**

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

	For the three months ended 30 June		For the six months ended 30 June	
	<b>2021</b> <b>(unaudited)</b>	2020 (unaudited)	<b>2021</b> <b>(unaudited)</b>	2020 (unaudited)
Salaries and other benefits	<u>195</u>	<u>218</u>	<u>304</u>	<u>456</u>
Board of Directors remuneration	<u>12</u>	<u>-</u>	<u>14</u>	<u>12</u>

**15. PROVISION FOR VOLUNTARY TERMINATION**

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 covers 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 1.5 million during the period ended 30 June 2021 which represents the accrued amounts for the employees who applied for the plan and for whom the management approved their applications.

On 9 February 2020, the Company signed a labor collective contract with the General Trade Union of Workers in Air Transport and Tourism. The agreement covering the period from 9 February 2020 to 29 February 2020, giving the Company's staff the choice to obtain a voluntary release from their jobs. Accordingly, the Company has provided a provision of JD 910 during the period ended 30 June 2020 which represents the accrued amounts for employees who applied to the plan and management approved their applications.