

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

A PUBLIC SHAREHOLDING COMPANY

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 September 2021

**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 September 2021, comprising the interim consolidated statement of financial position as at 30 September 2021 and the related interim consolidated income statement, consolidated statement of comprehensive income, changes in equity and cash flows for the nine months 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 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 300.5 million as of 30 September 2021 exceeded the Company’s capital. Also, the Company’s current liabilities exceeded its current assets by an amount of JD 117.7 million as of 30 September 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 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.

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's General Assembly resolved in its extraordinary meeting held on 30 August 2021 to increase the Company's paid-in capital by JD 50 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. 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
27 October 2021

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

	Notes	30 September 2021 (Unaudited)	31 December 2020 (Audited)
<u>ASSETS</u>			
Non-current assets			
Right-of-use assets	5	420,574	433,676
Property and equipment	6	61,954	73,896
Advances on purchase and modification of aircraft		3,218	4,813
Financial assets at fair value through other comprehensive income		2,265	2,265
Investments in associates		16,570	16,755
Restricted cash against lease contracts		25,266	22,959
Deferred tax assets		12,322	12,322
		<u>542,169</u>	<u>566,686</u>
Current assets			
Other current assets		13,943	10,498
Spare parts and supplies, net		7,767	8,210
Accounts receivable, net		71,294	57,532
Cash and bank balances	7	90,037	53,508
		<u>183,041</u>	<u>129,748</u>
TOTAL ASSETS		<u>725,210</u>	<u>696,434</u>
<u>EQUITY AND LIABILITIES</u>			
Shareholders' equity			
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		326	158
Accumulated losses		(300,508)	(246,406)
		<u>(38,836)</u>	<u>(9,902)</u>
Non-controlling interests		256	223
Net deficit in shareholders' equity		<u>(38,580)</u>	<u>(9,679)</u>
<u>LIABILITIES</u>			
Non-current liabilities			
Long-term loans	8	99,750	95,428
Long-term lease obligations	5	362,856	336,683
Other long-term liabilities		401	413
		<u>463,007</u>	<u>432,524</u>
Current liabilities			
Current portion of long-term loans	8	38,175	26,380
Accrued expenses		94,797	66,783
Accounts payable and other current liabilities		73,007	73,195
Deferred revenues		52,643	36,754
Short-term lease obligations	5	42,161	70,477
		<u>300,783</u>	<u>273,589</u>
Total liabilities		<u>763,790</u>	<u>706,113</u>
TOTAL EQUITY AND LIABILITIES		<u>725,210</u>	<u>696,434</u>

The attached notes from 1 to 16 form part of these interim condensed consolidated financial statements

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

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2021	2020	2021	2020
Revenues from contracts with customers	10	133,776	32,317	242,611	169,253
Cost of revenues		(110,809)	(51,269)	(250,027)	(216,259)
Gross profit (loss)		22,967	(18,952)	(7,416)	(47,006)
Administrative expenses		(2,681)	(2,626)	(7,819)	(8,945)
Selling and marketing expenses		(8,004)	(5,693)	(20,321)	(21,256)
Other provisions		(22)	29	(76)	-
Net operating income (loss)		12,260	(27,242)	(35,632)	(77,207)
Group's share of losses of associates		(344)	(836)	(185)	(1,315)
Other expenses, net		(124)	(738)	(273)	(1,483)
Gain (loss) on sale of property and equipment		5	(69)	5	(69)
(Reversal from) provision for voluntary termination	15	145	(4,253)	(1,358)	(5,163)
Provision for expected credit losses		-	(300)	-	(300)
Gain (loss) on foreign currency exchange		130	(553)	46	(1,449)
Finance costs		(5,723)	(6,537)	(17,546)	(21,037)
Interest income		413	126	874	864
					(107,159)
Profit (loss) for the period before tax		6,762	(40,402)	(54,069)	()
Income tax expense	11	-	-	-	-
					(107,159)
Profit (loss) for the period		6,762	(40,402)	(54,069)	()
Attributable to:					(107,127)
Equity holders of the parent		6,724	(40,396)	(54,102)	()
Non-controlling interests		38	(6)	33	(32)
					(107,159)
		6,762	(40,402)	(54,069)	()
Earnings per share					
Basic and diluted earnings per share attributable to equity holders of the parent		JD 0.025	JD (0.147)	JD (0.197)	JD (0.391)

The attached notes from 1 to 16 form part of these interim condensed consolidated financial statements

Alia - The Royal Jordanian Airlines Company (Royal Jordanian)
Public Shareholding Company
Interim Consolidated Statement of comprehensive income
For The Nine Months Ended 30 September 2021 (Unaudited)
(In Thousands of Jordanian Dinars)

	For the three months ended 30 September		For the nine months ended 30 September	
	2021	2020	2021	2020
Profit (loss) for the period	6,762	(40,402)	(54,069)	(107,159)
Other comprehensive income				
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	(93)	53	168	(195)
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)
Total comprehensive income for the period	6,669	(40,349)	(53,901)	(107,744)
Attributable to:				
Equity holders of the parent	6,631	(40,343)	(53,934)	(107,712)
Non-controlling interests	38	(6)	33	(32)
	6,669	(40,349)	(53,901)	(107,744)

The attached notes from 1 to 16 form part of these interim condensed consolidated financial statements

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

	<i>Attributable to equity holders of the parent</i>							<i>Non-controlling interests</i>	<i>Total equity</i>	
	<i>Paid-in capital</i>	<i>Share discount</i>	<i>Payments in respect 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>
For the nine months ended 30 September 2021										
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	-	-	-	-	-	168	(54,102)	(53,934)	33	(53,901)
Payments in respect of capital increase	-	-	25,000	-	-	-	-	25,000	-	25,000
Balance as of 30 September 2021	274,610	(78,205)	50,000	14,808	133	326	(300,508)	(38,836)	256	(38,580)
For the nine months ended 30 September 2020										
Balance as of 1 January 2020	274,610	(78,205)	-	14,808	523	119	(85,389)	126,466	266	126,732
Total comprehensive income for the period	-	-	-	-	(390)	(195)	(107,127)	(107,712)	(32)	(107,744)
Balance as of 30 September 2020	274,610	(78,205)	-	14,808	133	(76)	(192,516)	18,754	234	18,988

The attached notes from 1 to 16 form part of these interim condensed consolidated financial statements

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

	Notes	For the nine months ended 30 September	
		2021	2020
OPERATING ACTIVITIES			
Loss for the period before income tax		(54,069)	(107,159)
Adjustments for:			
Depreciation of property and equipment		16,305	17,683
Depreciation of right-of-use assets	5	45,419	51,352
Share of losses of associates		185	1,315
Finance costs		17,546	21,037
Provision for slow moving inventory		76	-
Provision for expected credit losses		-	300
Provision for end of service indemnity		12	36
Provision for voluntary termination	15	1,358	5,163
(Gain) loss on sale of property and equipment		(5)	69
Interest income		(874)	(864)
Amortization of deferred revenue - Jordan Flight Catering Company Ltd.		(125)	(225)
Working capital changes:			
Accounts receivable		(13,762)	7,575
Spare parts and supplies		367	(892)
Other current assets		(2,451)	8,932
Deferred revenues		15,298	(13,733)
Accounts payable and other current liabilities		3,924	12,069
Accrued expenses		26,308	(10,374)
Voluntary termination program payments		(2,517)	(1,597)
Net cash flows from (used in) operating activities		52,995	(9,313)
INVESTING ACTIVITIES			
Purchase of property and equipment	6	(3,660)	(10,122)
Proceeds from sale of property and equipment		18	-
Change in restricted cash against lease contracts		(2,307)	10,213
Interest income received		423	1,095
Short-term deposits		(30,710)	21,874
Dividends received from associates		-	987
Net cash flows (used in) from investing activities		(36,236)	24,047
FINANCING ACTIVITIES			
Payments in respect of capital increase	9	25,000	-
Proceeds from term loans		27,335	10,000
Repayment of term loans		(11,619)	(5,850)
Payments of lease obligations	5	(47,305)	(40,530)
Interest paid		(4,351)	(4,880)
Net cash flows used in financing activities		(10,940)	(41,260)
Net increase (decrease) in cash and cash equivalents		5,819	(26,526)
Cash and cash equivalents at the beginning of the period		48,143	52,283
Cash and cash equivalents at the end of the period	7	53,962	25,757

The attached notes from 1 to 16 form part of these interim condensed consolidated financial statements

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

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 interim condensed consolidated financial statements were authorized for issue by the Board of Directors in their meeting held on 26 October 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 nine months ended 30 September 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 policies

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 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).

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)
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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 300.5 million exceeded the Company's capital as of 30 September 2021. Also, the Company's current liabilities exceeded its current assets by an amount of JD 117.7 million as of 30 September 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 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.

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 September 2021 (31 December 2020: JD 25 million). The Company's General Assembly resolved in its extraordinary meeting held on 30 August 2021 to increase the Company's paid-in capital by JD 50 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 did not utilize any amount of the credit facility as of 30 September 2021. (31 December 2020: Nil).

Alia - The Royal Jordanian Airlines Company (Royal Jordanian)
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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 September 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 September 2021 (31 December 2020: JD 25 million). The Company's General Assembly resolved in its extraordinary meeting held on 30 August 2021 to increase the Company's paid-in capital by JD 50 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 until August 2021. Employees' salaries were 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 No. (45) "Estidama Program Amendment" effective from September 2021 and will be extended until the end of December 2021. The Company covers 40% of the employees' salaries while the Social Security Corporation contributes 60% of employees' monthly salary with a ceiling of JD 500 and a floor of JD 260 per month.
- 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 salaries.

The Social Security Corporation contributed 40% of employees' salaries with a ceiling of JD 1000 (note 8).

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

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)
Public Shareholding Company
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30 September 2021 (unaudited)
(In Thousands of Jordanian Dinars except for amounts in Foreign Currencies)**

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 September 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 arrangements 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.

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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 September 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 the period ended 30 September 2021:

	Right-of-use assets				Lease obligations*
	Aircrafts	Aircraft's engines	Offices	Total	
At 1 January 2021	374,672	37,167	21,837	433,676	407,160
Lease-term modifications	32,189	-	128	32,317	32,317
Depreciation	(40,866)	(1,950)	(2,603)	(45,419)	-
Finance costs	-	-	-	-	12,845
Payments	-	-	-	-	(47,305)
At 30 September 2021	365,995	35,217	19,362	420,574	405,017

* Lease obligations details are as follows:

30 September 2021			31 December 2020		
(unaudited)			(audited)		
Short-term	Long-term	Total	Short-term	Long-term	Total
42,161	362,856	405,017	70,477	336,683	407,160

6. PROPERTY AND EQUIPMENT

During the nine months ended 30 September 2021, the Group acquired property and equipment with a cost of JD 4,376 of which an amount of JD 3,660 represents cash additions (30 September 2020: cash additions of JD 10,122).

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(In Thousands of Jordanian Dinars except for amounts in Foreign Currencies)

7. CASH AND CASH EQUIVALENTS

	30 September 2021	31 December 2020
	(Unaudited)	(Audited)
Cash and bank balances	24,918	39,948
Short term deposits*	10,060	3,598
Cash in transit **	18,984	4,597
Total cash and short-term deposits	53,962	48,143
Short term deposits mature after 3 months ***	36,075	5,365
	90,037	53,508

* This item represents deposits in Jordanian Dinar in Jordanian Banks as of 30 September 2021 with an interest rate ranging between 3.5% - 3.8% (31 December 2020: 2.75% - 3%).

** This item represents cash received on tickets sales and airwaybills sales through IATA accredited agents during September that were deposited in the Group's bank accounts during October 2021.

*** This item represents deposits in Banks in Jordanian Dinar of JD 35,161 with an average interest rate ranging between 3.25% - 4.1% (31 December 2020: 3.25%), in addition to Libyan Dinar and Syrian Lira equivalent to JD 104 and a deposit of 150,000 Thousand Algerian Dinar equivalent to JD 810 as of 30 September 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).

8. LOANS

	30 September 2021		31 December 2020	
	(Unaudited)		(Audited)	
	Loans' installments		Loans' installments	
	Short-term	Long-term	Short-term	Long-term
Syndicated loan *	38,710	38,128	26,915	61,542
Capital bank loan **	-	50,000	-	35,000
Social Security – "Himaya" program ***	-	12,335	-	-
Less: directly attributable transaction costs	(535)	(713)	(535)	(1,114)
	38,175	99,750	26,380	95,428

* 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.

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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.

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 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 30 September 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 40% of employees' salaries with a ceiling of JD 1000.

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The loan is payable by December 2026. 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 2026, the Company will bear an annual interest rate of 3% starting from January 2027 and onwards.

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

Period	Amount
1 October 2021 – 30 September 2022	38,710
1 October 2022 – 30 September 2023	76,894
1 October 2023 – 30 September 2024	11,234
1 October 2024 – 30 September 2025	12,335

9. SHAREHOLDER'S EQUITY

	30 September 2021	31 December 2020
	(Unaudited)	(Audited)
- Paid-in capital		
Authorized capital (Par value of Jordanian Dinar per share)	274,160	274,610
Paid-in capital	274,160	274,610

- Share discount

Share discount amounted to JD 78.2 million as at 30 September 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 September 2021 (31 December 2020: JD 25 million). The Company's General Assembly resolved in its extraordinary meeting held on 30 August 2021 to increase the Company's paid-in capital by JD 50 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.

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10. REVENUES FROM CONTRACTS WITH CUSTOMERS

	For the three months ended 30 September		For the nine months ended 30 September	
	2021	2020	2021	2020
Scheduled Services				
Passengers	101,667	16,295	169,345	111,398
Cargo	8,700	3,246	20,145	13,988
Excess baggage	2,061	701	4,214	2,533
Airmail	1,878	1,718	4,418	6,354
Total scheduled services (note 13)	114,306	21,960	198,122	134,273
Chartered flights (note 13)	3,282	3,790	7,158	9,560
Commercial revenues from arriving and departing aircrafts of other companies	2,551	1,130	8,348	4,306
Revenues from technical and maintenance services provided to other companies	969	521	2,111	1,681
Cargo warehouse revenues	3,776	3,509	10,635	9,848
First class services revenues	1,279	-	2,114	1,113
Change and cancellation of reservation revenues	2,097	456	4,509	3,463
Revenues from National Distribution Center (Galileo)	789	53	1,207	557
Royal Tours revenues (Tours operating revenues)	2,572	436	3,870	1,349
Frequent Flyer revenues	528	321	1,052	1,542
Ancillary revenues	1,181	82	2,118	990
Other revenues	446	59	1,367	571
	133,776	32,317	242,611	169,253

11. INCOME TAX

No provision for income tax was calculated by the Company for the periods ended 30 September 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 and Sales 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.

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Royal Wings Company filed its tax return for the years from 2019 and 2020. The Income and Sales Tax Department has not reviewed the Company's accounting records up to the date of the interim condensed consolidated financial statements. Royal Wings Company filed an appeal regarding tax findings for the years 2017 and 2018. Royal Wings Company reached a final settlement with the Income and Sales Tax Department up to the year 2016.

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

12. COMMITMENTS AND CONTINGENCIES

- Letters of credit and guarantees

At 30 September 2021, the Group had letters of credit amounted to JD 20,700 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).

- Claims against the Group

The Group is a defendant in a number of lawsuits amounting to JD 14,637 as at 30 September 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 September 2021 is sufficient to cover any contingent liabilities and claims that may arise from these lawsuits.

- Capital Commitments

As of 30 September 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).

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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 September (Unaudited)

	2021				2020			
	Scheduled services	Chartered Flights			Scheduled services	Chartered Flights		
		Passengers	Cargo	Total		Passengers	Cargo	Total
Levant	16,408	135	173	16,716	969	-	388	1,357
Europe	26,653	681	575	27,909	5,275	105	913	6,293
Arab Gulf	33,182	405	-	33,587	6,895	86	318	7,299
America	36,297	-	574	36,871	8,580	-	96	8,676
Asia	707	99	578	1,384	95	208	1,676	1,979
Africa	1,059	62	-	1,121	146	-	-	146
Total revenues	<u>114,306</u>	<u>1,382</u>	<u>1,900</u>	<u>117,588</u>	<u>21,960</u>	<u>399</u>	<u>3,391</u>	<u>25,750</u>

For the nine months ended 30 September (Unaudited)

	2021				2020			
	Scheduled services	Chartered Flights			Scheduled services	Chartered Flights		
		Passengers	Cargo	Total		Passengers	Cargo	Total
Levant	27,726	180	853	28,759	13,907	-	1,209	15,116
Europe	39,723	758	1,618	42,099	34,252	224	2,164	36,640
Arab Gulf	58,813	447	-	59,260	38,660	86	374	39,120
America	68,800	-	574	69,374	35,853	-	1,174	37,027
Asia	1,295	99	2,412	3,806	8,962	525	3,761	13,248
Africa	1,765	93	124	1,982	2,639	43	-	2,682
Total revenues	<u>198,122</u>	<u>1,577</u>	<u>5,581</u>	<u>205,280</u>	<u>134,273</u>	<u>878</u>	<u>8,682</u>	<u>143,833</u>

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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 September 2021		31 December 2020	
	(Unaudited)		(Audited)	
	Accounts receivable	Accounts payable	Accounts receivable	Accounts payable
Government of Hashemite Kingdom of Jordan	47,276	775	43,778	1,318
Employees' Provident Fund	-	4,422	-	5,853
Jordan Aircraft Maintenance Company	1,030	-	882	-
Jordan Flight Catering Company	-	2,543	-	527
Jordan Aircraft Training and Simulation Company	-	14	-	31
	48,306	7,754	44,660	7,729

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2021	2020	2021	2020
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Jordan Aircraft Maintenance Company (Joramco):				
Scheduled services revenues	32	17	128	97
Repair and maintenance expenses	(1,344)	(106)	(3,481)	(1,173)
Jordan Flight Catering Company:				
Passenger services expenses	(3,031)	(180)	(5,235)	(2,768)
Jordan Aircraft Training and Simulation Company:				
Scheduled services revenues	-	-	-	13
Pilot training expenses	(158)	(157)	(445)	(459)

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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 September		For the nine months ended 30 September	
	(Unaudited)		(Unaudited)	
	2021	2020	2021	2020
Scheduled services revenues – passengers	701	1,836	1,490	2,810
Scheduled services revenues – cargo	408	142	1,076	594
Chartered flights	142	-	568	285
	1,251	1,978	3,134	3,689

Compensation of key management personnel:

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

	For the three months ended 30 September		For the nine months ended 30 September	
	(Unaudited)		(Unaudited)	
	2021	2020	2021	2020
Salaries and other benefits	178	209	482	670
Board of Directors remuneration	9	13	23	34

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 1,358 during the period ended 30 September 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 covers 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 September 2020 which represents the accrued amounts for employees who applied to the plan and management approved their applications.

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On 17 August 2020, the Company signed another labor collective contract with the General Trade Union of Workers in Air Transport and Tourism. The agreement covered the period from 19 August 2020 to 18 September 2020, whereas the Company granted its employees the choice to terminate their contracts upon their request. Accordingly, the Company has recorded a provision amounted to JD 4,253 which represents the accrued amounts for employees who are willing to terminate their service.

16. COMPARATIVE FIGURES

Some of the comparative figures for the period ended 30 September 2020 have been reclassified to correspond with 30 September 2021 presentation with no effect on equity or profit for the period ended 30 September 2020.