

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

**A PUBLIC SHAREHOLDING COMPANY**

**UNAUDITED INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**31 March 2023**

**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 31 March 2023, comprising the interim condensed consolidated statement of financial position as at 31 March 2023, the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the three 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 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 Group's accumulated losses of JD 423.2 million exceeded the Group's capital as at 31 March 2023. Also, the Group's current liabilities exceeded its current assets by JD 180.3 million as at 31 March 2023. These events or conditions indicate that a material uncertainty exists that may cast significant doubt about the entity's ability to continue as a going concern. According to Article (266) of the Jordanian Company's Law No. (22) for the year 1997 and its amendments, if the accumulated losses of the Public Shareholding Company exceeded 75% of its capital, the Company shall be liquidated unless the General Assembly of the Company issues a decision on its extraordinary meeting to increase the Company's capital or to deal with the Company's losses.

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

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

  
Amman – Jordan  
3 May 2023

**ERNST & YOUNG**  
Amman - Jordan

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Public Shareholding Company**  
**Interim Condensed Consolidated Statement of Financial Position**  
**At 31 March 2023**  
**(In Thousands of Jordanian Dinars)**

	Notes	31 March 2023 (Unaudited)	31 December 2022 (Audited)
<b><u>ASSETS</u></b>			
<b>Non-current assets</b>			
Right-of-use assets	5	359,872	371,377
Property and equipment	6	49,596	51,169
Advances on purchase and modification of aircraft		3,218	3,218
Financial assets at fair value through other comprehensive income		2,087	2,087
Investments in associates		19,943	18,603
Restricted cash against lease contracts		37,209	30,634
Deferred tax assets		12,322	12,322
		<u>484,247</u>	<u>489,410</u>
<b>Current assets</b>			
Other current assets		37,421	28,854
Spare parts and supplies		7,061	6,008
Accounts receivable		44,512	36,253
Cash and bank balances	7	194,974	161,308
		<u>283,968</u>	<u>232,423</u>
Assets held for sale		103	103
<b>TOTAL ASSETS</b>		<u><b>768,318</b></u>	<u><b>721,936</b></u>
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>Shareholders' equity</b>			
Paid-in capital	9	324,610	324,610
Share discount	9	(78,205)	(78,205)
Payments in respect of capital increase	9	70,000	70,000
Statutory reserve	9	14,808	14,808
Fair value reserve		133	133
Accumulated losses		(423,214)	(399,965)
		<u>(91,868)</u>	<u>(68,619)</u>
Non-controlling interests		375	362
<b>Deficit in shareholders' equity</b>		<u><b>(91,493)</b></u>	<u><b>(68,257)</b></u>
<b><u>LIABILITIES</u></b>			
<b>Non-current liabilities</b>			
Long-term loans	8-a	93,663	100,733
Long-term lease obligations	5	296,140	306,770
Long-term grants	8-b	5,272	4,874
Other long-term liabilities		350	353
		<u>395,425</u>	<u>412,730</u>
<b>Current liabilities</b>			
Current portion of long-term loans	8-a	21,511	19,262
Accrued expenses		149,422	127,356
Accounts payable and other current liabilities		92,372	77,013
Deferred revenues		133,190	86,199
Short-term lease obligations	5	64,469	64,594
Short-term grants	8-b	3,260	2,874
		<u>464,224</u>	<u>377,298</u>
Liabilities directly associated with the assets held for sale		162	165
<b>Total liabilities</b>		<u><b>859,811</b></u>	<u><b>790,193</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>768,318</b></u>	<u><b>721,936</b></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 Condensed Consolidated Income Statement**  
**For The Three Months Ended 31 March 2023 (Unaudited)**  
**(In Thousands of Jordanian Dinars)**

	Notes	For the three months ended 31 March	
		2023	2022
<b>Continuing Operations:</b>			
Revenues from contracts with customers	10	158,535	98,694
Cost of revenues		(162,501)	(112,378)
<b>Gross loss</b>		<b>(3,966)</b>	<b>(13,684)</b>
General and administrative expenses		(3,602)	(2,543)
Selling and marketing expenses		(11,561)	(7,725)
Other provisions		-	(23)
<b>Net operating loss</b>		<b>(19,129)</b>	<b>(23,975)</b>
Group's share of results of associates		1,340	425
Other income, net		442	141
Gain on sale of property and equipment		26	85
Loss on foreign currency exchange		(469)	(695)
Finance costs		(6,846)	(6,231)
Interest income		1,402	555
<b>Loss for the period from continuing operations before income tax</b>		<b>(23,234)</b>	<b>(29,695)</b>
Income tax expense	11	-	-
<b>Loss for the period from continuing operations</b>		<b>(23,234)</b>	<b>(29,695)</b>
<b>Discontinued operations:</b>			
Loss for the period from discontinued operations after income tax		(2)	-
<b>Loss for the period</b>		<b>(23,236)</b>	<b>(29,695)</b>
<b>Attributable to:</b>			
Equity holders of the parent		(23,249)	(29,717)
Non-controlling interests		13	22
		<b>(23,236)</b>	<b>(29,695)</b>
<b>Earnings per share</b>			
Basic and diluted earnings per share attributable to equity holders of the parent	15	<b>JD (0.072)</b>	JD (0.092)

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 Condensed Consolidated Statement of Comprehensive Income  
 For The Three Months Ended 31 March 2023 (Unaudited)  
 (In Thousands of Jordanian Dinars)

	For the three months ended 31 March	
	2023	2022
<b>Loss for the period</b>	<b>(23,236)</b>	(29,695)
<b>Other comprehensive income items</b>		
Other comprehensive income items that will be reclassified to profit or loss in subsequent periods (net of tax):		
Loss on cash flow hedges	-	(141)
<b>Total comprehensive income for the period</b>	<b>(23,236)</b>	(29,836)
<b>Attributable to:</b>		
Equity holders of the parent	<b>(23,249)</b>	(29,858)
Non-controlling interests	<b>13</b>	22
	<b>(23,236)</b>	(29,836)

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 Condensed Consolidated Statement of Changes in Equity  
For The Three Months Ended 31 March 2023 (Unaudited)  
(In Thousands of Jordanian Dinars)**

		<i>Attributable to equity holders of the parent</i>											
		<i>Payments in respect of</i>					<i>Non-controlling interests</i>						
		<i>Share discount</i>		<i>Statutory reserve</i>		<i>Fair value reserve</i>		<i>Cash flow hedges</i>		<i>Accumulated losses</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>	<i>controlling interests</i>	<i>Total equity</i>		
<b>For the three months ended 31 March 2023</b>													
Balance as at 1 January 2023		324,610	(78,205)	70,000	14,808	133	-	(399,965)	(68,619)	362	(68,257)		
Total comprehensive income for the period		-	-	-	-	-	-	(23,249)	(23,249)	13	(23,236)		
<b>Balance as at 31 March 2023</b>		<b>324,610</b>	<b>(78,205)</b>	<b>70,000</b>	<b>14,808</b>	<b>133</b>	<b>-</b>	<b>(423,214)</b>	<b>(91,868)</b>	<b>375</b>	<b>(91,493)</b>		
<b>For the three months ended 31 March 2022</b>													
Balance as at 1 January 2022		324,610	(78,205)	-	14,808	133	297	(321,024)	(59,381)	281	(59,100)		
Total comprehensive income for the period		-	-	-	-	-	(141)	(29,717)	(29,858)	22	(29,836)		
<b>Balance as at 31 March 2022</b>		<b>324,610</b>	<b>(78,205)</b>	<b>-</b>	<b>14,808</b>	<b>133</b>	<b>156</b>	<b>(350,741)</b>	<b>(89,239)</b>	<b>303</b>	<b>(88,936)</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 Condensed Consolidated Statement of Cash Flows  
For The Three Months Ended 31 March 2023 (Unaudited)  
(In Thousands of Jordanian Dinars)**

	Notes	For the three months ended 31 March	
		2023	2022
<b>OPERATING ACTIVITIES</b>			
Loss for the period from continuing operations before income tax		(23,234)	(29,695)
Loss for the period from discontinued operations before income tax		(2)	-
		<u>(23,236)</u>	<u>(29,695)</u>
<b>Adjustments for:</b>			
Depreciation of property and equipment		4,062	4,293
Depreciation of right-of-use assets	5	14,441	13,854
Share of results of associates		(1,340)	(425)
Finance costs		6,846	6,231
Other income – amortization of government grants		(684)	(607)
Provision for end of service indemnity		80	2
Gain from sale of property and equipment		(26)	(85)
Interest income		(1,402)	(555)
Provision for slow-moving inventory		-	23
<b>Working capital changes:</b>			
Accounts receivable		(8,259)	(9,516)
Spare parts and supplies		(1,053)	(111)
Other current assets		(8,227)	(1,183)
Deferred revenues		46,991	29,087
Accounts payable and other current liabilities		15,359	10,164
Accrued expenses		21,551	4,368
Voluntary termination program payments		(83)	(170)
Legal cases payments		66	-
<b>Net cash flows from operating activities</b>		<u>65,086</u>	<u>25,675</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment	6	(2,489)	(1,034)
Proceeds from sale of property and equipment		26	144
Change in restricted cash against lease contracts		(6,575)	(1,678)
Interest income received		1,208	671
Short-term deposits		7,579	(7,326)
<b>Net cash flows used in investing activities</b>		<u>(251)</u>	<u>(9,223)</u>
<b>FINANCING ACTIVITIES</b>			
Proceeds from loans		-	2,650
Repayment of term loans		(4,171)	(4,943)
Payments of lease obligations	5	(18,267)	(12,766)
Interest paid		(1,137)	(1,119)
<b>Net cash flows used in financing activities</b>		<u>(23,575)</u>	<u>(16,178)</u>
Net increase in cash and cash equivalents		41,260	274
Cash and cash equivalents at the beginning of the period		56,308	68,412
<b>Cash and cash equivalents at the end of the period</b>	7	<u>97,568</u>	<u>68,686</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  
Notes to The Interim Condensed Consolidated Financial Statements  
31 March 2023 (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 3 May 2023.

**2. BASIS OF PREPARATION OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The interim condensed consolidated financial statements are prepared in accordance with International Accounting Standard No. (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 financial statements as at 31 December 2022. In addition, results of the three months period ended 31 March 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

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 2022 except for the adoption of new amendments on the standards effective as at 1 January 2023 shown below:

**IFRS 17 Insurance Contracts**

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) which was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

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The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

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

This standard is not applicable to the Group.

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

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

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

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

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

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

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

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

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

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Public Shareholding Company**  
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**31 March 2023 (unaudited)**  
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**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 how the Group's operations are recovering after the negative impact of Covid-19 and how it is still being negatively impacted by the effect of the Russian-Ukraine conflict on fuel prices, the Group's accumulated losses of JD 423.2 million exceeded of the Group's capital as at 31 March 2023. Also, the Group's current liabilities exceeded its current assets by JD 180.3 million as at 31 March 2023. These events and conditions indicate that a material uncertainty exists that may cast significant doubt about the entity's ability to continue as a going concern. According to Article (266) of the Jordanian Company's Law No. (22) for the year 1997 and its amendments, if the accumulated losses of the Public Shareholding Company exceeded 75% of its capital, the Company shall be liquidated unless the General Assembly of the Company issues a decision on its extraordinary meeting to increase the Company's capital or to deal with the Company's losses.

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

**3. EFFECT OF COVID-19 AND RUSSIAN-UKRAINE CONFLICT ON THE GROUP**

Based on the volume of air travel demand, which is still recovering since the spread of COVID-19 vaccines and the gradual relief of borders restrictions, it appears that the pandemic has ended and daily passenger traffic at airports has reached 2019 levels. However, the ongoing conflict between Russia and Ukraine has created uncertainty regarding the development of the world economy including the airline industry which is presented in the uncertainty of fluctuations of oil prices that represent major part of the Group's costs of flying operations.

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

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)  
Public Shareholding Company  
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31 March 2023 (unaudited)**

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

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**4. BASIS OF CONSOLIDATION OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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 at 31 March 2023:

	<u>Ownership Interest</u>	<u>Country</u>
Royal Wings Company – under liquidation	100%	Jordan
Royal Tours for Travel and Tourism Company	80%	Jordan
Al Mashriq for Aviation Services "Tikram"	100%	Jordan

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

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

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

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

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

The Group re-assesses whether or not it controls an investee if facts 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 period 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.

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

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

**Shareholders who have a significant influence over the Group**

The Government of the Hashemite Kingdom of Jordan presented by Government Investment Management Company owns 86.23% from the Company's shares as at 31 March 2023 (31 December 2022: 86.23%).

**5. LEASES**

Set out below are the carrying amounts of right-of-use assets and lease obligations recognized and the movements during period ended 31 March 2023:

	Right-of-use assets				Lease obligations*
	Aircraft	Aircraft's engines	offices	Total	
<b>At 1 January 2023</b>	<b>323,312</b>	<b>31,967</b>	<b>16,098</b>	<b>371,377</b>	<b>371,364</b>
Additions	-	-	1,238	1,238	1,238
Lease-term modification	1,698	-	-	1,698	1,698
Depreciation	(12,936)	(650)	(855)	(14,441)	-
Finance costs	-	-	-	-	4,576
Payments	-	-	-	-	(18,267)
<b>At 31 March 2023</b>	<b>312,074</b>	<b>31,317</b>	<b>16,481</b>	<b>359,872</b>	<b>360,609</b>

\* Lease obligations details are as follows:

31 March 2023 (unaudited)			31 December 2022 (audited)		
Short-term	Long-term	Total	Short-term	Long-term	Total
64,469	296,140	360,609	64,594	306,770	371,364

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Public Shareholding Company**  
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**31 March 2023 (unaudited)**  
**(In Thousands of Jordanian Dinars except for amounts in foreign currencies)**

**6. PROPERTY AND EQUIPMENT**

During the three months ended 31 March 2023, the Group acquired property and equipment with a cost of JD 2,489 (31 March 2022: JD 1,034).

**7. CASH AND BANK BALANCES**

	<u>31 March 2023</u> (unaudited)	<u>31 December 2022</u> (audited)
Cash and bank balances	55,280	25,804
Short-term deposits *	21,953	13,667
Cash in transit **	20,260	16,777
Total cash and short-term deposits	<u>97,493</u>	<u>56,248</u>
Short-term deposits mature after 3 months ***	<u>97,481</u>	<u>105,060</u>
	<u><b>194,974</b></u>	<u><b>161,308</b></u>

\* This item represents deposits in Jordanian Dinars in Jordanian Banks as at 31 March 2023 with an interest rate ranging between 4.25% and 5.63% (31 December 2022: 4% - 5.63%) and are due within three months.

\*\* This item includes cash received on tickets sales and airwaybills sales through IATA accredited agents during March that were deposited in the Group's bank accounts during April 2023.

\*\*\* This item represents deposit in Banks in Jordanian Dinar of JD 97,481 with an interest rate ranging between 4.75% and 6.25% as at 31 March 2023 and are due after more than three months. (31 December 2022: Deposits in Jordanian Dinar of JD 104,811 with an interest rate ranging between 4.35% and 5.6%, in addition to amounts in Libyan Dinar equivalent to JD 249 and are due after more than three months.)

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

	<u>31 March 2023</u> (unaudited)	<u>31 December 2022</u> (audited)
Cash and cash equivalents	97,493	56,248
Add: cash from discontinued operations	75	60
	<u><b>97,568</b></u>	<u><b>56,308</b></u>

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
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**31 March 2023 (unaudited)**  
**(In Thousands of Jordanian Dinars except for amounts in foreign currencies)**

**8. LOANS**

**(8 - a) Bank Loans**

	<u>31 March 2023</u>		<u>31 December 2022</u>	
	<u>(unaudited)</u>		<u>(audited)</u>	
	<u>Loans' installments</u>		<u>Loans' installments</u>	
	<u>Short-term</u>	<u>Long-term</u>	<u>Short-term</u>	<u>Long-term</u>
Syndicated loan *	<b>16,682</b>	<b>36,143</b>	16,682	40,313
Capital Bank loan **	-	<b>43,279</b>	-	44,282
Social Security - "Himaya" program ***	<b>5,275</b>	<b>14,241</b>	3,115	16,183
Less: directly attributable transaction costs	<b>(446)</b>	-	(535)	(45)
	<b>21,511</b>	<b>93,663</b>	19,262	100,733

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

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

As part of the Company's action plan to manage its cashflows during COVID-19 outbreak, the Company signed an amendment letter to the loan agreement, in which the loan installments for the period from March 2020 to September 2020 were rescheduled and allocated to the remaining installments after 30 September 2020 on a proportional basis.

On 1 April 2021, the Company signed second amendment letter in which 50% of the loan installments for the period from April 2021 to June 2021 were rescheduled and allocated to the installments after 30 June 2021 on a proportional basis. During July 2021, the Company signed third amendment letter in which 50% of the loan installments for the period from July 2021 to September 2021 were rescheduled and allocated to the installments after 30 September 2021 on a proportional basis. On 21 November 2021, the Company signed fourth amendment letter in which 50% of the loan installments for the period from November 2021 to April 2022 were rescheduled and allocated to the installments after April 2022 on a proportional basis.

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

The loan agreement contains loan covenants which require the Company to meet certain financial ratios. During June 2021, the Company has amended the agreement whereas the Company was not required to meet those financial ratios until 30 September 2022. On 21 November 2021, The Company has amended the agreement whereas the Company is not required to meet those financial ratios until 31 December 2022. In April 2022, the Company signed an amendment letter, whereas the Company is not required to meet the financial ratios until the end of 2023. During April 2023, the Company received an approval from the bank to extend the period in which it is not required to meet those financial ratios until 31 December 2024.

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

- \*\* On 18 May 2020, the Company signed a loan agreement with Capital Bank which amounted to JD 50 million bearing an annual interest rate of 1%. The Company has utilized the full loan balance of JD 50 million as at 31 March 2023 and 31 December 2022. On 9 April 2023, the Company signed an amendment agreement whereby the loan will be repaid in one payment on 13 July 2025, at an interest rate of 2.5% starting from 13 July 2023. Interest is payable on a quarterly basis.

The loan was granted from Capital bank through the Central Bank of Jordan's program to support companies that have been affected by COVID-19 at a below-market interest rate. The benefit of a below-market rate loan has been recognized as a government grant in accordance with International Accounting Standard IAS 20 - Government Grants (Note 8 - b).

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

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



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Principal installments payable for the period ended 31 March 2023 and after are as follows:

Period	Amount
1 April 2023 – 31 March 2024	21,957
1 April 2024 – 31 March 2025	23,011
1 April 2025 – 31 March 2026	66,290
1 April 2026 – 31 March 2027	4,362
	<u>115,620</u>

**(8 - b) Government Grants**

	<u>31 March 2023</u>			<u>31 December 2022</u>		
	(unaudited)			(audited)		
	Related to			Related to		
	Capital Bank's loan	Social security "Himaya" program's loan	Total	Capital Bank's loan	Social security "Himaya" program's loan	Total
Balance as at the beginning of the period / year	5,719	2,029	7,748	3,692	3,230	6,922
Recognized during the period / year	1,468	-	1,468	3,965	(370)	3,595
Released to the interim condensed consolidated income statement during the period / year	(466)	(218)	(684)	(1,938)	(831)	(2,769)
Balance as at the ending of the period / year	<u>6,721</u>	<u>1,811</u>	<u>8,532</u>	<u>5,719</u>	<u>2,029</u>	<u>7,748</u>
Non-current	4,273	999	5,272	3,692	1,182	4,874
Current	2,448	812	3,260	2,027	847	2,874
	<u>6,721</u>	<u>1,811</u>	<u>8,532</u>	<u>5,719</u>	<u>2,029</u>	<u>7,748</u>

**9. SHAREHOLDERS' EQUITY**

**- Paid-in capital**

	<u>31 March 2023</u>	<u>31 December 2022</u>
	(unaudited)	(audited)
Authorized capital (Par value of Jordanian Dinar per share)	<u>324,610</u>	324,610
Paid-in capital	<u>324,610</u>	324,610

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**- Share discount**

Share discount amounted to JD 78.2 million as at 31 March 2023 and 31 December 2022. The accumulated balance in this account represents the difference between the issuing price and the par value of the shares issued.

**- Payments in respect of capital increase**

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

	For the three months ended 31 March	
	2023	2022
<b>Scheduled Services</b>		
Passengers	131,561	73,584
Cargo	6,819	8,681
Excess baggage	1,562	1,434
Airmail	1,509	1,760
<b>Total scheduled services (note 13)</b>	<b>141,451</b>	<b>85,459</b>
Chartered flights (note 13)	1,752	1,392
Cargo warehouse revenues	3,674	3,541
Commercial revenues from arriving and departing aircraft of other companies	3,881	3,062
Revenues from technical and maintenance services provided to other companies	803	698
First class services revenues	1,581	927
Royal tours revenues (Tours operating revenues)	2,360	1,260
Ancillary revenue	885	758
Revenues from NDC (Galileo)	658	529
Frequent flyer revenues	942	616
Other revenues	548	452
	<b>158,535</b>	<b>98,694</b>

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**11. INCOME TAX**

No provision for income tax was calculated by the Company for the period ended 31 March 2023 and 31 December 2022 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 until 2021 within the statutory period. The Company has reached a final settlement with the Income and Sales Tax Department up to the year ended 31 December 2018 whereas the years 2019 until 2021 are yet to reviewed up to date of the interim condensed consolidated financial statement.

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

Royal Wings Company filed its tax return for the years from 2019 until 2021 within the statutory period. The Income and Sales Tax Department is currently reviewing the Company's tax return for the year 2019 at the first instance court. The Income and Sales Tax Department reviewed the Company's records for the year 2020. The Company filed its tax return for the year 2021 within the statutory period whereas the Company's records are yet to reviewed up to date of the interim condensed consolidated financial statement. Royal Wings Company reached a final settlement with the Income and Sales Tax Department up to the year 2018.

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

Al-Mashriq for Aviation Services Company "Tikram" filed its tax returns until the end of 2021. The Company reached a final settlement with the Income and Sales Tax Department until the end of 2021 except the year 2020 whereas the Company's records are yet to reviewed up to date of the interim condensed consolidated financial statement.

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**12. COMMITMENTS AND CONTINGENCIES**

**- Letters of credit and guarantees**

As of 31 March 2023, the Group had letters of credit that amounted to JD 22,474 and letters of guarantees amounted to JD 877 (31 December 2022: letters of credit amounted to JD 22,789 and letters of guarantees amounted to JD 1,086).

**- Claims against the Group**

The Group is a defendant in a number of lawsuits amounting to JD 10,693 as at 31 March 2023 (31 December 2022: JD 10,774) representing legal actions and claims related to its ordinary course of business. Related risks have been analyzed as to the likelihood of occurrence, although the outcome of these matters cannot always be ascertained with precision. In the opinion of the Group and their legal counsels, the provision recognized as of 31 March 2023 is sufficient to cover any contingent liabilities and claims that may arise from these lawsuits.

**- Capital Commitments**

As of 31 March 2023, the Group had capital commitments of USD 303,051,349 (31 December 2022: USD 303,051,349), equivalent to JD 214,930 (31 December 2022: JD 214,930) relating to finance lease agreements signed for two new aircraft (31 December 2022: two new aircraft).

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

**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.

	<u>For the three months ended 31 March 2023</u>				<u>For the three months ended 31 March 2022</u>			
	<u>Scheduled services</u>	<u>Chartered Flights</u>		<u>Total</u>	<u>Scheduled services</u>	<u>Chartered Flights</u>		<u>Total</u>
	<u>Passengers</u>	<u>Cargo</u>			<u>Passengers</u>	<u>Cargo</u>		
Levant	19,815	-	197	20,012	11,645	17	177	11,839
Europe	35,060	-	373	35,433	21,091	-	335	21,426
Arab Gulf	36,792	238	-	37,030	24,117	16	-	24,133
America	38,736	-	565	39,301	26,596	-	507	27,103
Asia	8,609	-	379	8,988	755	-	340	1,095
Africa	2,439	-	-	2,439	1,255	-	-	1,255
Total revenues	<u>141,451</u>	<u>238</u>	<u>1,514</u>	<u>143,203</u>	<u>85,459</u>	<u>33</u>	<u>1,359</u>	<u>86,851</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 condensed consolidated statement of financial position:

	31 March 2023		31 December 2022	
	Accounts receivable (unaudited)	Accounts payable (unaudited)	Accounts receivable (audited)	Accounts payable (audited)
Government of Jordan	3,829	552	4,687	850
Employees' Provident Fund	-	6,722	-	5,327
Jordan Aircraft Maintenance Company	86	-	298	-
Jordan Flight Catering Company	-	4,916	-	3,458
Jordan Aircraft Training and Simulation Company	-	315	-	244
	<b>3,915</b>	<b>12,505</b>	<b>4,985</b>	<b>9,879</b>

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

	31 March 2023	31 December 2022
Government Investments Management Company	<b>70,000</b>	70,000

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

	For the three months ended 31 March	
	2023 (unaudited)	2022 (unaudited)
<b>Jordan Aircraft Maintenance Company (JORAMCO):</b>		
Scheduled services revenues	<b>43</b>	71
Repair and maintenance expenses	<b>(450)</b>	(165)
<b>Jordan Flight Catering Company:</b>		
Passenger services expenses	<b>(4,691)</b>	(3,059)
<b>Jordan Aircraft Training and Simulation Company:</b>		
Pilots training expenses	<b>(476)</b>	(281)

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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 condensed consolidated income statement:

	For the three months ended 31 March	
	<b>2023</b> <b>(unaudited)</b>	<b>2022</b> <b>(unaudited)</b>
Scheduled services revenues – passengers	<b>1,921</b>	794
Scheduled services revenues – cargo	<b>210</b>	271
Chartered flights	-	71
	<b>2,131</b>	1,136

**Compensation of key management personnel:**

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

	For the three months ended 31 March	
	<b>2023</b> <b>(unaudited)</b>	<b>2022</b> <b>(unaudited)</b>
Salaries and other benefits	<b>221</b>	180
Board of Directors remuneration	<b>8</b>	9

**15. EARNINGS PER SHARE**

	<b>31 March 2023</b> <b>(unaudited)</b>	31 March 2022 <b>(unaudited)</b>
Loss for the period attributed to the equity holders' of the parent ('000)	<b>(23,249)</b>	(29,717)
Weighted average number of shares ('000)	<b>324,610</b>	324,610
Basic and diluted earnings per share (JD)	<b>(0.072)</b>	(0.092)