

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

A PUBLIC SHAREHOLDING COMPANY

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 September 2022

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

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 2022, comprising the interim condensed consolidated statement of financial position as at 30 September 2022 and the related interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of 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 (3) to the interim condensed consolidated financial statements, the Group's accumulated losses of JD 392.7 million exceeded the Group's paid-in capital as of 30 September 2022. Also, the Group's current liabilities exceeded its current assets by an amount of JD 163.8 million as of 30 September 2022. In addition, oil price increases arising as a result of the ongoing conflict in Ukraine has impacted the performance of the Company. 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 No. (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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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 paid-in 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.

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 implementing its approved 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).

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

Amman – Jordan
27 October 2022


ERNST & YOUNG
Amman - Jordan

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)
Public Shareholding Company
Interim Condensed Consolidated Statement of Financial Position
At 30 September 2022
(In Thousands of Jordanian Dinars)**

	Notes	30 September 2022 (Unaudited)	31 December 2021 (Audited)
ASSETS			
Non-current assets			
Right-of-use assets	5	385,038	420,933
Property and equipment	6	50,447	59,961
Advances on purchase and modification of aircraft		3,218	3,218
Financial assets at fair value through other comprehensive income		2,250	2,250
Investments in associates		18,644	17,482
Restricted cash against lease contracts		28,293	26,050
Deferred tax assets		12,322	12,322
		500,212	542,216
Current assets			
Other current assets		28,214	18,241
Spare parts and supplies, net		7,816	7,539
Accounts receivable, net		35,258	23,204
Cash and bank balances	7	186,828	121,598
		258,116	170,582
TOTAL ASSETS		758,328	712,798
EQUITY AND LIABILITIES			
Shareholders' equity			
Paid-in capital	9	324,610	324,610
Share discount	9	(78,205)	(78,205)
Payments in respect of capital increase	9	70,000	-
Statutory reserve	9	14,808	14,808
Fair value reserve		133	133
Cash flow hedges		-	297
Accumulated losses		(392,678)	(321,024)
		(61,332)	(59,381)
Non-controlling interests		334	281
Net deficit in shareholders' equity		(60,998)	(59,100)
LIABILITIES			
Non-current liabilities			
Long-term loans	8 - a	61,947	89,960
Long-term lease obligations	5	332,247	378,230
Long-term grants	8 - b	2,877	4,213
Other long-term liabilities		340	379
		397,411	472,782
Current liabilities			
Current portion of long-term loans	8 - a	61,178	38,307
Accrued expenses		137,421	107,695
Accounts payable and other current liabilities		78,793	64,582
Deferred revenues		90,000	55,168
Short-term lease obligations	5	51,525	30,655
Short-term grants	8 - b	2,998	2,709
		421,915	299,116
Total liabilities		819,326	771,898
TOTAL EQUITY AND LIABILITIES		758,328	712,798

The attached notes from 1 to 17 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 Nine Months Ended 30 September 2022 (Unaudited)
(In Thousands of Jordanian Dinars)**

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2022	2021	2022	2021
Revenues from contracts with customers	10	201,159	135,513	452,178	242,401
Cost of revenues		(181,808)	(112,828)	(468,497)	(250,704)
Gross profit (loss)		19,351	22,685	(16,319)	(8,303)
Administrative expenses		(2,885)	(2,535)	(8,266)	(7,310)
Selling and marketing expenses		(11,161)	(7,868)	(29,583)	(19,943)
Other provisions		(11)	(22)	(41)	(76)
Net operating income (loss)		5,294	12,260	(54,209)	(35,632)
Group's share of profits (losses) of associates		566	(344)	1,823	(185)
Other income, net		255	527	363	1,561
(Loss) gain on sale of property and equipment		(5)	5	68	5
Provision (Reversal from) for voluntary termination	15	(106)	145	(388)	(1,358)
(Loss) gain on foreign currency exchange		(1,574)	130	(2,927)	46
Finance costs		(6,441)	(6,374)	(18,855)	(19,380)
Interest income		1,150	413	2,524	874
(Loss) profit for the period before tax		(861)	6,762	(71,601)	(54,069)
Income tax expense	11	-	-	-	-
(Loss) profit for the period		(861)	6,762	(71,601)	(54,069)
Attributable to:					
Equity holders' of the parent		(875)	6,724	(71,654)	(54,102)
Non-controlling interests		14	38	53	33
		(861)	6,762	(71,601)	(54,069)
Earnings per share					
Basic and diluted earnings per share attributable to equity holders' of the parent	16	JD (0.003)	JD 0.024	JD (0.221)	JD (0.197)

The attached notes from 1 to 17 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 Nine Months Ended 30 September 2022 (Unaudited)
(In Thousands of Jordanian Dinars)**

	For the three months ended 30 September		For the nine months ended 30 September	
	2022	2021	2022	2021
(Loss) profit for the period	(861)	6,762	(71,601)	(54,069)
Other comprehensive income items:				
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	(68)	(93)	(297)	168
Total comprehensive income for the period	(929)	6,669	(71,898)	(53,901)
Attributable to:				
Equity holders' of the parent	(943)	6,631	(71,951)	(53,934)
Non-controlling interests	14	38	53	33
	(929)	6,669	(71,898)	(53,901)

The attached notes from 1 to 17 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 Nine Months Ended 30 September 2022 (Unaudited)
(In Thousands of Jordanian Dinars)**

	Attributable to equity holders' of the parent									
	Paid-in capital	Share discount	Payments in respect of capital increase	Statutory reserve	Fair value reserve	Cash flow hedges	Accumulated losses	Total	Non-controlling interests	Total equity
For the nine months ended 30 September 2022										
Balance as of 1 January 2022	324,610	(78,205)	-	14,808	133	297	(321,024)	(59,381)	281	(59,100)
Total comprehensive income for the period	-	-	-	-	-	(297)	(71,654)	(71,951)	53	(71,898)
Payments in respect of capital increase	-	-	70,000	-	-	-	-	70,000	-	70,000
Balance as of 30 September 2022	324,610	(78,205)	70,000	14,808	133	-	(392,678)	(61,332)	334	(60,998)
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)

The attached notes from 1 to 17 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 Nine Months Ended 30 September 2022 (Unaudited)
(In Thousands of Jordanian Dinars)**

	Notes	For the nine months ended 30 September	
		2022	2021
OPERATING ACTIVITIES			
Loss for the period before income tax		(71,601)	(54,069)
Adjustments for:			
Depreciation of property and equipment		12,133	16,305
Depreciation of right-of-use assets	5	41,845	45,419
Share of (profits) losses of associates		(1,823)	185
Finance costs		18,855	19,380
Other income – Amortization of government grants		(2,072)	(1,834)
Provision for slow moving inventory		41	76
(Reversal from) provision for end of service indemnity		(39)	12
Provision for voluntary termination	15	388	1,358
Gain on sale of property and equipment		(68)	(5)
Interest income		(2,524)	(874)
Amortization of deferred revenue - Jordan Flight Catering Company Ltd.		-	(125)
Working capital changes:			
Accounts receivable		(12,054)	(13,762)
Spare parts and supplies		(318)	367
Other current assets		(9,168)	(2,451)
Deferred revenues		34,832	15,298
Accounts payable and other current liabilities		14,484	3,924
Accrued expenses		29,491	26,308
Voluntary termination program payments		(218)	(2,517)
Net cash flows from operating activities		52,184	52,995
INVESTING ACTIVITIES			
Purchase of property and equipment	6	(2,734)	(3,660)
Proceeds from sale of property and equipment		183	18
Change in restricted cash against lease contracts		(2,243)	(2,307)
Interest income received		1,822	423
Short-term deposits		(56,481)	(30,710)
Net cash flows used in investing activities		(59,453)	(36,236)
FINANCING ACTIVITIES			
Payments in respect of capital increase	9	70,000	25,000
Proceeds from term loans		5,272	27,335
Repayment of term loans		(11,861)	(11,619)
Payments of lease obligations	5	(43,783)	(47,305)
Interest paid		(3,610)	(4,351)
Net cash flows from (used in) financing activities		16,018	(10,940)
Net increase in cash and cash equivalents		8,749	5,819
Cash and cash equivalents at the beginning of the period		68,412	48,143
Cash and cash equivalents at the end of the period	7	77,161	53,962

The attached notes from 1 to 17 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 2022 (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 27 October 2022.

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 2021. In addition, results of the nine months ended 30 September 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

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 2021 except for the adoption of new amendments on the standards effective as of 1 January 2022 and shown below:

Reference to the Conceptual Framework – Amendments to IFRS 3

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

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

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

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

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

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

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

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

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

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

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

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

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

These amendments are not applicable to the Group.

IFRS 9 Financial Instruments – Fees in the '10 percent' test for derecognition of financial liabilities

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

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

IAS 41 Agriculture - Taxation in fair value measurements

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

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.

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

3. Fundamental accounting concepts

The interim condensed consolidated financial statements have been prepared on the assumption of going concern. However, as disclosed in note (3-1) to the interim condensed consolidated financial statements which shows the negative impact of COVID-19 pandemic and note (3-2) which shows the effect of the Russian invasion of Ukraine on fuel prices, the Group's accumulated losses of JD 392.7 million exceeded the Group's paid-in capital as of 30 September 2022. Also, the Group's current liabilities exceeded its current assets by an amount of JD 163.8 million as of 30 September 2022. These events or conditions indicate that a material uncertainty exists that may cast significant doubt about the entity's ability to continue as a going concern. According to Article (266) of the Jordanian Company's Law No. (22) for the year 1997 and its amendments, if the accumulated losses of the public shareholding Company 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.

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)
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(In Thousands of Jordanian Dinars except for amounts in Foreign Currencies)**

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. Also, the Company's management is in the process of implementing its approved 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.

3-1. Coronavirus (COVID-19) outbreak and its impact on Royal Jordanian Airlines

The COVID-19 pandemic looks to be over based on the volume of air travel demand, which has been recovering almost nonstop since the mass dissemination of COVID vaccines. While daily passenger traffic at airports hasn't yet reached 2019 levels, it has come relatively close.

During 2020, the Company initiated a reshape project to adapt to the new operational and financial challenges and ensure that it can sustain its operations in the coming future. During February 2022, the board of directors has approved the Company's business plan and the Company's management is in the process of implementing its approved 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.

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 cash flows along with the ongoing reshape project, management entered into discussions with the aircrafts' lessors and lenders to reschedule the leases and loan payments.
- Management has developed a close monitoring cash management policy, by which cash levels are monitored regularly in order to sustain a minimum specified level. As a result, 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 meet un-avoidable cash obligations when due. The Company has utilized the full balance of this facility as of 30 September 2022 and 31 December 2021. Furthermore, the Company signed several amendment letters to the syndication loan agreement, in which loan installments were rescheduled (note 8).

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Public Shareholding Company
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- During 2019, the Company obtained a credit facility granted from Arab Bank with a ceiling of JD 20 million at 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 JD 40 million with the same existing terms and conditions. On 19 August 2022, the annual interest rate has been increased to become 10%. The Company did not utilize any amount of the credit facility as of 30 September 2022 and 31 December 2021.
- The Company Implemented Defense Order No. (24) and related announcement No. (45) "Estidama Program Amendment" effective from September 2021 until the end of June 2022. The Company contributed 40% of the employees' salaries while the Social Security Corporation contributed 60% of employees' monthly salary with a ceiling of JD 800 per employee per month. Effective August 2022, the Company implemented Estidama Program according to announcement No. (60). The Company contributed 60% of the employees' salaries while the Social Security Corporation contributed 40% of employees' monthly salary with a ceiling of JD 500 per employee per month.
- 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 (note 8).
- The Company implemented Defense Order No. (52) - Reducing old age and early retirement insurance by 50% effective from January 2022 through June 2022 in which the social security percentage paid by the Company has been reduced to 9.25% instead of 14.25%. The defense order has been implemented on 95% of the Company's employees.

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

3-2. Russian Invasion of Ukraine and Its Effect on Fuel Prices

On 21 February 2022, Russia recognized two Ukrainian regions, Donetsk and Luhansk, as independent states. In a further escalation of the conflict, Russia invaded Ukraine on 24 February 2022. The western world has made clear it disapproves of Russia's actions, and amongst others, the US, EU and UK have decided on severe sanctions for Russia and Russian Companies and individuals, with potential consequences for businesses throughout the world.

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The intensification of the Invasion between Russia and Ukraine which led to armed conflicts in Ukraine on 24 February 2022, has created uncertainty regarding the development of the world economy including the airline industry which is presented in the uncertainty of fluctuations of oil prices that represent major part of the Group's costs of flying operations.

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

4. Basis of consolidation

The 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 2022:

	<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.

Alia - The Royal Jordanian Airlines Company (Royal Jordanian)
Public Shareholding Company
Notes to the Interim Condensed Consolidated Financial Statements
30 September 2022 (Unaudited)
(In Thousands of Jordanian Dinars except for amounts in Foreign Currencies)

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.

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 owns 86.23% from the Company's shares as at 30 September 2022 (31 December 2021: 84.80%).

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 2022:

	Right-of-use assets				Lease obligations*
	Aircraft	Aircrafts' engines	Offices	Total	
At 1 January 2022	367,898	34,566	18,469	420,933	408,885
Additions	5,261	-	534	5,795	5,795
Lease-term modifications	507	-	-	507	507
Terminated contracts	-	-	(352)	(352)	(352)
Depreciation	(37,337)	(1,950)	(2,558)	(41,845)	-
Finance costs	-	-	-	-	12,720
Payments	-	-	-	-	(43,783)
At 30 September 2022	336,329	32,616	16,093	385,038	383,772

Alia - The Royal Jordanian Airlines Company (Royal Jordanian)
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Notes to the Interim Condensed Consolidated Financial Statements
30 September 2022 (Unaudited)
(In Thousands of Jordanian Dinars except for amounts in Foreign Currencies)

* Lease obligations details are as follows:

30 September 2022			31 December 2021		
(Unaudited)			(Audited)		
Short-term	Long-term	Total	Short-term	Long-term	Total
51,525	332,247	383,772	30,655	378,230	408,885

6. Property and equipment

During the nine months ended 30 September 2022, the Group acquired property and equipment with a cost of JD 2,734 (30 September 2021: JD 4,376 of which an amount of JD 3,660 represent cash additions).

7. Cash and cash equivalents

	30 September 2022	31 December 2021
	(Unaudited)	(Audited)
Cash and bank balances	35,224	49,261
Short term deposits*	20,074	3,011
Cash in transit **	21,863	16,140
Cash and cash equivalents	77,161	68,412
Short term deposits mature after 3 months ***	109,667	53,186
	186,828	121,598

* This item represents deposits in Jordanian Dinar in Jordanian Banks as of 30 September 2022 with an interest rate ranging between 3.6% - 5% (31 December 2021: 3.25% - 3.28%) and are due within three months.

** This item represents cash received on tickets sales and airwaybills sales through IATA accredited agents during September 2022 that were deposited in the Group's bank accounts during October 2022.

*** This item represents deposits in Banks in Jordanian Dinar of JD 109,657 with an interest rate ranging between 3.75% and 5%, in addition to Libyan Dinar and Syrian Lira equivalent to JD 10 as of 30 September 2022 and are due after more than three months. (31 December 2021: Deposits in Jordanian Dinar of JD 52,289 with an interest rate ranging between 3.25% and 4.1%, in addition to Libyan Dinar and Syrian Lira equivalent to JD 87 and a deposit in Algerian Dinar equivalent to JD 810 with an average interest rate of 3.25% as of 31 December 2021 and are due after more than three months).

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8. Loans

(8-a) Bank loans

	30 September 2022		31 December 2021	
	(Unaudited)		(Audited)	
	Loans' installments		Loans' installments	
	Short-term	Long-term	Short-term	Long-term
Syndicated loan *	13,901	44,484	38,842	31,404
Capital bank loan **	47,812	-	-	46,308
Social Security – "Himaya" program ***	-	17,641	-	12,827
Less: directly attributable transaction costs	(535)	(178)	(535)	(579)
	61,178	61,947	38,307	89,960

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

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

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

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

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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. As per the amendment letter signed during April 2020, the Company was not required to comply with those covenants during the period from 1 January 2020 to 31 March 2021. During March 2021, the Company has amended the agreement whereas the Company was not required to meet those financial ratios until the end of 2021. During June 2021, the Company has amended the agreement whereas the Company was not required to meet those financial ratios until 30 September 2022. On 21 November 2021, The Company has amended the agreement whereas the Company is not required to meet those financial ratios until 31 December 2022. In April 2022, the Company signed an amendment letter, whereas the Company is not required to meet the financial ratios until the end of 2023.

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

** On 18 May 2020, the Company signed a loan agreement with Capital Bank which amounted to JD 50 million bearing an annual interest rate of 1%. The Company has utilized the full loan balance of JD 50 million as of 30 September 2022 and 31 December 2021. The loan is repayable through one payment on 18 September 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.

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The loan is payable during 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 2026. If the loan was not settled by December 2026, the Company will bear an annual interest according to the social security law and its related regulations.

The benefit of a below-market rate loan has been recognized as a government grant in accordance with International Accounting Standard IAS 20 - Government Grants (Note 8 - b).

Principal installments payable for the period ended 30 September 2022 and after are as follows:

Period	Amount
1 October 2022 – 30 September 2023	61,713
1 October 2023 – 30 September 2024	16,681
1 October 2024 – 30 September 2025	16,681
1 October 2025 – 30 September 2026	28,763
	<u>123,838</u>

(8 - b) Government grants

	30 September 2022			31 December 2021		
	Unaudited			Audited		
	Related to			Related to		
	Capital	Social security "Himaya"	Total	Capital	Social security "Himaya"	Total
	Bank's loan	program's loan		Bank's loan	program's loan	
Balance as at the beginning of the period / year	3,692	3,230	6,922	4,003	-	4,003
Recognized during the period / year	-	1,025	1,025	1,737	3,747	5,484
Released to the interim condensed consolidated income statement during the period / year	(1,504)	(568)	(2,072)	(2,048)	(517)	(2,565)
Balance as at the end of the period / year	<u>2,188</u>	<u>3,687</u>	<u>5,875</u>	<u>3,692</u>	<u>3,230</u>	<u>6,922</u>
Non-current	-	2,877	2,877	1,572	2,641	4,213
Current	2,188	810	2,998	2,120	589	2,709
	<u>2,188</u>	<u>3,687</u>	<u>5,875</u>	<u>3,692</u>	<u>3,230</u>	<u>6,922</u>

9. Shareholder's equity

	30 September 2022	31 December 2021
	(Unaudited)	(Audited)
- Paid-in capital		
Authorized capital (Par value of Jordanian Dinar per share)	<u>324,610</u>	<u>324,610</u>
Paid-in capital	<u>324,610</u>	<u>324,610</u>

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- Share discount

Share discount amounted to JD 78.2 million as at 30 September 2022 and 31 December 2021. The accumulated balance in this account represents the difference between the issuing price and the par value of the shares issued.

- Payments in respect of capital increase

On 18 May 2022, the Prime Ministry of Jordan resolved in its resolution number (7056) to authorize the Ministry of Finance to proceed with further procedures to increase the Company's capital by JD 70 million over two phases. An amount of JD 35 million was received during May 2022 and the remaining amount was received during August 2022. Capital increase procedures were not completed up to the date of the 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 30 September		For the nine months ended 30 September	
	2022	2021	2022	2021
Scheduled Services				
Passengers	170,396	102,654	363,272	171,545
Cargo	8,029	8,700	27,288	20,145
Excess baggage	1,739	2,061	4,681	4,214
Airmail	1,576	1,878	5,203	4,418
Total scheduled services (note 13)	181,740	115,293	400,444	200,322
Chartered flights (note 13)	1,301	3,282	4,848	7,158
Commercial revenues from arriving and departing aircraft of other companies	4,196	3,901	10,779	8,348
Revenues from technical and maintenance services provided to other companies	940	969	2,434	2,111
Cargo warehouse revenues	3,648	3,969	10,964	10,635
First class services revenues	1,737	1,147	3,887	1,903
Change and cancellation of reservation revenues	978	1,112	3,207	2,311
Revenues from National Distribution Center (Galileo)	794	789	2,105	1,207
Royal Tours revenues (Tours operating revenues)	2,284	2,572	5,563	3,870
Frequent Flyer revenues	1,169	528	2,493	1,052
Ancillary revenues	1,436	1,181	3,475	2,118
Other revenues	936	770	1,979	1,366
	201,159	135,513	452,178	242,401

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11. Income tax

No provision for income tax was calculated by the Company for the period ended 30 September 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 from 2019 to 2021 within the statutory period. The Company has reached a final settlement with the Income and Sales Tax Department up to the year ended 31 December 2018 whereas the years from 2019 to 2021 are yet to be reviewed.

The Income and Sales Tax Department raised claims to RJ by an amount of JD 2,103 which represents sales tax differences for the years from 2012 to 2014. The Court of Cassation determined tax differences in respect to the year 2012 through the year 2014 amounting to JD 701, in addition to penalties of JD 1,402. During the third quarter of 2022, RJ paid the tax differences of JD 701.

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 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 yet to review the Company's accounting records up to the date of the interim condensed consolidated financial statements in respect to the years 2019 until 2021. Royal Wings Company reached a final settlement with the Income and Sales Tax Department up to the year 2018.

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

As of 30 September 2022, the Group had letters of credit amounted to JD 19,153 and letters of guarantees amounted to JD 906 (31 December 2021: letters of credit amounted to JD 23,493 and letters of guarantees amounted to JD 331).

- Claims against the Group

The Group is a defendant in a number of lawsuits amounting to JD 12,895 as at 30 September 2022 (31 December 2021: JD 14,661) representing legal actions and claims related to its ordinary course of business. Related risks have been analyzed as to the likelihood of occurrence, although the outcome of these matters cannot always be ascertained with precision. In the opinion of the Group and their legal counsels, the provision recognized as of 30 September 2022 is sufficient to cover any contingent liabilities and claims that may arise from these lawsuits.

- Capital Commitments

As of 30 September 2022, the Group had capital commitments of USD 303,051,349 (31 December 2021: USD 303,051,349), equivalent to JD 214,930 (31 December 2021: JD 214,930) relating to finance lease agreements signed for two new aircraft (31 December 2021: two new aircraft).

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

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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)

	2022				2021			
	Scheduled services	Chartered Flights		Total	Scheduled services	Chartered Flights		Total
		Passengers	Cargo			Passengers	Cargo	
Levant	18,699	-	293	18,992	16,550	135	173	16,858
Europe	56,369	-	189	56,558	26,883	681	575	28,139
Arab Gulf	38,231	276	-	38,507	33,469	405	-	33,874
America	65,872	-	479	66,351	36,610	-	574	37,184
Asia	85	-	-	85	713	99	578	1,390
Africa	2,484	-	64	2,548	1,068	62	-	1,130
Total revenues	181,740	276	1,025	183,041	115,293	1,382	1,900	118,575

For the nine months ended 30 September (Unaudited)

	2022				2021			
	Scheduled services	Chartered Flights		Total	Scheduled services	Chartered Flights		Total
		Passengers	Cargo			Passengers	Cargo	
Levant	44,539	17	761	45,317	28,055	180	853	29,088
Europe	117,047	382	1,023	118,452	40,089	758	1,618	42,465
Arab Gulf	94,199	358	-	94,557	59,522	447	-	59,969
America	137,558	-	1,466	139,024	69,575	-	574	70,149
Asia	1,203	-	680	1,883	1,301	99	2,411	3,811
Africa	5,898	44	117	6,059	1,780	93	125	1,998
Total revenues	400,444	801	4,047	405,292	200,322	1,577	5,581	207,480

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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:

	30 September 2022		31 December 2021	
	(Unaudited)		(Audited)	
	Accounts receivable	Accounts payable	Accounts receivable	Accounts payable
Government of Hashemite Kingdom of Jordan	6,560	880	5,176	884
Employees' Provident Fund	-	4,292	-	4,209
Jordan Aircraft Maintenance Company	1,189	-	1,717	-
Jordan Flight Catering Company	-	6,617	-	2,729
Jordan Aircraft Training and Simulation Company	-	115	-	4
	7,749	11,904	6,893	7,826

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Jordan Aircraft Maintenance Company (Joramco):				
Scheduled services revenues	32	32	163	128
Repair and maintenance expenses	(693)	(1,344)	(1,522)	(3,481)
Jordan Flight Catering Company:				
Passenger services expenses	(4,975)	(3,031)	(12,363)	(5,235)
Jordan Aircraft Training and Simulation Company:				
Scheduled services revenues	5	-	6	-
Pilot training expenses	(167)	(158)	(645)	(445)

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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 30 September		For the nine months ended 30 September	
	(Unaudited)		(Unaudited)	
	2022	2021	2022	2021
Scheduled services revenues – passengers	1,357	701	3,284	1,490
Scheduled services revenues – cargo	207	408	887	1,076
Chartered flights	142	142	213	568
	<u>1,706</u>	<u>1,251</u>	<u>4,384</u>	<u>3,134</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 September		For the nine months ended 30 September	
	(Unaudited)		(Unaudited)	
	2022	2021	2022	2021
Salaries and other benefits	207	178	644	482
Board of Directors remuneration	5	9	21	25

15. Provision for voluntary termination

	30 September 2022	30 September 2021
	(Unaudited)	(Unaudited)
Voluntary termination program (1)	-	1,358
Outstations' termination program	388	-
	<u>388</u>	<u>1,358</u>

Voluntary termination program (1):

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 million 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.

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Outstations' termination program

Starting from 2020, the Company started a termination process of contracts for local employees in some outstations according to the business needs and based on the rules and regulations of those countries. Accordingly, the Company has recorded a provision amounted to JD 388 during the period ended 30 September 2022.

16. Earnings per share

	<u>30 September 2022</u> (unaudited)	<u>30 September 2021</u> (unaudited)
Loss for the period attributed to the equity holders of the parent ('000)	(71,654)	(54,102)
Weighted average number of shares ('000)	324,610	274,610
Basic and diluted earnings per share (JD)	<u>JD (0.221)</u>	<u>JD (0.197)</u>

17. Comparative figures

Some of the comparative figures for the period ended 30 September 2021 have been reclassified to correspond with 30 September 2022 presentation with no effect on equity or profit for the period ended 30 September 2021.