ALIA - THE ROYAL JORDANIAN AIRLINES COMPANY (ROYAL JORDANIAN)

A PUBLIC SHAREHOLDING COMPANY

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2022

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Alia - The Royal Jordanian Airlines Company (the "Company") and its subsidiaries (together referred to as "the Group") as at 31 March 2022, comprising the interim consolidated statement of financial position as at 31 March 2022 and the related interim consolidated income statement, interim consolidated statements of comprehensive income, changes in equity and 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 Company's accumulated losses of JD 350.7 million as of 31 March 2022 exceeded the Company's capital. Also, the Company's current liabilities exceeded its current assets by an amount of JD 150.4 million as of 31 March 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.

The Prime Ministry of Jordan resolved to authorize the Ministry of Finance to proceed with further procedures to increase the Company's capital by JD 50 million over two phases. The first phase was received during the fourth quarter of 2020 and the second phase was received during the second quarter of 2021.

The Company's General Assembly resolved in its extraordinary meeting held on 30 August 2021 to increase the Company's capital by JD 50 million. Capital increase procedures were completed during December 2021. The Company received a comfort letter from the Ministry of Finance (the Jordanian Government's representative), stating that the Government is in favor of continuing to support the Company's operations in the future. Also, the Company's management is in the process of 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.

Amman – Jordan
28 April 2022

ERNST & YOUNG
Amman - Jordan

Alia - The Royal Jordanian Airlines Company (Royal Jordanian)
Public Shareholding Company
Interim Consolidated Statement of Financial Position
At 31 March 2022
(In Thousands of Jordanian Dinars)

	Notes	31 March 2022 (Unaudited)	31 December 2021 (Audited)
ASSETS			
Non - current assets			
Right-of-use assets	5	**407,397**	420,933
Property and equipment	6	**56,643**	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		**17,907**	17,482
Restricted cash against lease contracts		**27,728**	26,050
Deferred tax assets		**12,322**	12,322
		527,465	542,216
Current assets			
Other current assets		**18,858**	17,799
Spare parts and supplies, net		**7,627**	7,539
Accounts receivable, net		**32,720**	23,204
Cash and bank balances	7	**129,198**	121,598
		188,403	170,140
TOTAL ASSETS		**715,868**	712,356
EQUITY AND LIABILITIES			
Shareholders' equity			
Paid-in capital	9	**324,610**	324,610
Share discount	9	**(78,205)**	(78,205)
Statutory reserve	9	**14,808**	14,808
Fair value reserve		**133**	133
Cash flow hedges		**156**	297
Accumulated losses		**(350,741)**	(321,024)
		(89,239)	(59,381)
Non-controlling interests		**303**	281
Net deficit in shareholders' equity		**(88,936)**	(59,100)
LIABILITIES			
Non- current liabilities			
Long-term loans	8-a	**86,102**	89,960
Long-term lease obligations	5	**375,474**	378,230
Long-term grants	8-b	**4,006**	4,213
Other long-term liabilities		**381**	379
		465,963	472,782
Current liabilities			
Current portion of long-term loans	8-a	**40,087**	38,307
Accrued expenses		**112,238**	107,695
Accounts payable and other current liabilities		**74,304**	64,140
Deferred revenues		**84,255**	55,168
Short-term lease obligations	5	**25,123**	30,655
Short-term grants	8-b	**2,834**	2,709
		338,841	298,674
Total liabilities		**804,804**	771,456
TOTAL EQUITY AND LIABILITIES		**715,868**	712,356

The attached notes from 1 to 18 form part of these interim condensed consolidated financial statements

Alia - The Royal Jordanian Airlines Company (Royal Jordanian)
Public Shareholding Company
Interim Consolidated Income Statement
For The Three Months Ended 31 March 2022 (Unaudited)
(In Thousands of Jordanian Dinars)

	Notes	For the three months ended 31 March 2022	2021
Revenues from contracts with customers	10	**98,694**	38,902
Cost of revenues		**(112,378)**	(60,483)
Gross loss		**(13,684)**	(21,581)
Administrative expenses		**(2,543)**	(2,300)
Selling and marketing expenses		**(7,725)**	(5,329)
Other provisions		**(23)**	(113)
Net operating loss		**(23,975)**	(29,323)
Group's share of profits of associates		**425**	242
Other income, net		**141**	296
Gain on disposal of property and equipment		**85**	-
Provision for voluntary termination	15	**-**	(1,503)
(Loss) gain on foreign currency exchange		**(695)**	70
Finance costs		**(6,231)**	(6,465)
Interest income		**555**	247
Loss for the period before tax		**(29,695)**	(36,436)
Income tax expense	11	**-**	-
Loss for the period		**(29,695)**	(36,436)
Attributable to:			
Equity holder of the parent		**(29,717)**	(36,429)
Non-controlling interests		**22**	(7)
		(29,695)	(36,436)
Earnings per share			
Basic and diluted earnings per share attributable to equity holders of the parent	16	**JD (0.092)**	JD (0.133)

The attached notes from 1 to 18 form part of these interim condensed consolidated financial statements

Alia - The Royal Jordanian Airlines Company (Royal Jordanian)
Public Shareholding Company
Interim Consolidated Statement of Comprehensive Income
For The Three Months Ended 31 March 2022 (Unaudited)
(In Thousands of Jordanian Dinars)

	For the three months ended 31 March	
	2022	2021
Loss for the period	**(29,695)**	(36,436)
Other comprehensive income		
Other comprehensive income items that will be reclassified to profit or loss in subsequent periods (net of tax):		
Net (loss) gain on cash flow hedges	**(141)**	296
Total comprehensive income for the period	**(29,836)**	(36,140)
Attributable to:		
Equity holders of the parent	**(29,858)**	(36,133)
Non-controlling interests	**22**	(7)
	(29,836)	(36,140)

The attached notes from 1 to 18 form part of these interim condensed consolidated financial statements

Alia - The Royal Jordanian Airlines Company (Royal Jordanian)
Public Shareholding Company
Interim Consolidated Statement of Changes in Equity
For The Three Months Ended 31 March 2022 (Unaudited)
(In Thousands of Jordanian Dinars)

	Attributable to equity holders of the parent									
For the three months ended 31 March 2022	*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*
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	**-**	**-**	**-**	**-**	**-**	**(141)**	**(29,717)**	**(29,858)**	**22**	**(29,836)**
Balance as of 31 March 2022	**324,610**	**(78,205)**	**-**	**14,808**	**133**	**156**	**(350,741)**	**(89,239)**	**303**	**(88,936)**
For the three months ended 31 March 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	-	-	-	-	-	296	(36,429)	(36,133)	(7)	(36,140)
Balance as of 31 March 2021	**274,610**	**(78,205)**	**25,000**	**14,808**	**133**	**454**	**(282,835)**	**(46,035)**	**216**	**(45,819)**

The attached notes from 1 to 18 form part of these interim condensed consolidated financial statements

Alia - The Royal Jordanian Airlines Company (Royal Jordanian)
Public Shareholding Company
Interim Consolidated Statement of Cash Flows
For The Three Months Ended 31 March 2022 (Unaudited)
(In Thousands of Jordanian Dinars)

	Notes	For the three months ended 31 March	
		2022	2021
OPERATING ACTIVITIES			
Loss for the period before income tax		**(29,695)**	(36,436)
Adjustments for:			
Depreciation of property and equipment		**4,293**	5,316
Depreciation of right-of-use assets	5	**13,854**	17,116
Share of profits of associates		**(425)**	(242)
Finance costs		**6,231**	6,465
Other income – amortization of government grants		**(607)**	(387)
Provision for end of service indemnity		**2**	28
Provision for voluntary termination	15	**-**	1,503
Gain from sale of property and equipment		**(85)**	-
Interest income		**(555)**	(247)
Provision for slow-moving inventory		**23**	-
Amortization of deferred revenue – Jordan Flight Catering Company Ltd.		**-**	(75)
Working capital changes:			
Accounts receivable		**(9,516)**	(399)
Spare parts and supplies		**(111)**	199
Other current assets		**(1,183)**	851
Deferred revenues		**29,087**	6,874
Accounts payable and other current liabilities		**10,164**	(4,216)
Accrued expenses		**4,368**	1,594
Voluntary termination program payments		**(170)**	-
Net cash flows from (used in) from operating activities		**25,675**	(2,056)
INVESTING ACTIVITIES			
Purchase of property and equipment	6	**(1,034)**	(97)
Proceeds from sale of property and equipment		**144**	-
Change in restricted cash against lease contracts		**(1,678)**	(600)
Interest income received		**671**	35
Short-term deposits		**(7,326)**	(11,670)
Net cash flows used in investing activities		**(9,223)**	(12,332)
FINANCING ACTIVITIES			
Proceeds from Loans		**2,650**	20,467
Repayment of term loans		**(4,943)**	(3,341)
Payments of lease obligations	5	**(12,766)**	(13,366)
Interest paid		**(1,119)**	(1,278)
Net cash flows (used in) from financing activities		**(16,178)**	2,482
Net increase (decrease) in cash and cash equivalents		**274**	(11,906)
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	**68,686**	36,237

The attached notes from 1 to 18 form part of these interim condensed consolidated financial statements

1. GENERAL

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

The Company’s objectives are to undertake scheduled air-transport activities from and to the Kingdom and to carry out the handling for 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 27 April 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 financial statements as of 31 December 2021. In addition, results of the three months period ended 31 March 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 polices

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

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

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

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

These amendments had no 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.

The amendments are not applicable to the Group.

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

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

These amendments had no 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.

2-2. Fundamental Accounting Concepts

The interim condensed consolidated financial statements have been prepared on the assumption of going concern. However, as disclosed in note (3) to the interim condensed consolidated financial statements which shows the negative impact of COVID-19 pandemic, the Company’s accumulated losses of JD 350.7 million as of 31 March 2022 exceeded the Company’s capital. Also, the Company’s current liabilities exceeded its current assets by an amount of JD 150.4 million as of 31 March 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.

The Prime Ministry of Jordan resolved to authorize the Ministry of Finance to proceed with further procedures to increase the Company's capital by JD 50 million over two phases. The first phase was received during the fourth quarter of 2020 and the second phase was received during the second quarter of 2021.

The Company's General Assembly resolved in its extraordinary meeting held on 30 August 2021 to increase the Company's capital by JD 50 million. Capital increase procedures were completed during December 2021. The Company received a comfort letter from the Ministry of Finance (the Jordanian Government's representative), stating that the Government is in favor of continuing to support the Company's operations in the future. Also, the Company's management is in the process of 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. Coronavirus (Covid-19) outbreak and its impact on Royal Jordanian Airlines

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

During 2020, the Company 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.

- Negotiations were initiated with the Company's major suppliers to defer the payments and reduce the costs where possible.

- During 2020, the Company signed an amendment letter to the syndication loan agreement, in which loan installments for the period from March 2020 to September 2020 were rescheduled and allocated to the installments after September 2020 on a proportional basis. On 1 April 2021, the Company signed 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. The Company met all rescheduled installment as they became due.

- During 2019, the Company has 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. The Company did not utilize any amount of the credit facility as of 31 March 2022 and 31 December 2021.

- The board of directors resolved in their meeting held on 27 April 2020 to approve a new loan facility of JD 50 million to finance the Company's cash flows and to meet un-avoidable cash obligations when becoming due during the lockdown period. The Company has utilized the full balance of this facility as of 31 March 2022 and 31 December 2021 (note 8).

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

- The Company Implemented Defense Order 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 and a floor of JD 260 per month.

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

- The Company implemented Defense Order No. (14) and No. (24) “Himaya” program where the Social Security Corporation supported the most affected companies due to the pandemic through granting loans that cover part of August through November 2020 salaries and January 2021 through June 2022 salaries.

  The Social Security Corporation contributed 40% of employees’ salaries with a ceiling of JD 1000 (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.

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 at 31 March 2022:

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

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

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

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

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

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

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

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

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

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 and Capital Bank own 86.23% and 4.04%, respectively from the Company's shares as at 31 March 2022 (31 December 2021: The Government of the Hashemite Kingdom of Jordan presented by Government Investments Management Company and Mint Trading Middle East Ltd. own 84.80% and 4.22%, respectively from the Company's shares).

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

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 2022:

	Right-of-use assets				
	Aircraft	Aircraft's engines	offices	Total	Lease obligations*
At 1 January 2022	**367,898**	**34,566**	**18,469**	**420,933**	**408,885**
Lease-term modification	**-**	**-**	**318**	**318**	**318**
Depreciation	**(12,344)**	**(650)**	**(860)**	**(13,854)**	**-**
Finance costs	**-**	**-**	**-**	**-**	**4,160**
Payments	**-**	**-**	**-**	**-**	**(12,766)**
At 31 March 2022	**355,554**	**33,916**	**17,927**	**407,397**	**400,597**

* Lease obligations details are as follows:

31 March 2022 (unaudited)			31 December 2021 (audited)		
Short-term	**Long-term**	**Total**	Short-term	Long-term	Total
25,123	**375,474**	**400,597**	30,655	378,230	408,885

6. PROPERTY AND EQUIPMENT

During the three months ended 31 March 2022, the Group acquired property and equipment with a cost of JD 1,034 (31 March 2021: JD 97).

7. CASH AND CASH EQUIVALENTS

	31 March 2022 (unaudited)	31 December 2021 (audited)
Cash and bank balances	**38,711**	49,261
Short-term deposits*	**7,046**	3,011
Cash in transit **	**22,929**	16,140
Total cash and short-term deposits	**68,686**	68,412
Short-term deposits mature after 3 months ***	**60,512**	53,186
	129,198	121,598

* This item represents deposits in Jordanian Dinars in Jordanian Banks as of 31 March 2022 with an interest rate ranging between 0.875% - 2.85% (2021: 3% - 4%) and are due within three months.

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

** 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 2022.

*** This item represents deposit in Banks in Jordanian Dinar of JD 59,623 with an interest rate ranging between 3.15% and 4.1%, in addition to Libyan Dinar and Syrian Lira equivalent to JD 79 and a deposit of 150,000 Thousand Algerian Dinar equivalent to JD 810 with an average interest rate of 3.25% as of 31 March 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 of 150,000 Thousand 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.)

8. LOANS

(8 - a) Bank Loans

	31 March 2022		31 December 2021	
	(unaudited)		(audited)	
	Loans' installments		Loans' installments	
	Short-term	**Long-term**	Short-term	Long-term
Syndicated loan*	**40,622**	**24,681**	38,842	31,404
Capital Bank loan**	**-**	**46,754**	-	46,308
Social Security - "Hemaya" program ***	**-**	**15,113**	-	12,827
Less: directly attributable transaction costs	**(535)**	**(446)**	(535)	(579)
	40,087	**86,102**	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. The Company met all rescheduled installment as they became due.

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. During April 2022, 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 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 as a collateral.

** On 18 May 2020, the Company signed a loan agreement with Capital Bank which amounted to JD 50 million bearing an annual interest rate of 1%. The Company has utilized the full loan balance of JD 50 million as of 31 March 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).

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

*** The Company implemented Defense Orders number (14) and number (24) "Himaya" program where the Social Security Corporation supported the most affected Companies due to the COVID-19 pandemic through granting loans at a below-market interest rate 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 of JD 1,000 per employee.

The loan is payable by December 2026. The loan bears an annual interest rate of 4%. The Company will bear an interest rate of 1%, and the Government of Jordan will bear 3% up until December 2024. If the loan was not settled by December 2026, the Company will bear an annual interest rate of 3% starting from January 2027 and onwards.

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 31 March 2022 and after are as follows:

Period	Amount
1 April 2022 – 31 March 2023	40,622
1 April 2023 – 31 March 2024	71,435
1 April 2024 – 31 March 2025	-
1 April 2025 – 31 March 2026	-
1 April 2026 – 31 March 2027	15,113
	127,170

(8 - b) Government Grants

	31 March 2022			31 December 2021		
	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 1 January	**3,692**	**3,230**	**6,922**	4,003	-	4,003
Recognized during the period / year	**-**	**525**	**525**	1,737	3,747	5,484
Released to the interim condensed consolidated income statement / year	**(446)**	**(161)**	**(607)**	(2,048)	(517)	(2,565)
Balance as at 31 March	**3,246**	**3,594**	**6,840**	3,692	3,230	6,922
Non-current	**1,106**	**2,900**	**4,006**	1,572	2,641	4,213
Current	**2,140**	**694**	**2,834**	2,120	589	2,709
	3,246	**3,594**	**6,840**	3,692	3,230	6,922

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

9. SHAREHOLDERS' EQUITY

- Paid in capital

	31 March 2022 (unaudited)	31 December 2021 (audited)
Authorized capital (Par value of Jordanian Dinar per share)	**324,610**	324,610
Paid in capital	**324,610**	324,610

- Share discount

Share discount amounted to JD 78.2 million as at 31 March 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.

- 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	
	2022	2021
Scheduled Services		
Passengers	**72,461**	22,184
Cargo	**8,642**	4,725
Excess baggage	**1,434**	752
Airmail	**1,760**	1,087
Total scheduled services (note 13)	**84,297**	28,748
Chartered flights (note 13)	**1,392**	2,460
Cargo warehouse revenues	**3,541**	2,990
Commercial revenues from arriving and departing aircrafts of other companies	**3,062**	1,753
Change and cancelation of reservation revenues	**1,123**	621
Revenues from technical and maintenance services provided to other companies	**698**	520
First class services revenues	**927**	376
Royal tours revenues (Tours operating revenues)	**1,260**	401
Ancillary revenue	**800**	315
Revenues from NDC (Galileo)	**529**	251
Frequent flyer revenues	**616**	228
Other revenues	**449**	239
	98,694	38,902

11. INCOME TAX

No provision for income tax was calculated by the Company for the period ended 31 March 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 and 2020 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 and 2020 are yet to 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.

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 2017 until 2020 within the statutory period. The tax returns for the years 2017 and 2018 are being reviewed by the Court of First Instance. 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 and 2020. Royal Wings Company reached a final settlement with the Income and Sales Tax Department up to the year 2016.

Royal Tours Company filed its tax return for the years of 2017, 2019 and 2020 within the statutory period. The Income and Sales Tax Department did not review the Company's accounting records for the years 2017, 2019 and 2020 up to the date of the interim condensed consolidated financial statements. Royal Tours for Travel and Tourism Company reached a final settlement with the Income and Sales Tax Department up to the year 2016 in addition to the year 2018.

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

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

12. COMMITMENTS AND CONTINGENCIES

- Letters of credit and guarantees

As of 31 March 2022, the Group had letters of credit that amounted to JD 22,777 and letters of guarantees amounted to JD 331 (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 14,514 as at 31 March 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 31 March 2022 is sufficient to cover any contingent liabilities and claims that may arise from these lawsuits.

- Capital Commitments

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

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

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 31 March 2022 (Unaudited)				For the three months ended 31 March 2021 (Unaudited)			
		Chartered Flights				Chartered Flights		
	Scheduled services	**Passengers**	**Cargo**	**Total**	Scheduled services	Passengers	Cargo	Total
Levant	**11,490**	**17**	**177**	**11,684**	4,123	16	524	4,663
Europe	**20,803**	**-**	**335**	**21,138**	4,199	-	372	4,571
Arab Gulf	**23,788**	**16**	**-**	**23,804**	9,677	-	-	9,677
America	**26,233**	**-**	**507**	**26,740**	10,321	-	-	10,321
Asia	**745**	**-**	**340**	**1,085**	61	-	1,461	1,522
Africa	**1,238**	**-**	**-**	**1,238**	367	-	87	454
Total revenues	**84,297**	**33**	**1,359**	**85,689**	28,748	16	2,444	31,208

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

14. RELATED PARTY TRANSACTIONS

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

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

	31 March 2022		31 December 2021	
	Accounts receivable	**Accounts payable**	Accounts receivable	Accounts payable
	(unaudited)	**(unaudited)**	(audited)	(audited)
Government of Jordan	**5,538**	**806**	5,176	884
Employees' Provident Fund	**-**	**3,756**	-	4,209
Jordan Aircraft Maintenance Company	**2,355**	**-**	1,717	-
Jordan Flight Catering Company	**-**	**3,156**	-	2,729
Jordan Aircraft Training and Simulation Company	**-**	**21**	-	4
	7,893	**7,739**	6,893	7,826

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

	For the three months ended 31 March	
	2022	2021
	(unaudited)	(unaudited)
Jordan Aircraft Maintenance Company (JORAMCO):		
Scheduled services revenues	**71**	43
Repair and maintenance expenses	**(165)**	(808)
Jordan Flight Catering Company:		
Passenger services expenses	**(3,059)**	(781)
Jordan Aircraft Training and Simulation Company:		
Pilots training expenses	**(281)**	(210)

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

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	
	2022	2021
	(unaudited)	(unaudited)
Scheduled services revenues – passengers	**794**	335
Scheduled services revenues – cargo	**271**	284
Chartered flights	**71**	355
	1,136	974

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	
	2022	2021
	(unaudited)	(unaudited)
Salaries and other benefits	**180**	109
Board of Directors remuneration	**9**	2

15. PROVISION FOR VOLUNTARY TERMINATION

On 22 March 2021, the Company signed a labor collective contract with the General Trade Union of Workers in Air Transport and Tourism. The agreement covers the period from 1 April 2021 to 31 May 2021, giving the Company's staff the choice to obtain a voluntary release from their jobs. Accordingly, the Company has provided a provision of JD 1.5 million during the period ended 31 March 2021 which represents the accrued amounts for the employees who applied for the plan and for whom the management approved their applications.

16. EARNINGS PER SHARE

	31 March 2022	31 March 2021
	(unaudited)	(unaudited)
Loss for the period attributed to the equity holders' of the parent ('000)	**(29,717)**	(36,429)
Weighted average number of shares ('000)	**324,610**	274,610
Basic and diluted earnings per share (JD)	**(0.092)**	(0.133)

17. COMPARATIVE FIGURES

Some of the comparative figures for the period ended 31 March 2021 have been reclassified to correspond with 31 March 2022 presentation with no effect on equity or profit for the period ended 31 March 2021.

18. 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.

The intensification of the conflict 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.