

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

PUBLIC SHAREHOLDING COMPANY

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 June 2023



Building a better
working world

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Alia - The Royal Jordanian Airlines Company (the "Company") and its subsidiaries (together referred to as "the Group") as at 30 June 2023, comprising the interim condensed consolidated statement of financial position as at 30 June 2023, the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six months then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard IAS (34) Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Material Uncertainty Related to Going Concern

As disclosed in note (2-2) to the interim condensed consolidated financial statements, the Group's accumulated losses of JD 416.8 million exceeded the Group's capital as at 30 June 2023. Also, the Group's current liabilities exceeded its current assets by JD 201.6 million as at 30 June 2023. These events or conditions indicate that a material uncertainty exists that may cast significant doubt about the entity's ability to continue as a going concern. According to Article (266) of the Jordanian Company's Law No. (22) for the year 1997 and its amendments, if the accumulated losses of the Public Shareholding Company exceeded 75% of its capital, the Company shall be liquidated unless the General Assembly of the Company issues a decision on its extraordinary meeting to increase the Company's capital or to deal with the Company's losses.

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

The Company received a comfort letter from the Ministry of Finance (the Jordanian Government's representative), stating that the Government is in favor of continuing to support the Company's operations in the future. Our conclusion is not modified in this regard.

Furthermore, the Company and its main shareholder, the Government Investment Management Company plan to increase and restructure RJ's capital. The Council of Ministers resolved in their meeting no. (11944) held on 4 June 2023 that RJ acquires 90% of the capital of Jordan Airports Company (JAC) (a wholly owned Government entity) through the issuance of new shares in RJ's capital in favor of the Government Investment Management Company, after the completion of the valuation of JAC's net assets.

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 July 2023

ERNST & YOUNG
Amman - Jordan

Alia - The Royal Jordanian Airlines Company (Royal Jordanian)
Public Shareholding Company
Interim Condensed Consolidated Statement of Financial Position
As Of 30 June 2023
(In Thousands of Jordanian Dinars)

	Notes	30 June 2023 (Unaudited)	31 December 2022 (Audited)
<u>ASSETS</u>			
Non-current assets			
Right-of-use assets	5	360,790	371,377
Property and equipment	6	51,758	51,169
Advances on purchase and modification of aircraft		3,218	3,218
Financial assets at fair value through other comprehensive income		2,087	2,087
Investments in associates		18,419	18,603
Restricted cash against lease contracts		42,967	30,634
Deferred tax assets		12,322	12,322
		<u>491,561</u>	<u>489,410</u>
Current assets			
Other current assets		34,675	28,854
Spare parts and supplies		7,030	6,008
Accounts receivable		62,452	36,253
Cash and bank balances	7	189,166	161,308
		<u>293,323</u>	<u>232,423</u>
Assets held for sale		103	103
TOTAL ASSETS		<u>784,987</u>	<u>721,936</u>
<u>EQUITY AND LIABILITIES</u>			
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	70,000
Statutory reserve	9	14,808	14,808
Fair value reserve		133	133
Accumulated losses		(416,774)	(399,965)
		<u>(85,428)</u>	<u>(68,619)</u>
Non-controlling interests		391	362
Deficit in shareholders' equity		<u>(85,037)</u>	<u>(68,257)</u>
<u>LIABILITIES</u>			
Non-current liabilities			
Long-term loans	8-a	91,605	100,733
Long-term lease obligations	5	277,895	306,770
Long-term grants	8-b	5,033	4,874
Other long-term liabilities		356	353
		<u>374,889</u>	<u>412,730</u>
Current liabilities			
Current portion of long-term loans	8-a	22,601	19,262
Accrued expenses		148,217	127,356
Accounts payable and other current liabilities		92,173	77,013
Deferred revenues		158,046	86,199
Short-term lease obligations	5	71,269	64,594
Short-term grants	8-b	2,653	2,874
		<u>494,959</u>	<u>377,298</u>
Liabilities directly associated with the assets held for sale		176	165
Total liabilities		<u>870,024</u>	<u>790,193</u>
TOTAL EQUITY AND LIABILITIES		<u>784,987</u>	<u>721,936</u>

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 Six Months Ended 30 June 2023 (Unaudited)
(In Thousands of Jordanian Dinars)

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2023	2022	2023	2022
Continuing Operations:					
Revenues from contracts with customers	10	192,244	152,325	348,539	251,019
Cost of revenues		(166,273)	(174,223)	(328,957)	(286,292)
Gross profit (loss)		25,971	(21,898)	19,582	(35,273)
General and administrative expenses		(3,793)	(2,828)	(7,222)	(5,360)
Selling and marketing expenses		(14,326)	(10,697)	(23,637)	(18,434)
Other provisions		(20)	(7)	(20)	(30)
Net operating profit (loss)		7,832	(35,430)	(11,297)	(59,097)
Group's share of results of associates		958	832	2,298	1,257
Other income (expense), net		3,532	(33)	3,974	108
Provision for voluntary termination		-	(282)	-	(282)
Loss on foreign currency exchange		(359)	(658)	(828)	(1,353)
Finance costs		(7,241)	(6,183)	(14,087)	(12,414)
Interest income		1,745	819	3,147	1,374
Gain (loss) on sale of property and equipment		3	(12)	29	73
Profit (loss) for the period from continuing operations before income tax		6,470	(40,947)	(16,764)	(70,334)
Income tax expense	12	-	-	-	-
Profit (loss) for the period from continuing operations		6,470	(40,947)	(16,764)	(70,334)
Discontinued operations:					
Loss for the period from discontinued operations after income tax		(14)	(98)	(16)	(406)
Profit (loss) for the period		6,456	(41,045)	(16,780)	(70,740)
Attributable to:					
Equity holders of the parent		6,440	(41,062)	(16,809)	(70,779)
Non-controlling interests		16	17	29	39
		6,456	(41,045)	(16,780)	(70,740)
Earnings per share					
Basic and diluted earnings per share attributable to equity holders of the parent	16	JD 0.020	JD (0.126)	JD (0.052)	JD (0.218)

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 Six Months Ended 30 June 2023 (Unaudited)
(In Thousands of Jordanian Dinars)

	For the three months ended 30 June		For the six months ended 30 June	
	2023	2022	2023	2022
Profit (loss) for the period	6,456	(41,045)	(16,780)	(70,740)
Other comprehensive income				
Other comprehensive income items that will be reclassified to profit or loss in subsequent periods (net of tax):				
Loss on cash flow hedges	-	(88)	-	(229)
Total comprehensive income for the period	6,456	(41,133)	(16,780)	(70,969)
Attributable to:				
Equity holders of the parent	6,440	(41,150)	(16,809)	(71,008)
Non-controlling interests	16	17	29	39
	6,456	(41,133)	(16,780)	(70,969)

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 Six Months Ended 30 June 2023 (Unaudited)
(In Thousands of Jordanian Dinars)

	Attributable to equity holders of the parent							Non - controlling interests	Total equity	
	Paid-in capital	Share discount	Payments in respect of capital increase	Statutory reserve	Fair value reserve	Cash flow hedges	Accumulated losses			Total
For the six months ended 30 June 2023										
Balance as of 1 January 2023	324,610	(78,205)	70,000	14,808	133	-	(399,965)	(68,619)	362	(68,257)
Total comprehensive income for the period	-	-	-	-	-	-	(16,809)	(16,809)	29	(16,780)
Balance as of 30 June 2023	324,610	(78,205)	70,000	14,808	133	-	(416,774)	(85,428)	391	(85,037)
For the six months ended 30 June 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	-	-	-	-	-	(229)	(70,779)	(71,008)	39	(70,969)
Payments in respect of capital increase	-	-	35,000	-	-	-	-	35,000	-	35,000
Balance as of 30 June 2022	324,610	(78,205)	35,000	14,808	133	68	(391,803)	(95,389)	320	(95,069)

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 Six Months Ended 30 June 2023 (Unaudited)
(In Thousands of Jordanian Dinars)

	Notes	For the six months ended 30 June	
		2023	2022
OPERATING ACTIVITIES			
Loss for the period from continuing operations before income tax		(16,764)	(70,334)
Loss for the period from discontinued operations before income tax		(16)	(406)
		<u>(16,780)</u>	<u>(70,740)</u>
Adjustments for:			
Depreciation of property and equipment		8,148	8,305
Depreciation of right-of-use assets	5	28,612	27,644
Share of results of associates		(2,298)	(1,257)
Finance costs		14,087	12,414
Other income – amortization of government grants		(1,438)	(1,343)
Provision for slow moving inventory		20	30
Provision end of service indemnity		86	-
Reversal of end of service indemnity		-	(30)
Provision for voluntary termination		-	282
Provision for expected credit losses		96	-
Gain from sale of property and equipment		(29)	(73)
Interest income		(3,147)	(1,374)
Reversal of legal cases provision		(3,000)	-
Working capital changes:			
Accounts receivable		(26,295)	(12,531)
Spare parts and supplies		(1,042)	(199)
Other current assets		(3,224)	(7,998)
Deferred revenues		71,847	70,620
Accounts payable and other current liabilities		15,799	27,667
Accrued expenses		22,836	21,691
End of service indemnity payments		(83)	(218)
Payments of legal provision		(81)	-
Net cash flows from operating activities		<u>104,114</u>	<u>72,890</u>
INVESTING ACTIVITIES			
Purchase of property and equipment	6	(4,739)	(2,392)
Change in restricted cash against lease contracts		(12,333)	511
Proceeds from sale of property and equipment		31	204
Interest income received		3,559	1,023
Acquisition of a subsidiary, net of cash acquired	11	(2,706)	-
Short-term deposits		(4,632)	(44,815)
Net cash flows used in investing activities		<u>(20,820)</u>	<u>(45,469)</u>
FINANCING ACTIVITIES			
Proceeds from loans		-	6,614
Repayment of loans		(8,862)	(11,861)
Payments in respect of capital increase		-	35,000
Payments of lease obligations	5	(46,537)	(28,698)
Interest paid		(4,669)	(3,716)
Net cash flows used in financing activities		<u>(60,068)</u>	<u>(2,661)</u>
Net increase in cash and cash equivalents		23,226	24,760
Cash and cash equivalents at the beginning of the period		56,308	68,412
Cash and cash equivalents at the end of the period	7	<u>79,534</u>	<u>93,172</u>

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 June 2023 (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 July 2023.

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

The interim condensed consolidated financial statements are prepared in accordance with International Accounting Standard No. (34), Interim Financial Reporting.

The interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the Group's annual financial statements as of 31 December 2022. In addition, results of the six months period ended 30 June 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

The interim condensed consolidated financial statements have been presented in Jordanian Dinar which is the functional currency of the Group. All values are rounded to the nearest thousands (JD 000) except when otherwise indicated.

2-1. CHANGES IN ACCOUNTING 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 2022 except for the adoption of the new amendments on the standards effective as at 1 January 2023 shown below:

IFRS 17 Insurance Contracts

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

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

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

This standard is not applicable to the Group.

Definition of Accounting Estimates - Amendments to IAS 8

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

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

Alia - The Royal Jordanian Airlines Company (Royal Jordanian)
Public Shareholding Company
Notes to The Interim Condensed Consolidated Financial Statements
30 June 2023 (unaudited)
(In Thousands of Jordanian Dinars except for amounts in foreign currencies)

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

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

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

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

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

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

2-2. FUNDAMENTAL ACCOUNTING CONCEPTS

The interim condensed consolidated financial statements have been prepared on the assumption of going concern. However, as disclosed in note (3) to the interim condensed consolidated financial statements which shows how the Group's operations are recovering after the negative impact of Covid-19 and how it is still being negatively impacted by the effect of the Russian-Ukraine conflict on fuel prices, the Group's accumulated losses of JD 416.8 million exceeded the Group's capital as at 30 June 2023. Also, the Group's current liabilities exceeded its current assets by JD 201.6 million as at 30 June 2023. These events and conditions indicate that a material uncertainty exists that may cast significant doubt about the entity's ability to continue as a going concern. According to Article (266) of the Jordanian Company's Law No. (22) for the year 1997 and its amendments, if the accumulated losses of the Public Shareholding Company exceeded 75% of its capital, the Company shall be liquidated unless the General Assembly of the Company issues a decision on its extraordinary meeting to increase the Company's capital or to deal with the Company's losses.

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

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

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.

Furthermore, the Company and its main shareholder, the Government Investment Management Company plan to increase and restructure RJ's capital. The Council of Ministers resolved in their meeting no. (11944) held on 4 June 2023 that RJ acquires 90% of the capital of Jordan Airports Company (JAC) (a wholly owned Government entity) through the issuance of new shares in RJ's capital in favor of the Government Investment Management Company, after the completion of the valuation of JAC's net assets.

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

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

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

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

The interim condensed consolidated financial statements comprise the financial statements of Alia - The Royal Jordanian Airlines Company (the "Company") and the following subsidiaries (collectively referred to as the "Group") as at 30 June 2023:

	<u>Ownership Interest</u>	<u>Country</u>
Royal Wings Company	100%	Jordan
Royal Tours for Travel and Tourism Company	80%	Jordan
Jordan Airline Training and Simulator Company (Note11)	100%	Jordan
Al Mashriq for Aviation services "Tikram"	100%	Jordan

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

Alia - The Royal Jordanian Airlines Company (Royal Jordanian)
Public Shareholding Company
Notes to The Interim Condensed Consolidated Financial Statements
30 June 2023 (unaudited)
(In Thousands of Jordanian Dinars except for amounts in foreign currencies)

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 six 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 owns 86.23% from the Company's shares as at 30 June 2023 and 31 December 2022.

Alia - The Royal Jordanian Airlines Company (Royal Jordanian)
Public Shareholding Company
Notes to The Interim Condensed Consolidated Financial Statements
30 June 2023 (unaudited)
(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 30 June 2023:

	Right-of-use assets				Total	Lease obligations*
	Aircraft	Aircraft's engines	Flight simulation equipment	Office		
At 1 January 2023	323,312	31,967	-	16,098	371,377	371,364
Additions	2,834	-	-	6,177	9,011	9,011
Lease-term modifications	3,618	-	-	(4)	3,614	3,510
Acquisition of a subsidiary (note 11)	-	-	5,400	-	5,400	2,300
Depreciation	(25,491)	(1,300)	(94)	(1,727)	(28,612)	-
Finance costs	-	-	-	-	-	9,516
Payments	-	-	-	-	-	(46,537)
At 30 June 2023	304,273	30,667	5,306	20,544	360,790	349,164

* Lease obligations details were as follows:

30 June 2023 (unaudited)			31 December 2022 (audited)		
Short-term	Long-term	Total	Short-term	Long-term	Total
71,269	277,895	349,164	64,594	306,770	371,364

6. PROPERTY AND EQUIPMENT

During the six months ended 30 June 2023, the Group purchased property and equipment with a cost of JD 4,739 (30 June 2022: JD 2,392).

7. CASH AND BANK BALANCES

	30 June 2023 (unaudited)	31 December 2022 (audited)
Cash and bank balances	38,559	25,804
Short-term deposits *	20,892	13,667
Cash in transit **	20,023	16,777
Cash and cash equivalents	79,474	56,248
Short-term deposits mature after 3 months ***	109,692	105,060
	189,166	161,308

Alia - The Royal Jordanian Airlines Company (Royal Jordanian)
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Notes to The Interim Condensed Consolidated Financial Statements
30 June 2023 (unaudited)
(In Thousands of Jordanian Dinars except for amounts in foreign currencies)

- * This item represents deposits in Jordanian Dinars of JD 16,293 and a deposit in US Dollars of 6,484 which is equivalent to JD 4,599 in Jordanian Banks as of 30 June 2023 with an interest rate ranging between 5.1% and 5.95% on the deposits in Jordanian Dinars and 4.05% on the deposits in US Dollars and are due within three months (31 December 2022: Deposits in Jordanian Dinars of 13,667 with an interest rate ranging between 4% and 5.63% and were due within three months).
- ** This item includes cash received on tickets sales and air waybills sales through IATA accredited agents during June 2023 that were deposited in the Group's bank accounts during July 2023.
- *** This item represents deposits in Banks in Jordanian Dinar of JD 109,692 with an interest rate ranging between 5.95% and 6.75% as at 30 June 2023 and are due after more than three months. (31 December 2022: Deposits in Jordanian Dinar of JD 104,811 with an interest rate ranging between 4.35% and 5.6%, in addition to a deposit in Libyan Dinar equivalent to JD 249 and are due after more than three months.)

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

	30 June 2023	30 June 2022
	(unaudited)	(unaudited)
Cash and cash equivalents	79,474	93,128
Add: cash from discontinued operations	60	44
	79,534	93,172

Alia - The Royal Jordanian Airlines Company (Royal Jordanian)
Public Shareholding Company
Notes to The Interim Condensed Consolidated Financial Statements
30 June 2023 (unaudited)
(In Thousands of Jordanian Dinars except for amounts in foreign currencies)

8. LOANS

(8 - a) BANK LOANS

	30 June 2023		31 December 2022	
	(unaudited)		(audited)	
	Loans' installments		Loans' installments	
	Short-term	Long-term	Short-term	Long-term
Syndicated loan	16,682	31,973	16,682	40,313
Capital Bank loan	-	43,829	-	44,282
Social Security - "Himaya" program	5,788	13,503	3,115	16,183
Jordan Airline Training and Simulator Company				
- Jordan Kuwait Bank loan	76	1,486	-	-
Jordan Airline Training and Simulator Company				
- Ahli Bank loan	428	814	-	-
Less: directly attributable transaction costs	(373)	-	(535)	(45)
	22,601	91,605	19,262	100,733

Syndicated loan:

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 cash flows during COVID-19 outbreak, the Company signed an amendment letter to the loan agreement, in which the loan installments for the period from March 2020 to September 2020 were rescheduled and allocated to the remaining installments after 30 September 2020 on a proportional basis.

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

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

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

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

Capital Bank loan:

On 18 May 2020, the Company signed a loan agreement with Capital Bank which amounted to JD 50 million bearing an annual interest rate of 1%. The Company has utilized the full loan balance of JD 50 million as at 30 June 2023 and 31 December 2022. On 9 April 2023, the Company signed an amendment agreement whereby the loan will be repaid in one payment on 13 July 2025, at an interest rate of 2.5% starting from 13 July 2023. Interest is payable on a quarterly basis.

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

Social Security - "Himaya" program:

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

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

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Jordan Airline Training and Simulator Company - Jordan Kuwait Bank loan:

On 5 July 2010, Jordan Airline Training and Simulator Company (“JATS”) signed a loan agreement with Jordan Kuwait Bank amounted to USD 15 million which is equivalent to JD 10.65 million and guaranteed by Alia – The Royal Jordanian Airlines Company. The loan bears annual interest rate of three-month LIBOR plus 3%, with a minimum of 4.5% for the first year. The loan is repayable over 120 monthly instalments amounting to USD 125,000 which is equivalent to JD 88,500 due after nine months from the loan agreement date.

On 10 March 2014, JATS signed an amendment for the loan adjusting the monthly installments to USD 84,000 which is equivalent to JD 59,472. In addition, the interest rate has been modified to become one-month LIBOR plus 3.5% with a minimum of 4.75%. The amended loan is payable in 84 monthly instalments.

On 22 March 2021, JATS signed a restructuring agreement for the loan. The loan instalments from for the period from August 2020 to June 2021 were reschedule and allocated to the final instalment dated 1 October 2023 as a balloon payment. As a result, the monthly instalment has been amended to USD 7,734 which is equivalent to JD 5,483.

Jordan Airline Training and Simulator Company - Ahli Bank loan:

On 1 January 2017, Jordan Airline Training and Simulator Company (“JATS”) signed a loan agreement with Ahli Bank amounting to JD 1.5 million. The loan bears an annual interest of 4.5%. The loan is repayable in 114 monthly instalments amounting to JD 13,150.

On 6 July 2021, JATS signed an amendment for the loan adjusting the monthly payments to JD 17,900. In addition, the interest rate has been modified to become 4%. The loan is repayable in 52 monthly instalments starting from 1 January 2023.

Principal instalments payable for the period ended 30 June 2023 and after are as follows:

Period	Amount
1 July 2023 – 30 June 2024	22,974
1 July 2024 – 30 June 2025	24,769
1 July 2025 – 30 June 2026	64,908
1 July 2026 – 30 June 2027	1,928
	114,579

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(8 - b) GOVERNMENT GRANTS

	<u>30 June 2023</u>			<u>31 December 2022</u>		
	<u>(Unaudited)</u>			<u>(Audited)</u>		
	<u>Related to</u>			<u>Related to</u>		
	<u>Capital Bank's loan</u>	<u>Social security "Himaya" program's loan</u>	<u>Total</u>	<u>Capital Bank's loan</u>	<u>Social security "Himaya" program's loan</u>	<u>Total</u>
Balance as at the beginning of the period / year	5,719	2,029	7,748	3,692	3,230	6,922
Recognized during the period / year	1,468	(92)	1,376	3,965	(370)	3,595
Released to the interim condensed consolidated income statement during the period / year	(1,017)	(421)	(1,438)	(1,938)	(831)	(2,769)
Balance as at the end of the period / year	<u>6,170</u>	<u>1,516</u>	<u>7,686</u>	<u>5,719</u>	<u>2,029</u>	<u>7,748</u>
Non-current	4,273	760	5,033	3,692	1,182	4,874
Current	1,897	756	2,653	2,027	847	2,874
	<u>6,170</u>	<u>1,516</u>	<u>7,686</u>	<u>5,719</u>	<u>2,029</u>	<u>7,748</u>

9. SHAREHOLDERS' EQUITY

- Paid-in capital

	<u>30 June 2023</u>	<u>31 December 2022</u>
	<u>(unaudited)</u>	<u>(audited)</u>
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>

- Share discount

Share discount amounted to JD 78.2 million as at 30 June 2023 and 31 December 2022. The accumulated balance in this account represents the difference between the issuing price and the par value of the shares issued.

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- 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 June		For the six months ended 30 June	
	2023	2022	2023	2022
	Unaudited	Unaudited	Unaudited	Unaudited
Scheduled Services				
Passengers	163,999	121,521	293,373	195,057
Cargo	5,555	10,617	12,241	19,326
Excess baggage	1,580	1,508	3,142	2,942
Airmail	1,412	1,867	2,921	3,627
Total scheduled services (note 14)	172,546	135,513	311,677	220,952
Chartered flights (note 14)	1,617	2,155	3,369	3,547
Cargo warehouse revenues	3,976	3,775	7,650	7,316
Commercial revenues from arriving and departing aircrafts of other companies	4,777	3,521	8,658	6,583
Royal tours revenues (Tours operating revenues)	3,022	2,019	5,382	3,279
Simulation training revenue	226	-	226	-
First class services revenue	1,444	1,223	3,025	2,150
Frequent flyer revenues	805	708	1,747	1,324
Ancillary revenue	1,313	1,239	2,278	2,019
Revenues from technical and maintenance services provided to other companies	1,040	796	1,843	1,494
Revenues from NDC (Galileo)	803	782	1,461	1,311
Other revenues	675	594	1,223	1,044
	192,244	152,325	348,539	251,019

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11. ACQUISITION OF A SUBSIDIARY

During April 2023, the Company signed an agreement to acquire the remaining 80% of the shares of its associate Jordan Airline Training and Simulator Company, a limited liability Company for USD 5,400,000 which is equivalent to JD 3,829. Accordingly, RJ became the sole owner of the whole shares of Jordan Airline Training and Simulator Company. Accordingly, the investment was classified as an investment in a subsidiary.

The fair value of the identifiable assets and liabilities of Jordan Airline Training and Simulator Company as of the date of acquisition are as follows:

	<u>Fair Value *</u>	<u>Carrying value</u>
<u>ASSETS</u>		
Right-of-use assets	5,400	6,200
Property and equipment	4,000	3,100
Accounts receivable	451	451
Cash and bank balances	200	200
TOTAL ASSETS	<u>10,051</u>	<u>9,951</u>
<u>LIABILITIES</u>		
Loans	2,804	2,804
Lease obligation	2,300	2,300
Accounts payable and other current liabilities	700	700
TOTAL LIABILITIES	<u>5,804</u>	<u>5,804</u>
Net assets acquired	<u>4,247</u>	<u>4,147</u>
Goodwill resulted from acquisition	<u>392</u>	

The investment in JATS of JD 914 held by the Company directly before achieving control was remeasured at its acquisition date fair value and, accordingly, a loss of JD 64 was recognized in the interim condensed consolidated income statement.

* The initial accounting for this business combination was determined provisionally, as the fair values to be assigned to the acquirees' identifiable assets and liabilities could be determined only provisionally by the end of the period in which the combination was affected. The Group will recognize any adjustment to those provisional values as a result of completing the initial accounting within twelve months from the date of acquisition.

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	30 June 2023
	Unaudited
Cash flow on acquisition:	
Net cash acquired with the subsidiary	200
Cash paid	<u>(2,906)</u>
Net cash paid	<u>(2,706)</u>

12. INCOME TAX

No provision for income tax was calculated by the Company for the periods ended 30 June 2023 and 30 June 2022 due to the excess of deductible expenses over taxable income in accordance with the Income Tax Law No. (34) of 2014 and its amendments.

The Company filed its tax return for the years 2019 until 2022 within the statutory period. The Company has reached a final settlement with the Income and Sales Tax Department up to the year ended 31 December 2018 whereas the years 2019 until 2022 are yet to reviewed up to date of the interim condensed consolidated financial statement.

The Income and Sales Tax Department raised claims to RJ by an amount of JD 2,271 which represents sales tax differences for the year 2016. The Company appealed the cases at the Tax Court. The Tax Court of First Instance issued a decision to reject the claim, and the Tax General Attorney appealed the case and dismissed it. The decision of the Tax Court of Appeal, in its capacity, was issued to annul the decision of the Court of First Instance and claim the Company for the tax according to the court's decision. The decision of the Court of Cassation overturned the decision of the Court of Appeal, and the case was returned to the Court of Appeal again.

Royal Wings Company filed its tax return for the years from 2019 until 2022 within the statutory period. The Income and Sales Tax Department is currently reviewing the Company's tax return for the year 2019 at the first instance court. The Income and Sales Tax Department reviewed the Company's records for the years 2020 and 2021. The Company filed its tax return for the year 2022 within the statutory period without submitting the audited statement of financial position whereas the Company's records are yet to be reviewed up to the date of the interim condensed consolidated financial statement. Royal Wings Company reached a final settlement with the Income and Sales Tax Department up to the year 2018.

Royal Tours for Travel and Tourism Company filed its tax return for the years from 2019 to 2022 within the statutory period. The Income and Sales Tax Department did not review the Company's accounting records for the years from 2019 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.

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

Jordan Airline Training and Simulator Company filed its tax returns for the years from 2020 until 2022 within the statutory period. JATS reached a final settlement with the Income and Sales Tax Department up to the year 2019.

13. COMMITMENTS AND CONTINGENCIES

- Letters of credit and guarantees

As of 30 June 2023, the Group had letters of credit that amounted to JD 22,933 and letters of guarantees amounted to JD 963 (31 December 2022: letters of credit amounted to JD 22,789 and letters of guarantees amounted to JD 1,086).

- Claims against the Group

The Group is a defendant in a number of lawsuits amounting to JD 10,875 as at 30 June 2023 (31 December 2022: JD 10,774) representing legal actions and claims related to its ordinary course of business. Related risks have been analyzed as to the likelihood of occurrence, although the outcome of these matters cannot always be ascertained with precision. In the opinion of the Group and their legal counsels, the provision recognized as of 30 June 2023 is sufficient to cover any contingent liabilities and claims that may arise from these lawsuits.

- Capital commitments

As of 30 June 2023, the Group had capital commitments of USD 303,051,349 (31 December 2022: USD 303,051,349), equivalent to JD 214,930 (31 December 2022: JD 214,930) relating to finance lease agreements signed for two new aircraft (31 December 2022: two new aircraft).

The Group has the option not to purchase these 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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14. GEOGRAPHICAL DISTRIBUTION OF REVENUES

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

For the three months ended 30 June (unaudited):

	2023				2022			
	Scheduled	Chartered Flights		Total	Scheduled services	Chartered Flights		Total
	Services	Passengers	Cargo			Passengers	Cargo	
Levant	19,225	47	774	20,046	14,461	-	291	14,752
Europe	47,137	41	424	47,602	40,211	382	499	41,092
Arab Gulf	34,231	296	35	34,562	32,426	66	-	32,492
America	63,405	-	-	63,405	45,847	-	480	46,327
Asia	5,477	-	-	5,477	374	-	340	714
Africa	3,071	-	-	3,071	2,194	44	53	2,291
Total revenues	<u>172,546</u>	<u>384</u>	<u>1,233</u>	<u>174,163</u>	<u>135,513</u>	<u>492</u>	<u>1,663</u>	<u>137,668</u>

For the six months ended 30 June (unaudited):

	2023				2022			
	Scheduled	Chartered Flights		Total	Scheduled services	Chartered Flights		Total
	services	Passengers	Cargo			Passengers	Cargo	
Levant	38,715	47	971	39,733	26,106	17	468	26,591
Europe	81,622	41	797	82,460	61,302	382	834	62,518
Arab Gulf	70,420	534	35	70,989	56,543	82	-	56,625
America	101,505	-	565	102,070	72,423	-	987	73,410
Asia	13,945	-	379	14,324	1,129	-	680	1,809
Africa	5,470	-	-	5,470	3,449	44	53	3,546
Total revenues	<u>311,677</u>	<u>622</u>	<u>2,747</u>	<u>315,046</u>	<u>220,952</u>	<u>525</u>	<u>3,022</u>	<u>224,499</u>

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15. 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 June 2023		31 December 2022	
	Accounts receivable	Accounts payable	Accounts receivable	Accounts payable
	(unaudited)	(unaudited)	(audited)	(audited)
Government of Jordan	3,704	562	4,687	850
Employees' Provident Fund	-	3,541	-	5,327
Social Security Corporation	35	22,392	-	-
Jordan Aircraft Maintenance Company	243	-	298	-
Jordan Flight Catering Company	-	2,796	-	3,458
Jordan Airline Training and Simulator Company	-	-	-	244
	3,982	29,291	4,985	9,879

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

	30 June	31 December
	2023	2022
	(unaudited)	(audited)
Government Investments Management Company	70,000	70,000

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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 June		For the six months ended 30 June	
	2023 (unaudited)	2022 (unaudited)	2023 (unaudited)	2022 (unaudited)
Jordan Aircraft Maintenance Company (JORAMCO):				
Scheduled services revenues	<u>112</u>	<u>60</u>	<u>155</u>	<u>131</u>
Repair and maintenance expenses	<u>(1,604)</u>	<u>(664)</u>	<u>(2,054)</u>	<u>(829)</u>
Jordan Flight Catering Company:				
Passenger services expenses	<u>(5,044)</u>	<u>(4,328)</u>	<u>(9,735)</u>	<u>(7,387)</u>
Jordan Airline Training and Simulator Company:				
Pilots training expenses	<u>(95)</u>	<u>(77)</u>	<u>(552)</u>	<u>(479)</u>

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 June		For the six months ended 30 June	
	2023 (unaudited)	2022 (unaudited)	2023 (unaudited)	2022 (unaudited)
Scheduled services revenues – passengers	<u>1,664</u>	<u>1,133</u>	<u>3,585</u>	<u>1,927</u>
Scheduled services revenues – cargo	<u>94</u>	<u>409</u>	<u>304</u>	<u>680</u>
Chartered flights	<u>-</u>	<u>-</u>	<u>-</u>	<u>71</u>
	<u>1,758</u>	<u>1,542</u>	<u>3,889</u>	<u>2,678</u>

Compensation of key management personnel:

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

	For the three months ended 30 June		For the six months ended 30 June	
	2023 (unaudited)	2022 (unaudited)	2023 (unaudited)	2022 (unaudited)
Salaries and other benefits	<u>286</u>	<u>257</u>	<u>506</u>	<u>437</u>
Board of Directors remuneration	<u>16</u>	<u>8</u>	<u>24</u>	<u>17</u>

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16. EARNINGS PER SHARE

	30 June 2023	30 June 2022
	(unaudited)	(unaudited)
Loss for the period attributed to the equity holders of the parent ('000)	(16,809)	(70,779)
Weighted average number of shares ('000)	324,610	324,610
Basic and diluted earnings per share (JD)	<u>JD (0.052)</u>	<u>JD (0.218)</u>

17. COMPARATIVE FIGURES

Some of the comparative figures for the period ended 30 June 2022 have been reclassified to correspond with 30 June 2023 presentation with no effect on equity or profit for the period ended 30 June 2022.