

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

**A PUBLIC SHAREHOLDING COMPANY**

**UNAUDITED INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**31 March 2021**



Ernst & Young Jordan  
P.O. Box 1140  
300 King Abdulla Street  
Amman 11118  
Jordan  
Tel:00962 6 580 0777 /00962 6552 6111  
Fax:00962 6 5538 300  
www.ey.com

**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 and its subsidiaries (together referred to as “the Group”) as at 31 March 2021, comprising the interim consolidated statement of financial position as at 31 March 2021 and the related interim consolidated income statement, interim consolidated statements of comprehensive income, changes in equity and cash flows for the three month period 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 282.8 million as of 31 March 2021 exceeded the Company’s capital. Also, the Company’s current liabilities exceeded its current assets by an amount of JD 146.4 million as of 31 March 2021. These events or conditions indicate that a material uncertainty exists that may cast significant doubt about the entity’s ability to continue as a going concern. According to Article (266) of the Jordanian Company’s Law No. 22 for the year 1997 and its amendments, if the accumulated losses of the public shareholding company 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 paid-in capital by JD 50 million over two phases. The first phase was received during the fourth quarter of 2020 and the second phase will be received during 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 performing the restructuring business plan that supports the Company's business continuity and its ability to recover its assets and generate future cash flows to settle its liabilities. Our conclusion is not modified in this regard.

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Amman – Jordan  
9 May 2021

The Ernst + Young logo is written in a blue, cursive script font.

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Public Shareholding Company**  
**Interim Consolidated Statement of Financial Position**  
**At 31 March 2021**  
**(In Thousands of Jordanian Dinars)**

	Notes	31 March 2021 (Unaudited)	31 December 2020 (Audited)
<b><u>ASSETS</u></b>			
<b>Non- current assets</b>			
Right-of-use assets	5	416,696	433,676
Property and equipment	6	68,677	73,896
Advances on purchase and modification of aircrafts		3,218	4,813
Financial assets at fair value through other comprehensive income		2,265	2,265
Investments in associates		16,997	16,755
Restricted cash against lease contracts		23,559	22,959
Deferred tax assets		12,322	12,322
		<b>543,734</b>	<b>566,686</b>
<b>Current assets</b>			
Other current assets		10,289	10,498
Spare parts and supplies, net		8,011	8,210
Accounts receivable, net		57,931	57,532
Cash and bank balances	7	53,396	53,508
		<b>129,627</b>	<b>129,748</b>
<b>TOTAL ASSETS</b>		<b>673,361</b>	<b>696,434</b>
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>Shareholders' equity</b>			
Paid-in capital	9	274,610	274,610
Share discount	9	(78,205)	(78,205)
Payments in respect of capital increase	9	25,000	25,000
Statutory reserve	9	14,808	14,808
Fair value reserve		133	133
Cash flow hedges		454	158
Accumulated losses		(282,835)	(246,406)
		<b>(46,035)</b>	<b>(9,902)</b>
Non-controlling interests		216	223
<b>Net deficit in shareholders' equity</b>		<b>(45,819)</b>	<b>(9,679)</b>
<b><u>LIABILITIES</u></b>			
<b>Non- current liabilities</b>			
Long-term loans	8	109,573	95,428
Long-term lease obligations	5	333,097	336,683
Other long-term liabilities		441	413
		<b>443,111</b>	<b>432,524</b>
<b>Current liabilities</b>			
Bank overdraft	7	124	-
Current portion of long-term loans	8	29,495	26,380
Accrued expenses		70,249	66,783
Accounts payable and other current liabilities		67,384	73,195
Deferred revenues		43,553	36,754
Short-term lease obligations	5	65,264	70,477
		<b>276,069</b>	<b>273,589</b>
<b>Total liabilities</b>		<b>719,180</b>	<b>706,113</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>673,361</b>	<b>696,434</b>

The attached notes from 1 to 15 form part of these interim condensed consolidated financial statements

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)  
Public Shareholding Company  
Interim Consolidated Income Statement  
For The Three Months Ended 31 March 2021 (Unaudited)  
(In Thousands of Jordanian Dinars)**

	Notes	For the three months ended 31 March	
		2021	2020
Revenues from contracts with customers	10	38,931	114,113
Cost of revenues		(60,085)	(116,925)
<b>Gross loss</b>		<b>(21,154)</b>	<b>(2,812)</b>
Administrative expenses		(3,181)	(4,965)
Selling and marketing expenses		(4,898)	(9,296)
<b>Net operating loss</b>		<b>(29,233)</b>	<b>(17,073)</b>
Group's share of profits of associates		242	328
Other expenses, net		(181)	(321)
Provision for voluntary termination	15	(1,503)	(910)
Gain (loss) on foreign currency exchange		70	(363)
Finance costs		(6,078)	(7,778)
Interest income		247	651
<b>Loss for the period before tax</b>		<b>(36,436)</b>	<b>(25,466)</b>
Income tax expense	11	-	-
<b>Loss for the period</b>		<b>(36,436)</b>	<b>(25,466)</b>
<b>Attributable to:</b>			
Equity holders of the parent		(36,429)	(25,461)
Non-controlling interests		(7)	(5)
		<b>(36,436)</b>	<b>(25,466)</b>
<b>Earnings per share</b>			
Basic and diluted earnings per share attributable to equity holders of the parent		<b>JD (0.133)</b>	<b>JD (0.096)</b>

The attached notes from 1 to 15 form part of these interim condensed consolidated financial statements

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)  
Public Shareholding Company  
Interim Consolidated Statement of Comprehensive Income  
For The Three Months Ended 31 March 2021 (Unaudited)  
(In Thousands of Jordanian Dinars)**

	<b>For the three months ended 31 March</b>	
	<b>2021</b>	<b>2020</b>
<b>Loss for the period</b>	<b>(36,436)</b>	(25,466)
<b>Other comprehensive income</b>		
Other comprehensive income items that will be reclassified to profit or loss in subsequent periods (net of tax):		
Net gain (loss) on cash flow hedges	<b>296</b>	(465)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):		
Change in fair value reserve of financial assets at fair value through other comprehensive income	-	(390)
<b>Total comprehensive income for the period</b>	<b>(36,140)</b>	(26,321)
<b>Attributable to:</b>		
Equity holders of the parent	<b>(36,133)</b>	(26,316)
Non-controlling interests	<b>(7)</b>	(5)
	<b>(36,140)</b>	(26,321)

The attached notes from 1 to 15 form part of these interim condensed consolidated financial statements

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)  
Public Shareholding Company  
Interim Consolidated Statement of Changes in Equity  
For The Three Months Ended 31 March 2021 (Unaudited)  
(In Thousands of Jordanian Dinars)**

	<i>Attributable to equity holders of the parent</i>								<i>Non-controlling interests</i>	<i>Total equity</i>
	<i>Paid-in capital</i>	<i>Share discount</i>	<i>Payments of capital increase</i>	<i>Statutory reserve</i>	<i>Fair value reserve</i>	<i>Cash flow hedges</i>	<i>Accumulated losses</i>	<i>Total</i>		
<b>For the three months ended 31 March 2021</b>										
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)
<b>Balance as of 31 March 2021</b>	<b>274,610</b>	<b>(78,205)</b>	<b>25,000</b>	<b>14,808</b>	<b>133</b>	<b>454</b>	<b>(282,835)</b>	<b>(46,035)</b>	<b>216</b>	<b>(45,819)</b>
<b>For the three months ended 31 March 2020</b>										
Balance as of 1 January 2020	274,610	(78,205)	-	14,808	523	119	(85,389)	126,466	266	126,732
Total comprehensive income for the period	-	-	-	-	(390)	(465)	(25,461)	(26,316)	(5)	(26,321)
<b>Balance as of 31 March 2020</b>	<b>274,610</b>	<b>(78,205)</b>	<b>-</b>	<b>14,808</b>	<b>133</b>	<b>(346)</b>	<b>(110,850)</b>	<b>100,150</b>	<b>261</b>	<b>100,411</b>

The attached notes from 1 to 15 form part of these interim condensed consolidated financial statements

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)  
Public Shareholding Company  
Interim Consolidated Statement of Cash Flows  
For The Three Months Ended 31 March 2021 (Unaudited)  
(In Thousands of Jordanian Dinars)**

	Notes	For the three months ended 31 March	
		2021	2020
<b>OPERATING ACTIVITIES</b>			
Loss for the period before income tax		<b>(36,436)</b>	(25,466)
<b>Adjustments for:</b>			
Depreciation of property and equipment		<b>5,316</b>	5,162
Depreciation of right-of-use assets	5	<b>17,116</b>	17,135
Share of profits of associates		<b>(242)</b>	(328)
Finance costs		<b>6,078</b>	7,778
Provision for end of service indemnity		<b>28</b>	11
Provision for voluntary termination	15	<b>1,503</b>	910
Interest income		<b>(247)</b>	(651)
Amortization of deferred revenue – Jordan Flight Catering Company Ltd.		<b>(75)</b>	(75)
<b>Working capital changes:</b>			
Accounts receivable		<b>(399)</b>	4,908
Spare parts and supplies		<b>199</b>	(34)
Other current assets		<b>851</b>	726
Deferred revenues		<b>6,874</b>	(203)
Accounts payable and other current liabilities		<b>(4,216)</b>	9,418
Accrued expenses		<b>1,594</b>	9,407
Voluntary termination program payments		<b>-</b>	(565)
<b>Net cash flows (used in) from operating activities</b>		<b>(2,056)</b>	28,133
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment	6	<b>(97)</b>	(1,196)
Change in restricted cash against lease contracts		<b>(600)</b>	6,540
Interest income received		<b>35</b>	907
Short-term deposits		<b>(11,670)</b>	22,172
Dividends received from associates		<b>-</b>	801
<b>Net cash flows (used in) from investing activities</b>		<b>(12,332)</b>	29,224
<b>FINANCING ACTIVITIES</b>			
Proceeds from Loans		<b>20,467</b>	-
Repayment of term loans		<b>(3,341)</b>	(5,849)
Payments of lease obligations	5	<b>(13,366)</b>	(17,219)
Interest paid		<b>(1,278)</b>	(1,938)
<b>Net cash flows from (used in) financing activities</b>		<b>2,482</b>	(25,006)
Net (decrease) increase in cash and cash equivalents		<b>(11,906)</b>	32,351
Cash and cash equivalents at the beginning of the period		<b>48,143</b>	52,283
<b>Cash and cash equivalents at the end of the period</b>	7	<b>36,237</b>	84,634

The attached notes from 1 to 15 form part of these interim condensed consolidated financial statements



**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)  
Public Shareholding Company  
Notes to The Interim Condensed Consolidated Financial Statements  
31 March 2021 (unaudited)  
(In Thousands of Jordanian Dinars except for amounts in foreign currencies)**

---

**1. GENERAL**

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

The Company’s objectives are to undertake scheduled air-transport activities from and to the Kingdom and to carry out the handling for 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 9 May 2021.

**2. BASIS OF PREPARATION**

The interim condensed consolidated financial statements are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting.

The interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the Group’s annual financial statements as of 31 December 2020. In addition, results of the three months period ended 31 March 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

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

**2-1. Changes in accounting 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 2020 except for the adoption of new standard and amendments effective as of 1 January 2021 shown below:

**Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16**

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Public Shareholding Company**  
**Notes to The Interim Condensed Consolidated Financial Statements**  
**31 March 2021 (unaudited)**  
**(In Thousands of Jordanian Dinars except for amounts in foreign currencies)**

---

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the interim condensed consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

## **2-2. Fundamental Accounting Concepts**

The interim condensed consolidated financial statements have been prepared on the assumption of going concern. However, as disclosed in notes (3) to the interim condensed consolidated financial statements which shows the negative impact of COVID-19 pandemic, the Group's accumulated losses of JD 282.8 million exceeded the Company's capital as of 31 March 2021. Also, the Company's current liabilities exceeded its current assets by an amount of JD 146.4 million as of 31 March 2021. These events or conditions indicate that a material uncertainty exists that may cast significant doubt about the entity's ability to continue as a going concern. According to Article (266) of the Jordanian Company's Law No. 22 for the year 1997 and its amendments, if the accumulated losses of the public shareholding company 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, 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 will be received during 2021. Accordingly, the Company has recorded an amount of JD 25 million as payments in respect of capital increase as of 31 March 2021 and 31 December 2020. Capital increase procedures were not completed up to the date of the interim condensed consolidated financial statements. The Company received a comfort letter from the Ministry of Finance (the Jordanian Government's representative), stating that the Government is in favor of continuing to support the Company's operations in the future. Also, the Company's management is in the process of performing the restructuring business plan that supports the Company's business continuity and its ability to recover its assets and generate future cash flows to settle its liabilities.

### **3. Coronavirus (Covid-19) outbreak and its impact on Royal Jordanian Airlines**

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

During 2020, the Company has initiated a reshape project to adapt to the new operational and financial challenges and to ensure that the Company can sustain its operations in the coming future.

The Company's operations, liquidity and cash flows impact as a result of the outbreak is summarized as follows:

- As part of the Company's action plan to manage cashflows along with the ongoing reshape project, management entered into discussions with the aircrafts' lessors and lenders to reschedule the leases and loan payments.
- Negotiations were initiated with the Company's major suppliers to defer the payments and reduce the costs were possible.
- During 2020, the Company signed an amendment letter to the syndication loan agreement, in which loan installments for the period from March 2020 to September 2020 were rescheduled and allocated to the installments after September 2020 on a proportional basis. On 1 April 2021, the Company has signed the second amendment letter in which 50% of the loan installments for the period from April 2021 to June 2021 are rescheduled and allocated to the installments after June 2021 on a proportional basis.
- During 2019, the Company has obtained a credit facility granted from Arab Bank with a ceiling of JD 20 million and an annual interest rate of 5.625%. On 18 March 2020, the Company signed an amendment agreement with Arab Bank to increase the ceiling of the credit facility to become JD 40 million with the same existing terms and conditions. The Company has utilized an amount of JD 124 of the credit facility as of 31 March 2021. (31 December 2020: Nil) (Note 7).
- The board of directors resolved in their meeting held on 27 April 2020 to approve a new loan facility of JD 50 million to finance the Company's cash flows and to meet unavoidable cash obligations when becoming due during the lockdown period. The Company has utilized an amount of JD 50 million of this facility as of 31 March 2021. (31 December 2020: 35 million) (Note 8).

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Public Shareholding Company**  
**Notes to The Interim Condensed Consolidated Financial Statements**  
**31 March 2021 (unaudited)**  
**(In Thousands of Jordanian Dinars except for amounts in foreign currencies)**

---

- 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 will be received during 2021. Accordingly, the Company has recorded an amount of JD 25 million as payments in respect of capital increase as of 31 March 2021 and 31 December 2020 (Note 9). Capital increase procedures were not completed up to the date of the interim condensed consolidated financial statements.
- The Company implemented Defense Order No. (1) - Suspension of old age and early retirement insurance for March, April, May and December 2020 will be extended until the end of May 2021. The social security percentage paid by the Company became 4.25% instead of 14.25%.
- The Company Implemented Defense Order No. (24) "Estidama Program" effective from December 2020 and will be extended until the end of May 2021. Employees' salaries are reduced by 25%. The Social Security Corporation contributed 37.5% of employees' monthly salary with a ceiling of JD 500.
- The Company implemented Defense Order number (14) and number (24) "Himaya" program where the Social Security Corporation supported the most affected companies due to the pandemic through granting loans that cover part of August through November 2020 salaries and January 2021 through May 2021.

The Social Security Corporation contributed of 37.5% of employees' salaries with a ceiling of JD 500 and a minimum of JD 220 per month (note 8).

The Company's management is going through an ongoing discussion with the stakeholders and the Government to obtain the needed support. During 2020, a committee was formed comprised of representatives from the Ministry of Finance, Ministry of Transport, Civil Aviation Regulatory Commission "CARC", Central Bank of Jordan and Social Security Fund to go through RJ's proposed required support in line with IATA recommendations for governments around the globe to facilitate relief measures by a combination of programs that can provide both immediate and medium to long-term assistance to the airline industry and its employees in the form of direct financial support, loans, loan guarantees and tax relieves.

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Public Shareholding Company**  
**Notes to The Interim Condensed Consolidated Financial Statements**  
**31 March 2021 (unaudited)**  
**(In Thousands of Jordanian Dinars except for amounts in foreign currencies)**

---

**4. BASIS OF CONSOLIDATION**

The interim condensed consolidated financial statements comprise the financial statements of Alia - The Royal Jordanian Airlines Company (the “Company”) and the following subsidiaries (collectively referred to as the “Group”) as at 31 March 2021:

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

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

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

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

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

- The contractual 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.

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Public Shareholding Company**  
**Notes to The Interim Condensed Consolidated Financial Statements**  
**31 March 2021 (unaudited)**  
**(In Thousands of Jordanian Dinars except for amounts in foreign currencies)**

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

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

The Government of the Hashemite Kingdom of Jordan presented by Government Investments Management Company, Mint Trading Middle East Ltd. and Social Security Corporation own 82.03%, 4.99% and 5.33%, respectively from the Company's shares as at 31 March 2021 (31 December 2020: 82.03%, 4.99% and 5.33% respectively).

**5. LEASES**

Set out below are the carrying amounts of right-of-use assets and lease obligations recognized and the movements during period ended 31 March 2021:

	<b>Right-of-use assets</b>				<b>Lease obligations*</b>
	<b>Aircrafts</b>	<b>Aircraft's engines</b>	<b>offices</b>	<b>Total</b>	
<b>At 1 January 2021</b>	374,672	37,167	21,837	433,676	407,160
Additions	-	-	163	163	163
Lease-term modification	(27)	-	-	(27)	(27)
Depreciation	(15,598)	(650)	(868)	(17,116)	-
Finance costs	-	-	-	-	4,431
Payments	-	-	-	-	(13,366)
<b>At 31 March 2021</b>	<b>359,047</b>	<b>36,517</b>	<b>21,132</b>	<b>416,696</b>	<b>398,361</b>

\* Lease obligations details are as follows:

<b>31 March 2021</b>			<b>31 December 2020</b>		
<b>(unaudited)</b>			<b>(audited)</b>		
<b>Short-term</b>	<b>Long-term</b>	<b>Total</b>	<b>Short-term</b>	<b>Long-term</b>	<b>Total</b>
<b>65,264</b>	<b>333,097</b>	<b>398,361</b>	<b>70,477</b>	<b>336,683</b>	<b>407,160</b>

**6. PROPERTY AND EQUIPMENT**

During the three months ended 31 March 2021, the Group acquired property and equipment with a cost of JD 97 (31 March 2020: JD 1,196).

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Public Shareholding Company**  
**Notes to The Interim Condensed Consolidated Financial Statements**  
**31 March 2021 (unaudited)**  
**(In Thousands of Jordanian Dinars except for amounts in foreign currencies)**

**7. CASH AND CASH EQUIVALENTS**

	<b>31 March 2021</b>	31 December 2020
	<b>(unaudited)</b>	(audited)
Cash and bank balances	<b>17,977</b>	39,948
Short-term deposits*	<b>13,624</b>	3,598
Cash in transit **	<b>4,760</b>	4,597
Total cash and short-term deposits	<b>36,361</b>	48,143
Short-term deposits mature after 3 months ***	<b>17,035</b>	5,365
	<b>53,396</b>	53,508

\* This item represents deposits in Jordanian Dinars in Jordanian Banks as of 31 March 2021 with an interest rate ranging between 2.75% - 3.5% (2020: 2.75% - 3%) and are due within three months.

\*\* This item includes cash received on tickets sales and airwaybills sales through IATA accredited agents during March that were deposited in the Group's bank accounts during April 2021.

\*\*\* This item represents deposits in Banks in Jordanian Dinar of JD 16,000 with an average interest rate ranging between 3.25% - 3.75% (31 December 2020: 3.25%) and Sudanese Pound (254,507 thousand Sudanese Pound which is equivalent to JD 11), in addition to Libyan Dinar and Syrian Lira equivalent to JD 214 and a deposit of 150,000 Thousand Algerian Dinar equivalent to JD 810 as of 31 March 2021 (31 December 2020: JD 4,000 Jordanian Dinar and 238,465 thousand Sudanese Pounds which is equivalent to 340, Libyan Dinar and Syrian Lira equivalent to JD 215 in addition to a deposit of 150,000 Thousand Algerian Dinar equivalent to JD 810) with an average interest rate ranging between 1.14% - 3.25% (31 December 2020: 1.14% - 3.25%) and are due after more than three months (31 December 2020: more than three months).

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

	<b>31 March 2021</b>	31 March 2020
	<b>(Unaudited)</b>	(Unaudited)
Cash on hand and at banks	<b>36,361</b>	86,574
Less: bank overdraft ****	<b>(124)</b>	(1,940)
	<b>36,237</b>	84,634

\*\*\*\* This item represents the utilized amount of the credit facilities granted from Arab Bank with a ceiling of JD 20 million and annual interest rate of 5.625%. On 18 March 2020, the Company signed an amendment agreement with Arab Bank to increase the ceiling of the credit facility to become JD 40 Million with the same existing terms and conditions.

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Public Shareholding Company**  
**Notes to The Interim Condensed Consolidated Financial Statements**  
**31 March 2021 (unaudited)**  
**(In Thousands of Jordanian Dinars except for amounts in foreign currencies)**

**8. LOANS**

	31 March 2021		31 December 2020	
	(unaudited)		(audited)	
	Loans' installments		Loans' installments	
	Short-term	Long-term	Short-term	Long-term
Syndicated loan*	30,030	55,086	26,915	61,542
Capital Bank loan**	-	50,000	-	35,000
Social Security – “Hemaya” program ***	-	5,467	-	-
Less: directly attributable transaction costs	(535)	(980)	(535)	(1,114)
	<b>29,495</b>	<b>109,573</b>	<b>26,380</b>	<b>95,428</b>

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

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

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

On 1 April 2021, the Company has signed second amendment letter in which 50% of the loan installments for the period from April 2021 to June 2021 are rescheduled and allocated to the installments after June 2021 on a proportional basis.

The loan agreement contains loan covenants which require the Company to meet certain financial ratios. As per the amendment letter signed during April 2020, the Company is not required to comply with these covenants during the period from 1 January 2020 to 31 March 2021. During March 2021, the Company has amended the agreement whereas the Company is not required to meet those financial ratios until the end of 2021.

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.



**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Public Shareholding Company**  
**Notes to The Interim Condensed Consolidated Financial Statements**  
**31 March 2021 (unaudited)**  
**(In Thousands of Jordanian Dinars except for amounts in foreign currencies)**

---

- \*\* On 18 May 2020, the Company signed a loan agreement with Capital Bank that amounted to JD 50 million bearing an annual interest rate of 1%. The Company has utilized an amount of JD 50 million of this facility as of 31 March 2021. (31 December 2020: JD 35 million). The loan is repayable through one payment on 18 September 2023. Interest is payable on a quarterly basis.
- \*\*\* The Company implemented Defense Orders number (14) and number (24) "Himaya" program where the Social Security Corporation supported the most affected companies due to the Covid-19 pandemic through granting loans that cover part of August through November 2020 salaries and January through May 2021 salaries.

The Social Security Corporation contributed of 37.5% of employees' salaries with a ceiling of JD 500 and a minimum of JD 220 per month.

The loan is payable by December 2024. 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 2024, the Company will bear an annual interest rate of 3% starting from January 2025 and onwards.

Principal installments payable for the period ended 31 March 2021 and after are as follows:

<u>Period</u>	<u>Amount</u>
1 April 2021– 31 March 2022	30,030
1 April 2022– 31 March 2023	30,405
1 April 2023– 31 March 2024	74,681
1-April 2024– 31 March 2025	5,467

## **9. SHAREHOLDERS' EQUITY**

### **- Paid in capital**

	<b><u>31 March 2021</u></b>	<b><u>31 December 2020</u></b>
	<b>(unaudited)</b>	<b>(audited)</b>
Authorized capital (Par value of Jordanian Dinar per share)	<b><u>274,610</u></b>	<u>274,610</u>
Paid in capital	<b><u>274,610</u></b>	<u>274,610</u>

### **- Share discount**

Share discount amounted to JD 78.2 million as at 31 March 2021 and 31 December 2020. The accumulated balance in this account represents the difference between the issuing price and the par value of the shares issued.

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Public Shareholding Company**  
**Notes to The Interim Condensed Consolidated Financial Statements**  
**31 March 2021 (unaudited)**  
**(In Thousands of Jordanian Dinars except for amounts in foreign currencies)**

---

**- Payments in respect of capital increase**

On 25 October 2020, the Prime Ministry of Jordan resolved in its resolution number (126) to authorize the Ministry of Finance to proceed with further procedures to increase the Company's paid-in capital by JD 50 million over two phases, subject to a comprehensive turnaround and rightsizing plan across all key operational and financial pillars . An amount of JD 25 million was received during the fourth quarter of 2020 and the second phase will be received during 2021. Accordingly, the Company has recorded an amount of JD 25 million as payments in respect of capital increase as of 31 March 2021 and 31 December 2021. 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**

	For the three months ended 31 March	
	<u>2021</u>	<u>2020</u>
<b>Scheduled Services</b>		
Passengers	<b>21,593</b>	87,062
Cargo	<b>4,725</b>	6,799
Excess baggage	<b>752</b>	1,583
Airmail	<b>1,087</b>	2,058
<b>Total scheduled services (note 13)</b>	<b>28,157</b>	97,502
Chartered flights (note 13)	<b>2,460</b>	2,183
Cargo warehouse revenues	<b>2,990</b>	3,487
Commercial revenues from arriving and departing aircrafts of other companies	<b>1,753</b>	2,168
Change and cancelation of reservation revenues	<b>1,212</b>	2,512
Revenues from technical and maintenance services provided to other companies	<b>520</b>	1,028
First class services revenues	<b>405</b>	1,121
Royal tours revenues (Tours operating revenues)	<b>401</b>	913
Ancillary revenue	<b>315</b>	855
Revenues from NDC (Galileo)	<b>251</b>	504
Frequent flyer revenues	<b>228</b>	1,075
Other revenues	<b>239</b>	765
	<b>38,931</b>	114,113

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)  
Public Shareholding Company  
Notes to The Interim Condensed Consolidated Financial Statements  
31 March 2021 (unaudited)  
(In Thousands of Jordanian Dinars except for amounts in foreign currencies)**

---

**11. INCOME TAX**

No provision for income tax was calculated by the Company for the period ended 31 March 2021 and 2020 due to the excess of deductible expenses over taxable income in accordance with the Income Tax Law No. (34) of 2014 and its amendments.

The Company filed its tax return for the years from 2017 until 2019 within the statutory period. The Company has reached a final agreement on the tax returns with the Income and Sales Tax Department up to the year ended 31 December 2018 while 2019 tax return has not been reviewed yet.

The Income and Sales Tax Department raised claims to RJ by an amount of JD 2,972 which represents sales tax differences for the years 2012, 2013, 2014 and 2016. The Company appealed the cases at the Tax Court. The cases are still outstanding up to date of the interim condensed consolidated financial statement. Although results of the cases cannot be determined accurately, management believes that no material liability is likely to result.

Royal Wings Company filed its tax return for the years from 2017 until 2019 within the statutory period. The Income and Sales Tax Department did not review the Company's accounting records up to the date of the interim condensed consolidated financial statements. 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 and 2019 within the statutory period. The Income and Sales Tax Department did not review the Company's accounting records for the years 2017 and 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 2016 in addition to the year 2018.

Al-Mashriq for Aviation Services Company filed its tax return for the years from 2016 until 2019. The Income and Sales Tax Department did not review the Company's accounting records up to the date of the interim condensed consolidated financial statements. Al-Mashriq for Aviation Services Company reached a final settlement with the Income and Sales Tax department up to the year 2018.

## **12. COMMITMENTS AND CONTINGENCIES**

### **- Letters of credit and guarantees**

As of 31 March 2021, the Group had letters of credit that amounted to JD 21,074 and letters of guarantees amounted to JD 483 (31 December 2020: letters of credit amounted to JD 19,721 and letters of guarantees amounted to JD 476).

### **- Claims against the Group**

The Group is a defendant in a number of lawsuits amounting to JD 14,491 as at 31 March 2021 (31 December 2020: JD 14,821) representing legal actions and claims related to its ordinary course of business. Related risks have been analyzed as to the likelihood of occurrence, although the outcome of these matters cannot always be ascertained with precision. In the opinion of the Group and their legal counsels, the provision recognized as of 31 March 2021 is sufficient to cover any contingent liabilities and claims that may arise from these lawsuits.

### **- Capital Commitments**

As of 31 March 2021, the Group had capital commitments of USD 303,051,349 (31 December 2020: USD 453,013,157), equivalent to JD 214,930 (31 December 2020: JD 321,286) relating to finance lease agreements signed for two new aircraft (31 December 2020: three new aircraft). The Group has the option not to purchase these aircrafts given that it informs the aircrafts producer during a maximum period of thirty-seven months prior to the date of delivery of these aircrafts.

During January 2021, the Company exercised its right to cancel without any liability the first aircraft which was scheduled to be delivered by the first quarter of 2024. The amount of the advances paid for the related aircraft amounted to USD 2,249,060 was deducted from the Company's payables.

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Public Shareholding Company**  
**Notes to The Interim Condensed Consolidated Financial Statements**  
**31 March 2021 (unaudited)**  
**(In Thousands of Jordanian Dinars except for amounts in foreign currencies)**

**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 2021 (Unaudited)				For the three months ended 31 March 2020 (Unaudited)			
	Scheduled services	Chartered Flights		Total	Scheduled services	Chartered Flights		Total
		Passengers	Cargo			Passengers	Cargo	
Levant	4,024	16	524	4,564	12,450	-	572	13,022
Europe	4,147	-	372	4,519	24,759	-	692	25,451
Arab Gulf	9,453	-	-	9,453	27,710	-	56	27,766
America	10,106	-	-	10,106	21,683	-	546	22,229
Asia	61	-	1,461	1,522	8,542	317	-	8,859
Africa	366	-	87	453	2,358	-	-	2,358
Total revenues	28,157	16	2,444	30,617	97,502	317	1,866	99,685

**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 2021		31 December 2020	
	Accounts receivable	Accounts payable	Accounts receivable	Accounts payable
	(unaudited)	(unaudited)	(audited)	(audited)
Government of Jordan	43,988	1,373	43,778	1,318
Employees' Provident Fund	-	6,034	-	5,853
Jordan Aircraft Maintenance Company	829	-	882	-
Jordan Flight Catering Company	-	791	-	527
Jordan Aircraft Training and Simulation Company	-	22	-	31
	44,817	8,220	44,660	7,729

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Public Shareholding Company**  
**Notes to The Interim Condensed Consolidated Financial Statements**  
**31 March 2021 (unaudited)**  
**(In Thousands of Jordanian Dinars except for amounts in foreign currencies)**

---

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	
	2021	2020
	(unaudited)	(unaudited)
<b>Jordan Aircraft Maintenance Company (JORAMCO):</b>		
Scheduled services revenues	43	72
Repair and maintenance expenses	(808)	(671)
<b>Jordan Flight Catering Company:</b>		
Passenger services expenses	(781)	(2,458)
<b>Jordan Aircraft Training and Simulation Company:</b>		
Scheduled services revenues	-	14
Pilots training expenses	(210)	(254)

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	
	2021	2020
	(unaudited)	(unaudited)
Scheduled services revenues – passengers	335	547
Scheduled services revenues – cargo	284	350
Chartered flights	355	198
	974	1,095

**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	
	2021	2020
	(unaudited)	(unaudited)
Salaries and other benefits	109	238
Board of Directors remuneration	2	12

**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.

On 9 February 2020, the Company signed a labor collective contract with the General Trade Union of Workers in Air Transport and Tourism. The agreement covering the period from 9 February 2020 to 29 February 2020, giving the Company's staff the choice to obtain a voluntary release from their jobs. Accordingly, the Company has provided a provision of JD 910 during the period ended 31 March 2020 which represents the accrued amounts for employees who applied to the plan and management approved their applications.