Sky High Determination

Annual Report
2018

oneworld

الملكية الأردنية
ROYAL JORDANIAN

Content

His Majesty
King Abdullah II bin Al-Hussein

His Royal Highness Crown Prince Al Hussein bin Abdullah


ROYAL JORDANIAN

Our Vision, Mission and Values

Vision:
To be the airline of choice, connecting Jordan and the Levant with the world.

Mission:
To ensure our customers always recommend our airline because we consistently provide:
- The highest level of safety, security and reliability.
- A seamless travel experience with exceptional customer care.
- Value for money through maintaining cost efficiency.

To ensure our people are motivated and work productively as a team, given that we offer:
- A healthy and stimulating work environment with open dialogue and participation.
- Competitive employment benefits and rewards.
- Opportunities for training and career development.
- Energetic and decisive leadership.

To ensure our shareholders invest in the company because we deliver:
- An attractive return on investment.
- Sustainable profitable growth.
- The highest levels of corporate integrity and responsibility.

To ensure Jordan will be proud of us because we:
- Represent the best of Jordanian hospitality and culture.
- Promote Jordan as a destination and a gateway to the Middle East, for both business and leisure travelers.
- Support local communities and charities.

Values:
- We strive for excellence and those who succeed in our company will be team players.
- We enjoy working and succeeding through effective communication and believe we can achieve more by working together as a team.
- We respect people's opinions and learn from our differences.

Objectives:
- Our decisions are objective and based on hard facts and robust business cases.
- We always provide data to back up our points.

Reliable:
- We constantly endeavor to provide customers with their needs.
- We guarantee strict compliance with the company's internal policies and external regulatory requirements.

Committed:
- We are dedicated to deliver the best to our stakeholders.
- We set and achieve high performance standards.
- We take responsibility for our actions and our work.
- We listen and respond to both our internal and external customers' needs.

Caring:
- We are always understanding and helpful towards our customers.
- We are supportive and accommodating towards our colleagues.
- We aim to provide our customers with high standards.

Trustworthy:
- We are always honest and transparent with our customers, partners and employees.
- We nurture trust and respect in our working environments; and promote an atmosphere of open communication.

Board of Directors

Board of Directors

H.E Said Sameeh Darwazeh
Chairman of the Board, representing Government Shareholdings' Management Company

H.E ENG. Basem Khalil al-Salem
Vice Chairman, representing Government shareholdings' Management Company

H.E Dr. Izzidin Knakriya, Resigned (08 May 2018)
Member, representing Government Shareholdings' Management Company

H.E. Dr. Abdelhakim Shibli, From (08 May 2018)
Member, representing Government Shareholdings' Management Company

H.E. Mr. Nasser Sultan Shraideh, Resigned (12 Feb 2019)
Member, representing Government Shareholdings' Management Company

H.E. Mr. Sami Kamel Dawud, From (12 Feb 2019)
Member, representing Government Shareholdings' Management Company

H.E. Captain Suleiman Reda Obeidat
Member, representing Government Shareholdings' Management Company

H.E. Mr. Nizar Khoury, From (29 Aug 2018)
Member, representing Mint Trading Middle East Limited

H.E. ENG. Samer Abdul Salam Al-Majali, Resigned (31 JUL 2018)
Member, representing Mint Trading Middle East Limited

H.E. Mr. Imad Jamal Al-Qudah
Member, representing Social Security Corporation

H.E. Mr."Mohammad Ali" Issam Bdair
Member

H.E. Mr.Michael Nabeeh Nazzal
Member

Auditors
Ernst & Young

Legal Advisor
Law Office Hani Al-Kordi
Law Office Ahmad Abu Arkoub & Partners (until Sep 2018)

Chairman of the Board of Directors' Speech

Dear shareholders,

On behalf of the members of the Board of Directors, I would like to extend my thanks and appreciation to all of you for your valuable confidence and contribution to the capital of Alia – the Royal Jordanian Public Shareholding Company, the Kingdom's national carrier that holds a special place in the hearts of all Jordanians and plays a strategic role in connecting Jordan to the world; not to mention serving various sectors in the country (economic and social in specific). RJ is considered to be a major component in the Jordanian economy, tourism, imports and enhancement of the commerce with other countries.

Dear shareholders,

At the start of 2018, the indicators, aspirations and budget all pointed to positive final results for that year, which was a continuation of the performance development the company had made by the end of 2017. RJ ended 2017 with a net profit and put an end to the losses the company had registered in 2016 and during the first half of 2017; this came as a result of recording a high seat load factor.

The company set their 2018 budget based on tangible operational successes and targeting an increase in revenues, which are growing month on month due to the relentless and fruitful efforts exerted by the airline; in addition to an increase in sales.

Active and promotional drive and sales offers took place during the entire year, causing a great demand on bookings. The number of travelers RJ carried in 2018 increased by 4% in comparison to 2017, therefore increasing the load factor to 73.8% against 71.2% in 2017, a 4% (2.5 points) increase.

Dear shareholders,

In 2018, RJ carried 3.3 million passengers, while it carried 3.1 million passengers in 2017, for a competitive average fare, which increased in 2018 over the previous year.

The increase in the total RJ revenues in 2018 was noticeable: operating revenues went up by 8%, to reach JD 653.3 million, which is JD 47.5 million over the JD 605.8 million in 2017.

This calls for optimism and proves that all those working at RJ -- management and employees -- have the capability and will to achieve great and tangible results, particularly through the new sales approach and by working hard to enhance revenues in various sectors, including air freight. Details about the growth can be found in the 2018 annual report.

Dear shareholders,

The company also focused on controlling and minimizing the operational costs as much as possible to improve its financial situation, whilst maintaining the level of services offered to passengers. The most important factor of operational cost in the airline business is fuel prices. RJ paid JD 159.3 million for fuel in 2018, whereas JD 121.5 million was spent on fuel in 2017 (a 31% increase). This affected the revenues negatively. Paying JD 38 million more than what was spent in 2017, and despite the JD 47.5 million increase in revenues, the total operational costs were therefore raised from JD 526.3 million in 2017 to JD 562.9 million in 2018, with a 7% increase.

As for the end of year financial results, RJ achieved a 14% increase in the gross profit in 2018, making JD 90.4 million; whereas JD 79.5 million was made in 2017. This shows that RJ is on the right track regarding thier operations. However, the company recorded a net loss of JD 5.9 million in 2018, while achieving a new profit of in 2017, due to the rise in the fuel bill, as previously mentioned.
Other factors that negatively impacted the results include: decreased exchange prices of some currencies and losses experienced by Royal Wings.

Dear shareholders,

RJ is facing a number of challenges that negatively impact its performance. The prime challenge being faced is the instability that is occurring within the region, causing a decrease in the number of tourists. In addition, the airline is dealing with tough competition with other airlines, especially the low-cost carriers which now operate extensively from Europe to Amman and Aqaba.

It is worthy to mention that RJ pays high fees to Queen Alia International Airport, fees that are amongst the highest in the region, which places an additional financial burden on RJ. Jet fuel prices in Jordan are considerably high and are considered to be amongst the highest in the world, therefore impacting RJ's operating cost, especially since the airline purchases its jet fuel mostly from its hub in Amman.

Dear shareholders,

RJ is currently implementing a five-year turnaround plan with its several pillars, including achieving sustainable profitability, being a "Customer Champion" by delivering a consistent customer experience, being the Employer of Choice through attracting talented workforce and being the number one airline in the Levant.

Regarding the airline's network, RJ continuously revises its route network, in addition to the feasibility of each route, aiming to cater for the demand on air traffic and tourism.
RJ wishes to stress on the company's readiness and keenness to resume all operations it halted due to security reasons, which include flights to: Damascus, Aleppo, Mosul, Sana'a, Aden, Tripoli, Benghazi and Misrata.

In terms of the fleet, RJ is planning to modernize its short and medium-haul aircraft, increase the number of owned planes and decrease the number of those leased. We aim to have a modernized fleet of the short and medium-range, with high operational and commercial efficiency. This will help us reduce the cost of spare parts and maintenance. Negotiations between RJ and aircraft manufacturers (Boeing, Airbus and Embraer) are underway to select the most suitable planes to replace the ones currently operating in the coming years.

As for RJ's capital increase, all procedures in January 2019 related to the first part of the second phase, which involves a JD 50 million increase in paid capital, were completed. Thus, the subscribed and paid capital became JD 196,405,342 of 274,610,470 shares, at a total shares discount of 78,205,128. After concluding this part of the capital increase process, RJ's capital increased by JD 150 million out of JD 200 million.

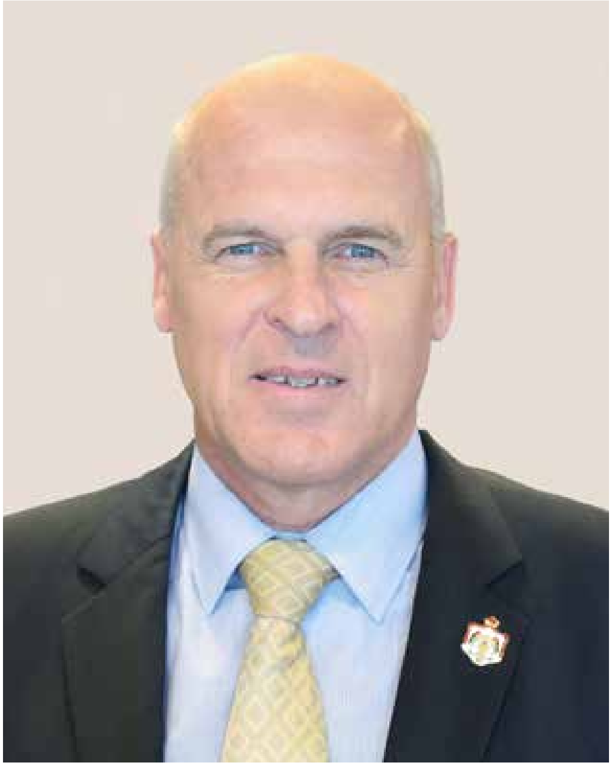
Dear shareholders,

On behalf of the Board of Directors and myself, I am writing to thank and assure you that RJ's position has improved over the past few years, both on a financial and competitive level. This demonstrates and ensures the company's continuous performance regarding its duty of serving Jordan and the national economy as it is a significant contributor to Jordan's GDP.

Fifty-five years after its establishment, RJ is keener than ever to exert the utmost efforts to boost its position and improve its financial, operational and customer service performance. RJ will always be the ambassador that reflects Jordan's bright image, culture and identity. We also value the efforts of the Jordanian government, the major shareholder in the company's capital, and its keenness to support RJ and maintain it as one of the main Jordanian economic pillars and pride under the leadership of His Majesty King Abdullah II.

Chairman of the Board of Directors
Said Samih Darwazeh

President & CEO Speech



Dear shareholders,

On behalf of the Executive Management Team, I would like to thank every shareholder in our national carrier Alia – the RJ Public Shareholding Company – for their continued loyalty during all circumstances.

Dear shareholders,

I am proud to report to you that we were able to continue on our path to recovery despite the high fuel prices in the fiscal year 2018. We enhanced our operating performance every month and recorded Earnings Before Interest and Taxes (EBIT) of JD 19 million, which is an increase of 47% against 2017.

This has been achieved despite JD 38 million (31%) higher fuel cost for the year.

The key driver for our success was the revenue performance, where we managed to achieve a record high load factor of 73.8%, up from 71.2% in 2017. At the same time, we were able to improve - for the first time in 12 years – the average fare which went up 5% from JD 150 to JD 158. We also carried a record number of passengers; 3.3 million passengers as guests on board our aircraft.

Our cargo performance improved as well, as we were able to sell around 55% of our belly capacity during the year which led to JD 45.6 million cargo revenue, up 12% since 2017.

We continued to enhance our digital capabilities with online sales up 27% to JD 77.8 million and ancillary revenues up 29% to JD 18.6 million.

Overall, RJ was able to improve unit revenues by 5% against last year and I congratulate our commercial team for such an achievement!

Regarding cost, we improved our fleet utilization from 11.4 hours per aircraft to 12.1 hours per aircraft (6.0+ %), and this was achieved despite the availability issues we faced in July and August 2018 with the wet leased summer peak aircraft.

Manpower productivity improved significantly through the cabin crew rostering system which helped in boosting their productivity in terms of working hours per month by 16%. The new rostering system also helped reduce the overall sick rates.

Overall, our unit cost, excluding fuel, was 4% below last year. Overall, RJ has therefore enhanced its productivity by 8% against 2017.

For the non-operating items, we faced some significant setbacks with a loss of exchange, particularly driven by the Sudanese Pound, of JD 4.2 million and a significant loss of JD 3.9 million at Royal Wings which finally led to a negative net income of JD 5.9 million.

Dear shareholders,

For the year ahead, we have seen a good start despite the heavy competition by low-cost airlines, especially to and from Europe. Our objective is to therefore stabilize the commercial performance at current levels; we are confident that we will obtain the support needed during this year by lower fuel prices than those of 2018.

We are also about to finalize the plans for our medium-haul fleet rollover, which will affect the Embraer and Airbus fleet. This rollover will continue until 2026 and leave us with a newer and more efficient fleet structure.

Dear shareholders,

Let me thank our Chairman and the Board of Directors for their continuous support as well as the Government of the Hashemite Kingdom of Jordan. Without the board as a critical and supportive partner, the management would not have been able to continue on the road to recovery in the difficult year of 2018.

In 2018, our management team has proved and is committed to the future to deliver sustainable operational profitability as well as a great customer experience for all our guests.

In our corporate brand, we carry the most powerful and unifying symbol in Jordan: the Crown. We know that it is our ultimate obligation to take the company to a brighter future under the wise guidance and leadership of His Majesty King Abdullah II.

Thank you,

President & CEO
Stefan Pichler

Company's Objectives and Main Activities

RJ Group works towards achieving its initial objectives, the most important being: carrying out regular and chartered air transportation of passengers, mail and freight within the Kingdom and abroad, in addition to providing aircraft handling services.

RJ's Geographical Locations and Number of Employees:

RJ headquarters is located in Amman. Operations and flights take off from Queen Alia International Airport (QAIA). There are sales offices in 35 cities around the world and general sales agents in 46 other cities.

The company operates through its employees who numbered 4,054 as recorded on 31.12.2018; 308 of these employees work at the outstations abroad, 90 in Royal Wings and 21 in Royal Tours.

Capital

RJ's capital amounted to 246,405,342 shares with a discount of JD 61 million on December 31, 2018. During the extraordinary meeting held on April 26, 2018, the General Assembly approved the increase of RJ's authorized capital by 28,205,128 shares to become 274,610,470 shares, in continuation with the first half of the second phase of increasing RJ's capital (JD 50 million).

The subscription process was completed in January 2019, whereby the authorized capital became 274,610,470 shares with a discount of JD 78,205,128. Thus RJ increased its capital by JD 150 million out of the JD 200 million, raising the shares of the Government Shareholdings' Management Company to 78.82%.

Subsidiaries:

Royal Wings

Royal Wings was established in Jordan in 1975 as a limited liability company. It has no branches and is owned by RJ only. With the implementation of the company strategy in November 2005, regional services operated by Royal Wings have been transferred to RJ, the parent company. Royal Wings became the main operator of chartered flights and acts as an agent for chartered flights (i.e., it arranges alternative chartered aircraft when its aircraft is unavailable).

It also leases its aircraft to the mother company when necessary. Royal Wings operates new routes to destinations not served currently by RJ.

In October 2009, Royal Wings acquired 80% of RJ Tourism and Travel Company (Royal Tours) shares. Its headquarters has been moved to RJ's head office in 2017 and consists of 90 staff members. Its capital amounts to JD 5 million and owns one Airbus A320.

In December 2018, Royal Wings transferred the owned shares in RJ Tourism and Travel Company (Royal Tours) to RJ Airlines.

Royal Tours

Royal Tours was established in 1979 with the aim of providing complementary services to RJ's services in order to help RJ market its flights (especially to tourist attractions around the world). Royal Tours books tickets and arranges trips for tourist groups to various touristic sites and countries in the region and worldwide, always searching and providing new options for tourists.

Today, Royal Tours is the company of choice for the stopover program "Zuwar"; and it is also responsible for executing the plans of the Ministry of Tourism through the "City Tour" program.

Tikram

Tikram, a joint venture between RJ and Worldwide Flight Services, is fully owned by RJ since March 2017. The company was established in line with RJ's strategy of expanding vertically by identifying new and attractive business opportunities associated with air travel.

It is the exclusive meet and greet service provider at QAIA; its diverse state-of-the-art services include immigration and security fast track, porter services and luggage wrapping, hosting passengers in the departure lounge (RJ's Crown Lounge) and an in-terminal shuttle.

Tikram, an investment project owned by RJ, boosts RJ's revenues from non-core services that complement air travel, and enhances ground services towards a better customer satisfaction.

The company's 24/7 counters serve VIPs, families and groups, including airlines, hotel guests, bank and telecom customers, event management companies, large corporate entities, travel agencies and tour operators, as well as embassy staff.

These services facilitate passengers' travel procedures at reasonable costs and can be booked via tikram.jo or through calling the dedicated numbers.

Tikram, meaning "with pleasure" in Arabic, was chosen to symbolize the true hospitality and warmth Jordan is known for around the world.

Board of Directors

Board Member	Position	Board Member Since	Nationality	Qualifications
H.E. Eng. Said Sameeh Darwazeh	Chairman, Rep Government Shareholdings' Management Co.	20.6.2016	Jordanian	MA Business Administration
H.E. Basem Khalil Al-Salem	Member, Rep Government Shareholdings' Management Co.	30.10.2017	Jordanian	BSc. Chemical Engineering
*H.E. Nasser Sultan Shraideh	Member, Rep Government Shareholdings' Management Co.	26.10.2017	Jordanian	MA Economics
H.E. Mr. Sami Kamel Dawud	Former Vice Chairman, Rep Government Shareholdings' Management Co.	12.2.2019	Jordanian	MA Business Administration
H.E. Dr. Abdelhakim Shibli	Member, Rep Government Shareholdings' Management Co.	8.5.2018	Jordanian	PHD Economics
H.E. Capt. Suleiman Obeidat	Member, Rep Government Shareholdings' Management Co.	27.10.2015	Jordanian	BA Military Sciences
H.E. Mr. Nizar Khoury	Member, Rep Mint Trading Middle East Ltd.	29.08.2018	Lebanese	BA Economics
H.E. Imad Jamal Al-Qudah	Member, Rep Social Security Co.	27.12.2015	Jordanian	MA Business
H.E. "Mohammad Ali" Issam Bdair	Member	27.3.2008	Jordanian	MA Engineering Management
H.E. Michael Nabeeh Nazzal	Member	14.4.2016	Jordanian	BSc. Hotel Management

*Resigned in 12 February 2019 and was appointed by his successor H.E. Mr. Sami Dawud.

The following section consists of the biographical information and business experiences of the board members:

H.E. Eng. Said Samih Darwazah | Chairman of the Board

Said Darwazah has chaired the RJ Board of Directors since June 21, 2016, after he was appointed as a representative of the Government Shareholdings' Management Company in RJ's Board of Directors on June 19, 2016.

Mr. Said Darwazah is currently the Executive Chairman of Hikma Pharmaceuticals PLC. and was the Minister of Health, Jordan 2003-2006.

Mr. Darwazeh is also the Chairman of the Board of the Queen Rania Foundation, which focuses primarily on providing youth with learning opportunities and equipping them with the necessary tools for success, such as ICT in education and online learning opportunities.

He is a board member of the Central Bank of Jordan and a member of the Board of Trustees at Babson College in the USA, and the American University of Beirut (AUB), where he also co-founded the Samih Darwazah Center for Innovation Management and Entrepreneurship.

Said Darwazeh has a BSc. degree in industrial engineering from Purdue University in the USA and an MBA from INSEAD, France.

H.E. Eng. Bassem Khalil AlSalem | Member

Bassem Al-Salem is currently the Chairman of the Board of Capital Bank which he co-founded in 1995. Mr. Al-Salem's role as Chairman provides the board with diverse experience in creating business values strategically, operationally and financially.

He also currently serves as the Chairman of the Board of Trustees of King's Academy in Jordan. Prior to that, he founded and managed a number of companies in Jordan, mainly in the industrial sector. Mr. Al-Salem has an extensive record of public service that spans over 12 years, starting as a Member of the Board of the Central Bank of Jordan in 2000 and as the Minister of Labor, Minister of Finance and a Senator in the Upper House of the Jordanian Parliament.

Today, Mr. Al-Salem continues to be part of the boards of several organizations in the private and public sectors such as Queen Rania Foundation and University of Jordan. He holds a BA in Chemical Engineering from Imperial College, London.

H.E. Mr. Nasser Sultan Shraideh | Member

Nasser Shraideh is an economist with over twenty-seven years of work experience with various ministries and public sector institutions, international NGOs and United Nations agencies. These experiences afforded him substantive knowledge and professional experience in areas of international cooperation, economic and trade policy development, tourism development, investment promotion, private sector development, small and micro-finance, community development and institutional capacity building.

In June 2016, Mr. Shraideh was appointed as the Chief Commissioner of Aqaba Special Economic Zone Authority, and serves as the Chairman of the Board of Aqaba Development Corporation, Aqaba Container Terminal Company, Aqaba Airport Company, Aqaba Company for Ports Operation and Managements. Prior to this posting, Mr. Shraideh served as Chairman of the Board for the Jordanian Free Zones Company, Minister of Environment and Chief Commissioner of the Petra Development & Tourism Region Authority, Secretary General of the Ministry of Planning and International Cooperation, and assumed a director position for a number of departments, including: EU-Jordan Association Unit, Aid Coordination Unit, Bilateral Cooperation Department and the International Cooperation Department.

Mr. Shraideh was born in Irbid, Jordan on June 5 1967, and obtained both his BA and MA degrees in Economics from the Yarmouk University, where he graduated with 'Honors' in 1988 and 1994, respectively.

H.E. Dr. Sami Kamel Dawud | Member

Sami Dawud was appointed a member RJ's Board of Directors on February 12th, 2019, representing the Government Shareholdings' Management Co. He has been the Cabinet Secretary General since 2016. Mr. Dawud also occupied several positions, including the Cabinet Secretary, Advisor at the Cabinet and Secretary General Assistant/Operations Management Affairs at the Cabinet.

He was previously the Chairman of the Arab Potash Company, the National Petroleum Company and a board member at these two companies.

Mr. Dawud also served on the Board of Directors of Jordan Airports Company, Vice Chairman and Board Member of Jordan Free & Development Zones Group and is currently a member of the Supreme Council of Civil Defense.

H.E. Dr. Abdelhakim Shibli | Member

Abdelhakim Shibli was born on February 6th, 1966. He holds a Ph.D. in Economics, specializing in Macroeconomics and Fiscal Policy from the University of Leeds, UK. He is married and has three children (two boys and a daughter).

Shibli started his professional career at the Central Bank of Jordan as an economist between 1991-2004. In 2002, he worked as a part-time lecturer in the Faculty of Business Administration at the University of Jordan, Department of Economics. Mr. Shibli then moved to the Ministry of Planning and International Cooperation between 2004-2007 as an economic advisor to oversee a comprehensive risk analysis system that anticipates future economic risk and recommends mitigation policies. He was seconded to work at the Prime Ministry for the period 2007 to 2010, as an economist at the Millennium Challenge Unit, then moved to the Ministry of Finance to chair the Directorate of Studies and Economic Policies between 2010-2018.

Being appointed as the Secretary General of the Ministry of Finance was upon the Royal Decree on 30/4/2018. Before that, he took part in several governmental committees, worked at the Ministry of Finance and on the IMF program, the World Bank and the Arab Monetary Fund. He worked in the economic and financial policy formulation and the implementation of important national and international programs such as the Economic and Social Reform initiative, the Financial Reform Program, the Modernization of Financial Management and the Revision Program with the IMF.

Shibli represented the Ministry of Finance in several institutions and companies where the Jordanian government has shares; serving as a board member and member at official committees.

Capt. Suleiman Obaidat | Member

Captain Suleiman Obeidat has more than 40 years of experience in aviation. He started his career as a transport pilot with the RJ Air Force, then joined RJ as a line captain.

In December 2004, Captain Obeidat was appointed director general of the Jordan Civil Aviation Authority. In 2007, he became chief commissioner of the Jordan Jordanian Civil Aviation Regulatory Commission (CARC). At CARC, he was responsible for restructuring the civil aviation authority and implementing the air transport liberalization policy.

Prior to joining the Civil Aviation Authority, Captain Obeidat held different key management positions, both in the Air Force and at RJ; he was a commander of the Royal Squadron and commander of the Air Lift Wing. At RJ, Captain Obeidat occupied the position of vice president of Flight Operations and Deputy President/Chief Technical Officer.

On October 26th, 2015, Captain Suleiman Obeidat was elected by the RJ Board of Directors to serve as a board member and become the President/CEO of RJ.

Mr. Nizar Fahim Khoury | Member

Nizar Khoury worked at Middle East Airlines from 1974 until his retirement in August 2017. He began working at in the airline's Planning and Economics Department and moved to the Commercial Department, where he was appointed as Vice President Commercial, managing the following departments: sales and distribution, revenue management, marketing, customer service, loyalty programs, commercial agreements and civil aviation. Mr. Khoury holds a BA in Economics from the American University of Beirut and completed the course requirements for an MA in Economics at the American University of Beirut.

Mr. Mohammad Ali Bdair | Member

With a background in management, Mr. Bdair was appointed at RJ's Board of Directors in 2008. He is the current General Manager of Best Dimension Investment Co., a Director of the General Mining Co., and a former board member of Jordan Investment Board. He received a BS in Industrial Engineering from Purdue University, USA, and an MS in Engineering Management from the American University of Beirut.

Mr. Imad Al-Qudah | Member

Imad Al-Qudah holds BA degree in Administration from the Yarmouk University, Jordan. He also holds an MBA from Sul Russ University (SRSU), Texas .

He joined the Central Bank of Jordan as a trader in 1989 and climbed up the ladder to become a Portfolio Manager in the foreign investments department.

In 2002, Mr. Qudah joined the Social Security Investment Fund (previously known as the Social Security Investment Unit) as Treasury Manager until 2008. During that period, he held the position of an Acting CEO of the Investment Unit throughout the period of 2005-2006.

Mr. Qudah is currently the Manager of the Public Equity Portfolio and an Acting Manager of the Private Equity Portfolio.

He represented the Social Security Investment Fund as a member of the Board of Directors in a number of companies, such as: Daman for Investments, Jordan Post Company, Jordan Kuwait Bank and Jordan Dubai Islamic Bank.

Mr. Michael Nazzal | Member

Michael Nazzal was a member of the 25th house of Senate and the Director of Food Services at RJ from 1980-1982. He has been the Chairman for the Dead Sea Hotels since 1990, Chairman for the MINA Hotels since 1990, Chairman for the Jordan Hotel Association since 1988 and Chairman of the Federation of Tourism Associations from 2004 until this day.

Nazzal is Vice Chairman and Board Member of the Jordan Tourism Board since 2004. He is also the founder and member of the Jordanian Applied University Board of Trustees since 1996.

Senior Executive Management

Brief Resumes of Members of the Senior Executive Management Team:

Name	Position	Date Appointed	Date of Birth	Qualifications	Specialty	Graduation
Mr. Stefan Pichler	President/CEO	01.06.2017	07.11.1957	MA	Economics & Law	1995
Mr. Marwan Marji	CFO	01.09.2018	01.10.1968	BA	Accounting	1992
Mr. Firas Al-Qaraeen	CFO	18.10.2015 until 30.06.2018	14.11.1969	BA	Accounting	1991
Mr. Sufian Al-Salman	CHRO	01.10.2017 until 02.05.2018	26.10.1971	MA	Political Sciences	1997

Senior Management business experiences:

Mr. Stefan Pichler

- Pichler was appointed as President/CEO of RJ in June, 2017.
- He was the CEO of the Airberlin group from February 2015 until he joined RJ.
- Led Fiji Airways as Managing Director and CEO in September 2013.
- Was the CEO of Jazeera Airways K.S.C from June 2009 - August 2013.
- Since 2004, Stefan was part of Richard Branson's Senior Management team. He was responsible for Virgin Blue's transformation from a low-cost carrier to a "new world" network airline and served as their Chief Commercial Officer.
- Was the CEO of the German tourism group "Thomas Cook AG".
- Pichler joined Lufthansa in 1989 as the Marketing & Sales Manager for France, where he was then appointed as Managing Director of Lufthansa France in 1991. Additional roles include: Managing Director for Germany in 1995, Executive Vice President of Worldwide Sales & Marketing in 1996 and a Member of Lufthansa's Executive Board in 1997.
- Holds a Masters Degree in both Economics and Law from Augsburg University.

Mr. Marwan Marji

- Appointed as the Chief Financial Officer in September 2018.
- Before joining RJ, he was appointed as the Head of Internal Audit in Eagle Hills, Jordan in October, 2015.
- Former Executive Director - Head of Internal Audit in Saraya Holdings Limited.
- He joined Atlantic Industries in Cairo in 2003 as the Region Schweppes Operations & Export Sales Manager; and was then was appointed as the Schweppes Franchise & Country General Manager in Libya.
- Finance Manager in Skikda Bottling Company in Algeria from 2000-2003.
- Budget and Planning Manager at the Coca-Cola Bottling Company in Jordan from 1997-2000.
- He was appointed as an Audit Assistant Staff at Arthur Andersen and Co. and progressed to Senior Audit between 1992-1997.
- He also served as a board member of the Jordan Basketball Federation, as well as being on the boards of several other companies.
- Holds a BA from Yarmouk University, with a major in Accounting and a minor in Financial & Banking Sciences.
- He is a Certified Anti-Corruption Manager from the American Anti-Corruption Institute.

Mr. Firas Qareen

- Appointed as the Chief Financial Officer in October 2015 until June 2018.
- Former GM in Al-Rajihi Cement Co.
- Former Deputy GM for Finance and Business Support in Al-Rajihi Cement Co.
- Former Chief Consultant in Karma Consultation and Development Company for three years.
- Former Chief Auditor in Ernst & Young and Arthur Anderson.
- Former Director of Finance in Zara Holding Co., and held the same position in the Arab Jordanian Engineering Co. (2K).
- Holds a BA in Accountancy from the University of Jordan.
- He is a CPA (Certified Public Accountant).

Mr. Sufian Al-Salman

- Appointed as Chief Human Resources & Administration Officer in October 2017 until May 2018.
- Before joining RJ, he spent 16 years in PepsiCo and held different HR leadership roles across the Middle East & Africa and most recently as Employees, Labor Relations and HR Services Senior Director for Asia, Middle East & North Africa based in Dubai.
- HR and Administration Manager at Tabuk Pharmaceuticals from 1999-2001.
- Has an experience in Personnel Office at Arab Bank for 5 years 1993-1998.
- Holds a Masters degree in Political Sciences from the University of Jordan.
- Holds a BA in Political Sciences and Economics from University of Jordan.
- Completed advanced HR executive education programs from the University of Reading, UK.
- Certified from HOGAN Institution as Hogan Assessment & Coach for Executives.

Major Shareholders

No	Shareholder	No. of Shares at 31.12.2017	%	No. of Shares at 31.12.2018	%
1	Governmental Shareholding Management Co.	88,243,117	60.3	188,243,117	76.4
2	Mint Trading Middle East Ltd.	22,518,838	15.4	22,518,838	9.14
3	Social Security Corporation	14,640,534	10.0	14,640,534	5.9

RJ's Competitive Position

RJ is Jordan's national carrier. The airline operates regular flights from Jordan to over 40 destinations worldwide in 2018 as follows:

- **Levant:** Beirut, Cairo, Aqaba, Al-Suleimaniya, Baghdad, Basra, Erbil, Tel Aviv, Najaf, with a commitment to operate to Damascus, Aleppo and Mosul once again as soon as security conditions allow.
- **Arabian Gulf:** Abu Dhabi, Dammam, Doha, Dubai, Jeddah, Kuwait, Riyadh and Medina. RJ will resume operation to Sanaa and Aden as soon as conditions allow.
- **Africa:** Khartoum, Tunis, and Algiers, with a commitment to resume operation to Misurata, Tripoli and Benghazi as soon as security conditions allow.
- **Europe:** Amsterdam, Athens, Barcelona, Berlin, Frankfurt, Istanbul, Geneva, Larnaca, London, Madrid, Moscow, Munich, Paris, Vienna, Rome, Zurich and Copenhagen.
- **Fareast:** Bangkok, Hong Kong and Kuala Lumpur.
- **North America:** New York, Chicago, Detroit and Montreal.

RJ faces competition from other airlines in 23 of the 52 destinations. The airline also continuously monitors markets and market developments to seize any opportunity to open new markets or increase weekly frequencies to current routes.

On April 1st, 2007, RJ joined the **one**world airline alliance which gathers a group of international and giant airlines. RJ was chosen to join this alliance due to its excellent reputation and competitive services it provides for its passengers on all trips. RJ was the first Arab airline to join this global alliance during that time, and becoming a member of the alliance offers RJ's passengers easy access to approximately 1,000 cities around the world. Besides RJ, the following carriers are **one**world members: American Airlines, British Airways, Cathay Pacific, Iberia, Finnair, Japan Airlines, Qantas, Malaysian Airlines, Siberia Airlines, Qatar Airways, LATAM in South America and Sri Lankan Airlines.

RJ also entered in commercial agreements with a number of international airlines to operate on a codeshare basis, whereby RJ is the marketing carrier that places its code on other airlines' flights. These codeshare agreements are developed to expand the airline's network by reaching areas where RJ does not operate directly. This includes non-stop flights that serve RJ's passengers from Amman to Bucharest, Bahrain, Muscat, Beirut, Doha, Istanbul and Rome.

Government Protection and Privileges

- No government protection or privileges enjoyed by the company or any of its products in accordance with laws and regulations.
- No patents or privileges are earned by the company.

Suppliers and Customers

The company deals with a wide group of local and foreign suppliers who provide various goods and services. The company does not depend on particular suppliers, whether local or international, that provide 10% or more of the company's purchases, with the exception of aircraft fuel supply from Jordan Petroleum Refinery until 31/10/2018 and Jordan Marketing Fueling company from 01/11/2018.

On the other hand, the company deals with a range of clients, local and foreign, that provide them with flight services. RJ does not depend on particular clients (whether local or foreign) that constitute 10% or more of its total sales.

Effect of decisions taken by the government, international organizations or others, which have material effect on the work or the products of the company or its competitive power.

- Comprehensive agreement with the EU:

The Jordanian Government signed a comprehensive agreement with the EU on December 15th, 2010. It mainly includes unlimited open skies between the Kingdom and the EU pursuant to the Third and Fourth Freedoms. The Kingdom also adopted legislations similar to the European legislation in the field of civil aviation and air freight. This agreement shall expose RJ to an unbalanced competition with European airlines that enjoy flexibility in operating from any point in Europe to Jordan. RJ is unable to do this since there are no suitable time slots in the major European cities, most important of which is London Heathrow Airport.

- In its session held on November 13th, 2016, the Cabinet agreed to exempt the contracts of purchasing, selling, leasing and financing of aircraft and their engines and contracts related thereto, which were concluded or are being concluded by RJ and the special purpose companies founded with the aim that RJ can acquire and lease such aircraft and engines, by virtue of finance lease contracts before December 31, 2020, from general sales tax, the due income tax by virtue of Article (12/B/1) of the Income Tax Law No. (34) of 2014 which amounts to 10% and due stamp duty levied on such contracts.
- In its session held on December 28th, 2017, the Cabinet agreed, provided that Ryanair does not operate any route similar to RJ's routes, to allocate the tax amount that will be imposed on Ryanair (which is considered to be the largest low-cost air carrier company in Europe) in return of promoting the Kingdom on Ryanair's website and for the purpose of encouraging Ryanair to operate to and from the Kingdom. This was through concluding an agreement between the Jordan Tourism Board and Ryanair's marketing services provider.

Application of International Quality Standards

Among the basic responsibilities of RJ's Corporate Quality Management Department is the supervision of the work during various stages. This takes place in order to make sure that it conforms with the company's specifications, inevitably conforming to the standard specifications of CARC and to the international specifications and instructions issued by:

CARC	Civil Aviation Regulatory Commission
IATA	International Air Transport Association
ISAGO	IOSA Safety Audit for Ground Operations
IOSA	IATA Operational Safety Audit
EASA	European Aviation Safety Agency
SAFA	Safety Assessment of Foreign Aircraft
F.A.A.	Federal Aviation Administration (U.S.A.)
C.A.R.	Canadian Aviation Regulations
ISO9001	International Standards Organization
Oneworld	An International alliance of airlines

As such, the CQM Department shall follow up quality bases requirements and measure the extent to which the company has applied them, whether from a production or services point of view.

After studying general and safety requirements, an internal and external audit/inspection program is prepared and includes all operational departments approved by RJ's top management, during which records, documents and operations are examined and evaluated to make sure that they comply with national and international standards, rules and regulations. This is done by using forms created by a quality controller during scheduled and non-scheduled checks on operations to ensure that the business is running according to the requirements and specifications.

The Corporate Quality Department has also updated the corporate manual, checklists and work procedures of the department (RJ Quality Manual, Issue 02, Rev 00) in order to comply with the continuous modernization and to be up to date with requirements.

In order to enhance and boost auditors' performance within the company, we have held audit courses and workshops in accordance with audit scope and requirements.

In addition to the abovementioned, our trained and qualified teams perform the following:

- Plan to improve the quality at the company through designing daily, monthly and annual programs to check the work in accordance with accredited specifications.
- Control the daily fieldwork, especially in operational departments.
- Inspect the practicality, quality and safety of the work, workers and equipment used.
- Supervise the staff's training courses and make sure they comply with the approved quality.
- Follow up on the proposed amendments, recommend solutions to problems through analyzing the root causes and follow up on the corrective measures with relevant departments.
- Enforce the Q-Pulse system in order to eliminate bureaucracy and enforce automatic documentation.
- Coordinate training courses in internal and external audits.
- Prepare to hold periodic meetings with those involved in RJ's departments to discuss recommendations and assignments, before and after internal and external audits.
- Prepare periodic reports on the section's tasks and submit them to the Senior Management.

Main Achievements of the Corporate Quality Management Department for 2018:

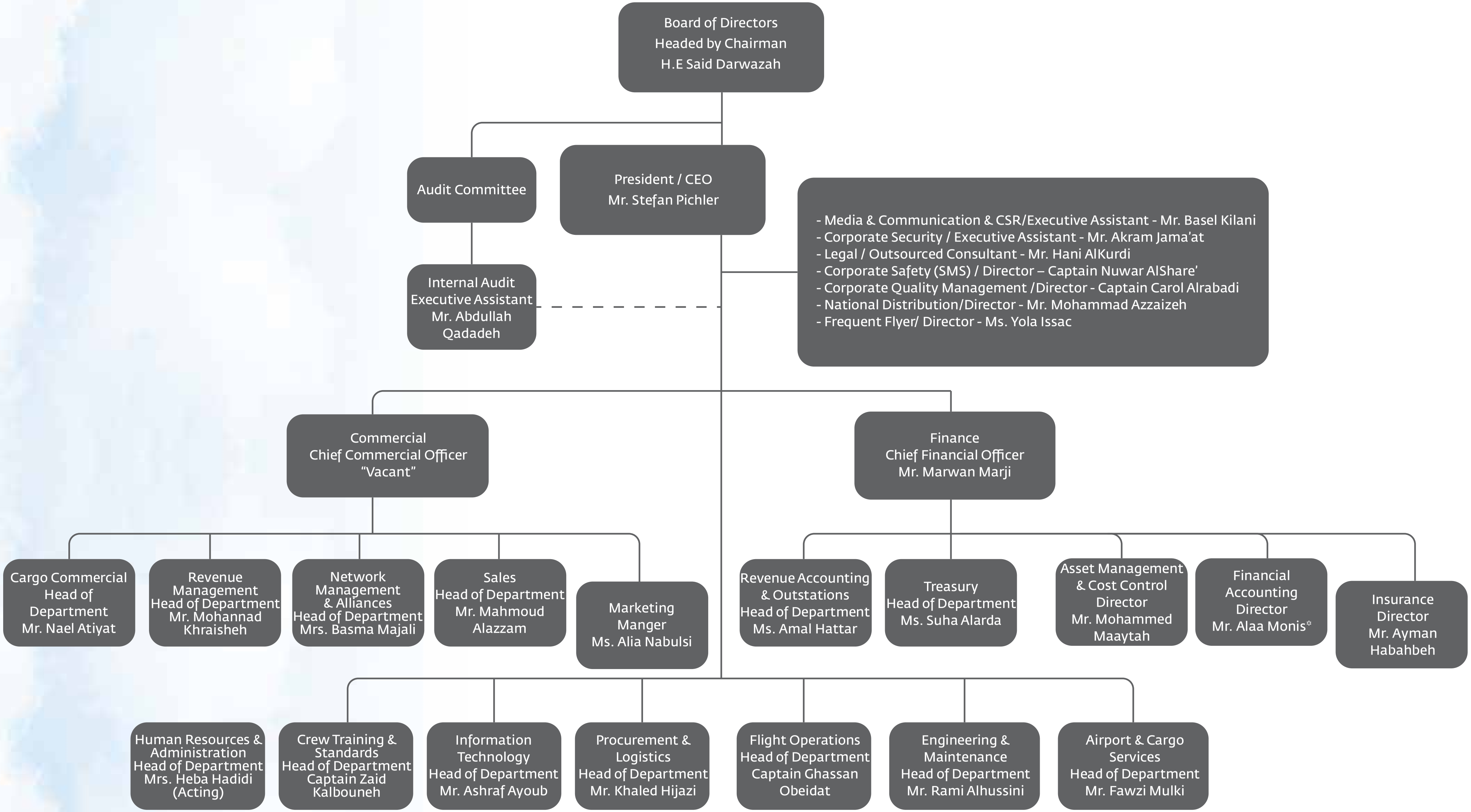
- Preservation of the certificates earned by RJ, which include: AOC annual renewal, IOSA certificate, ISAGO, etc.
- Keeping the SAFA ratio to a low cumulative level.
- Standardizing work procedures followed by different departments within the company.

Corporate Quality - Main Goals for 2019:

- Follow up on continuous improvements and implementations of work processes and procedures through organized internal and external audits.
- Satisfying our stakeholders' requirements and needs (Board of Directors, CEO/President, CARC) through performing quality checks that ensure RJ's internal policies and procedures are met.
- Maintain certificates earned by RJ.

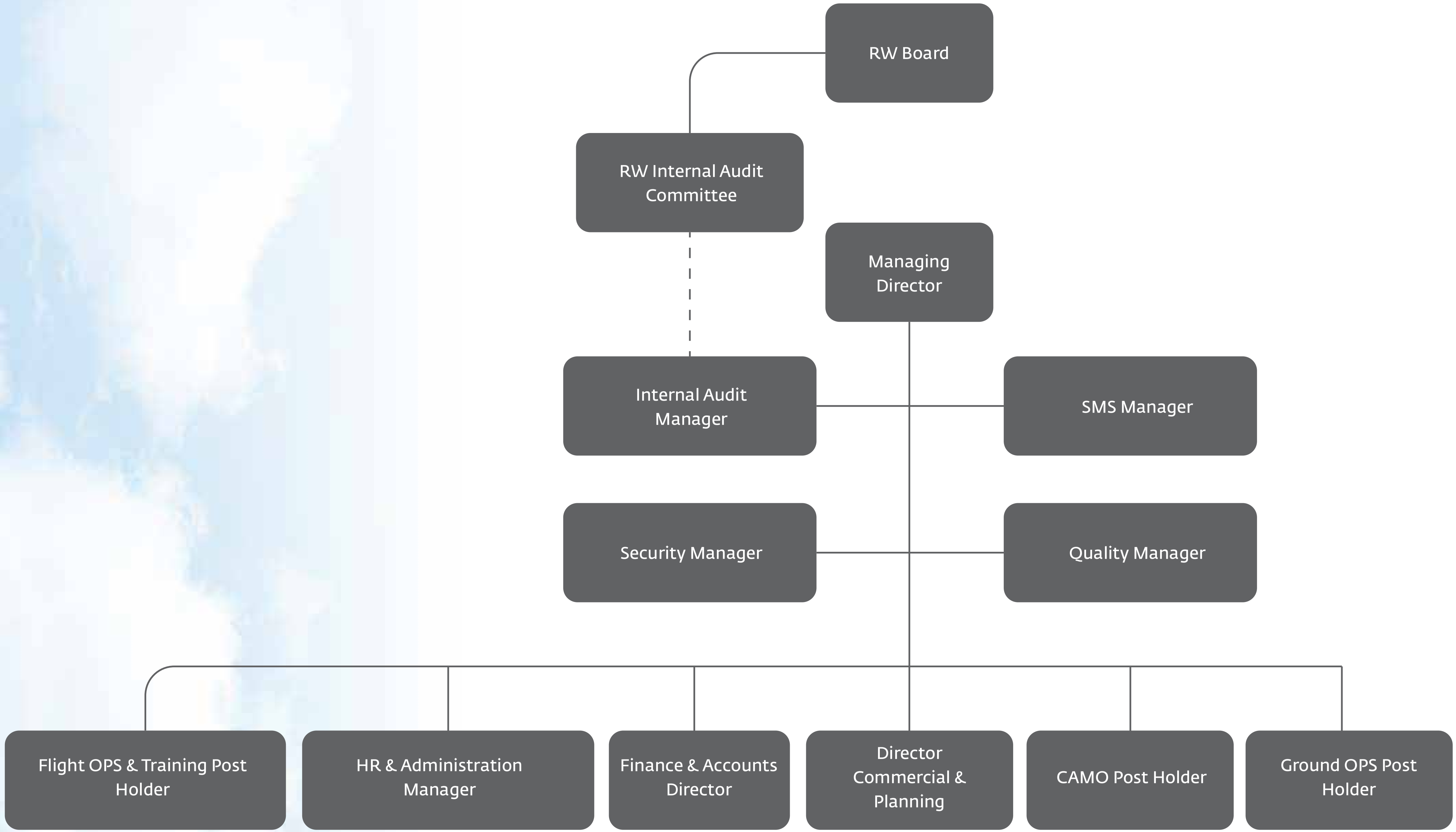
Corporate Organization Structure

RJ Corporate Structure as end of December, 2018.

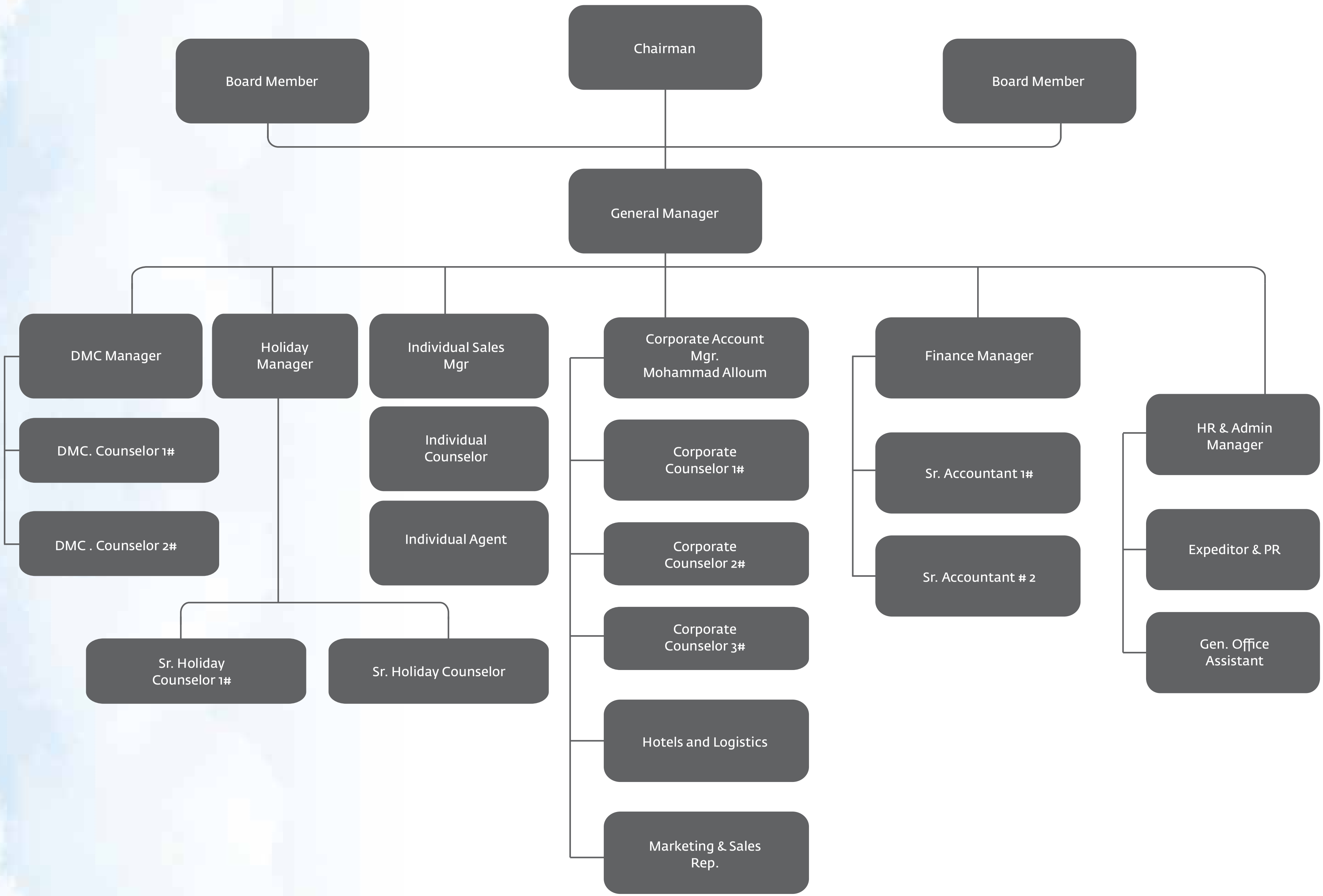


* Secondment from Royal Wings

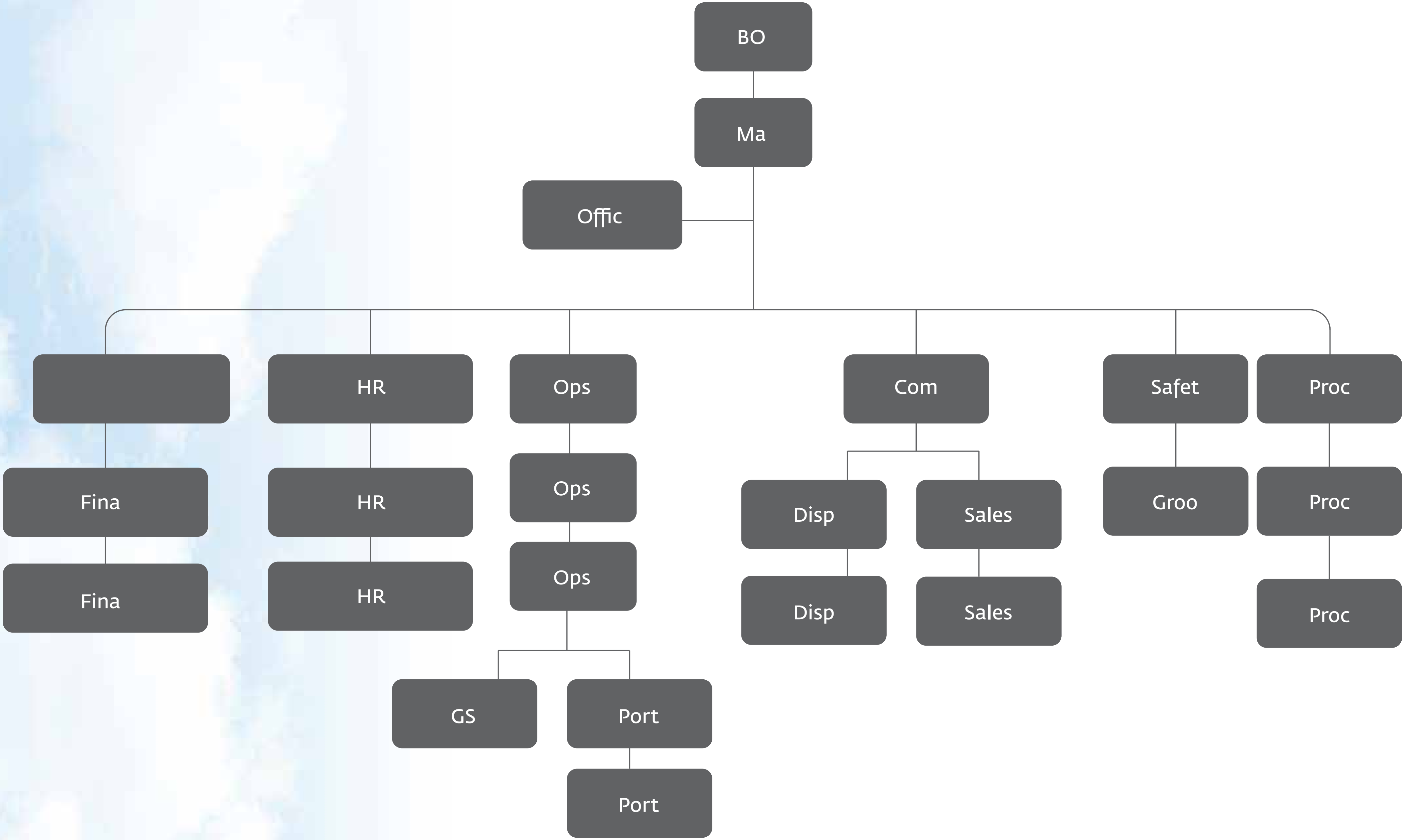
Royal Wings Corporate Structure as end of December, 2018.



Royal Tours Corporate Structure as end of December, 2018.



Tikram Corporate Structure as end of December, 2018.



Staff numbers and academic qualifications

Below is a table of staff numbers and qualifications in the parent and subsidiaries at the end of 2018:

Academic Qualifications	RJ	Royal Wings	Royal Tours	Tikram	Total
PhD	2	-	-	-	2
MA	82	1	-	-	83
BA	1585	10	17	41	1653
Diploma	609	15	4	-	628
High School	566	16	7	39	628
Below High School	944	48	-	68	1060
Total	3788	90	28	148	4054

Staff Training Programs

The company is committed to various training programs required by different aviation bodies, in addition to courses held for pilots, flight attendants and engineering and maintenance staff. These courses aim to improve the staff's levels of efficiency and maintain safety standards for RJ's passengers and aircraft. In 2018, the company provided their staff with training through 843 courses in which 7,971 staff members from different departments took part to improve their managerial, technical and computer skills. Courses in marketing, sales and passenger services were also provided.

Details of the courses and total number of staff who attended:

Course Title	No. of Courses	No. of Participants
Marketing, Sales, Passenger Services	354	3030
Technical Courses	468	4777
Managerial Courses	10	127
Computer, IT Courses	11	37
Total	843	7971

Risks

The company deals with various types of risks within a comprehensive risk management framework in accordance with the best international standards, traditions and practices. Risk management is carried out in cooperation between the Board of Directors and the Executive Management. The Board of Directors ensures that the Executive Management implements an efficient and effective system for internal control. The CEO, being at the top of the executive management, is responsible for risk management and the practices related thereto. The Chief Financial Officer is responsible for identifying financial risk, controlling, maintaining the quality of financial information and making sure that accurate financial statements are disclosed. The rest of the Executive Management shall identify risks in their departments and work on managing them within an institutional framework that defines duties and authorities for each one of them.

Risks which could have a substantial effect on the company during the coming year may be summarized as follows:

External Risks:

Geographical Location Risks

Most of RJ's operations take place within Jordan's borders; and all of its flights depart from Amman. As such, the Kingdom's geographical location poses as a challenge to the company, especially during these times when political and economic tensions are taking place in certain neighboring countries. The company must therefore adapt its operations to these difficult challenges.

Market Risks

Lately, competition with other airlines has intensified in the Arab region, particularly with the emergence of low-cost airlines. In order to meet this competition, the company prepared short and long-term strategies to limit the effect of these airlines on the company's market share. These strategies include: improving the standard of services provided, meeting passengers' satisfaction levels, simplifying travel procedures, providing more travel choices and benefiting from its **one**world alliance membership.

The world still suffers from the effect of the global economic crisis which has directly affected the performance of the air transport industry and reduced the volume of air traffic. In this context, the company initiated certain procedures such as opening new and promising markets, intensifying marketing activities on various routes and controlling expenses without affecting the quality of services provided.

Credit Risks

The company follows a clear credit policy in dealing with its sales agents around the globe. This policy entails providing bank guarantees by the agents in favor of the company. At present and in light of the existing economic circumstances, the company is following up on the agents' performance to protect its rights and avoid unforeseen situations that could affect any of the agents and the company's operations.

Fluctuation of Fuel Prices

The cost of fuel constitutes a large and escalating part of the company's operations' expenses. Fuel costs amounted to 19% of the total operational expenses during the year 2016. Therefore, any material change in crude oil and jet fuel prices can affect the operational results of the company substantially. RJ has therefore taken significant measures to deal with rising fuel prices; and this has been done through imposing fuel surcharge on tickets, focusing on increasing passenger numbers, managing revenue and maximizing the yield. This is in addition to signing fuel hedging contracts, which are considered as being the most suitable practice internationally for air carriers in this field.

Fluctuations of Interest Rates

The company is exposed to fluctuations in interest rates when entering lease contracts and medium and long term loans to finance expansion projects. Prior to inviting bids for facilities from banks, the company examines the risks of fluctuating interest rates and their effects on its operations. The company then determines the interest rates that best suit its objectives and future aspirations. The international interest rate in London and New York banks (LIBOR) was adopted as the basis for pricing all of the company's existing loans.

As part of the risk policy, the company examines interest rates of major currencies and their future expectations, in addition to the possibility of entering into interest rate swaps to reduce the risk of fluctuations and cost of borrowing.

Fluctuations of Exchange Rates

The company is exposed to changes in the rates of exchange between the Jordanian Dinar and other currencies. Most of the company's revenue comes from ticket sales abroad and in the local currency of each country. In order to reduce the effects of fluctuating exchange rates of foreign currencies on the company's operations, the company reconciles the revenues and the expenditure of each currency separately. Any surplus will be converted to JD or USD depending on the needs of the company, within a clear policy based on market study and trends. Next to the USD, Euro and Sterling form the major part of the company's revenue, as well as the JD which does not constitute any risk since its exchange rate is tied to the USD.

Internal Risks

Electronic Systems Risks

In light of the accelerating development in the field of electronic systems, we face a new risk that has the capacity to adversely affect the electronic systems used in the company's operations. These systems must be updated continuously to ensure their efficiency and ability in keeping up with new requirements, especially in the field of aviation. The company has therefore introduced advanced and efficient electronic systems. A specialized team are assigned to follow up on the systems' performance to ensure their continuous safety, efficiency and quality of output.

Purchasing Risks

The company purchases several types of raw materials and spare parts that are necessary for the airline's business. Any delay in supplying the company with these materials or spare parts might interrupt the flow of operations and consequently end up having big losses. To avoid such situations, the company updates the purchasing mechanism continuously and maintains its relations with all suppliers in Jordan and abroad. As a result, the company entered into a number of insurance contracts to limit the risks that could affect its performance.

Financial Effect of Non-Recurring Operations

RJ's operations are recurring. There is no financial effect to operations of non-recurring nature which happened during the financial year and is not included in the company's main activity.

Timetable of Realized Profit or Loss

Description	YEAR				
	2018	2017	2016	2015	2014
Realized Profit/Loss (JD'000)	(5,857)	274	(24,571)	16,033	(39,638)
Dividends	-	-	-	-	-
Shareholders' Equity (JD'000)	116,478	100.335	75,111	49,708	(15,835)
Share Price (end of year)	0.37	0.44	0.44	1.14	0.68

RJ's Achievements During 2018

In 2018, RJ continued, to implement the five-year turnaround plan that was launched in the second half of 2017 and that consists of four main pillars:

1. Becoming the number one airline in the Levant.
2. Achieving sustainable profitability.
3. Becoming a "Customer Champion".
4. Being the "Employer of Choice" through employing a talented workforce.

This strategy has showed positive results at different levels: a significant drop in losses, growth in revenue, increased numbers of passengers, seat load factors and uplifted cargo.

RJ also continued its journey towards excellence in aviation services and the air transport industry by implementing plans and programs in all fields and actively promoting the company and its air and ground services, with a view to enhance its position regionally and globally.

As Jordan's national carrier, RJ is a key contributor to Jordan's growth and development. This role is strengthened by its distinguished reputation, high operational safety standards, a fleet that flies across four continents and well-trained Jordanian personnel. All these elements are what ultimately help RJ contribute to the Kingdom's GDP.

• Route network:

RJ is pursuing a business strategy that focuses on increasing revenues by providing more flexibility on its network segments in order to match seat capacity to destinations and flight frequencies, with a focus on the number of passengers flying during different seasons of the year.

The company continuously revisits its route network to improve its connectivity and strengthen its operational position. It also operates an aircraft fleet that has an efficient flight schedule and helps achieve profitability.

In early June, RJ added three flights a week to Copenhagen, Denmark, to boost the company's presence in Scandinavia and Northern Europe and stimulate tourism to Jordan. This route carries travelers between the two countries and neighboring countries as well. The route also supports the movement of tourism and trade, business and transit, particularly considering that Copenhagen Airport is the largest and busiest airport in the Nordic countries; not to mention that it serves many cities in the Scandinavian peninsula, particularly southern Sweden.

On April 1st, 2018, RJ resumed flights between Amman and the cities of Erbil and Sulaymaniyah in Iraq.

- Codeshare agreements

In August 2018, RJ and Tunisair signed a free sale codeshare agreement whereby Tunisair markets RJ flights and places its carrier code on flights running between Amman and Tunis.

RJ expanded its codeshare agreements with Turkish Airlines, Malaysia Airlines and Oman Air, providing the passengers on these airlines the chance to fly to additional destinations more conveniently and with competitive fares.

The expansion of the codeshare agreement with Turkish Airlines and Malaysia Airlines added eight new cities to RJ's passenger list of potential destinations: three beyond Istanbul to Milan, Sofia and Sarajevo, and five beyond Kuala Lumpur to Singapore, Langkawi, Penang, Sydney and Melbourne.

RJ also improved its codeshare agreement with Oman Air, whereby Oman Air markets flights from Muscat to Beirut via Amman. RJ passengers have the possibility to travel from all destinations and connect their flights to Muscat with Oman Air.

RJ also expanded its agreement with codeshare partner Qatar Airways (QR) to include Johannesburg and Dhaka.

RJ has 17 codeshare agreements with global airlines, including agreements with **one**world carriers and with Arab and international airlines. These include: American Airlines, British Airways, Iberia, Qatar Airways, Siberia Airlines, Malaysia Airlines, SriLankan Airlines, Turkish Airlines, Oman Air, Middle East Airlines, Alitalia, Tarom, Gulf Air, Syrian Air, Tunis Air, Meridiana Fly Airlines and Etihad Airways.

- Codeshare agreements with land transportation companies:

RJ is keen to serve and expand its route network to provide its customers with various services beyond air transport.

To this end, RJ signed a bimodal partnership agreement with SNCF's (French National Railway Company) TGV AIR, whereby RJ passengers benefit from a pre and post-transportation service by TGV from Paris-Charles de Gaulle airport in 19 French cities and one Belgian city: Aix en Provence TGV, Angers St Laud, Avignon TGV, Bordeaux St Jean, Champagne TGV, Le Mans, Lille, Lorraine TGV, Lyon, Marseille, Montpellier, Nantes, Nimes, Poitiers, Rennes, St Pierre Des Corps, Strasbourg, Toulon, Valence TGV and Brussels (in Belgium).

This TGV AIR railway service offers passengers the opportunity to travel to destinations covered by TGV based on a single, combined, TGV and RJ ticket, with a single fare and a single reservation for a great price.

A new partnership has also been conducted with CarTrawler, the world's leading car hire aggregator.

Through this cross-selling partnership, customers now have access (through www.rj.com and the airline's mobile app) to CarTrawler's global network, which is utilized by 100 international airlines and 2,000 travel retailers globally.

• Fleet modernization:

As part of its 5-year turnaround plan, the company plans to increase its aircraft fleet and operate a single type of aircraft for all narrow-body fleet, currently acquired from two aircraft manufacturers, considerably reducing expenses on maintenance, spare parts and training. Additionally, the airline will add more economy class seats by cutting down the number of Crown Class seats in its narrow-body planes, therefore increasing the earning capacity, whilst keeping a comfortable seat pitch in both classes.

Ongoing negotiations between RJ and four manufacturers (Boeing, Airbus, Embraer and Bombardier) are still taking place. The airline is planning to introduce four aircraft and replace 19 others gradually. Thus, the fleet will grow to reach 30 planes by 2021, seven of which are currently operating 787s.

The Dreamliners enhanced RJ's regional and international competitiveness; and acquiring them was a step that helped push Jordan's national carrier forward in terms of inflight services and route network.

• Continuous sales promotions:

In 2018, RJ adopted an approach that seeks to enhance communication with the public through the implementation of a series of continuous sales promotions, in line with its turnaround plan, which enables travelers to plan and purchase tickets at reduced rates. The objective of these strategic sales promotions is to place RJ as a "Customer Champion", making it the number one carrier in the Levant. It has been proved that a large number of RJ's global customers benefited from them.

The Commercial Department held 22 sales promotions in 2018, offering between 25% and 70% lower ticket prices. The promotions were placed on all RJ sales channels, including RJ's sales offices, contact center, airline website and mobile app; and through travel agents worldwide. Some of the offers were only available on rj.com and the mobile app.

RJ chose different occasions for these sales campaigns (national or social events, Eid or RJ-related occasions), offering its customers exceptional fares and demonstrating the airline's partaking in the festivities celebrated by the Jordanian and international public. Such occasions included: Mother's Day, Valentine's Day, Jordan's Independence Day, the Holy Month of Ramadan, the Big Summer & Autumn Sale, Black Friday, RJ's 55th Anniversary, Christmas, New Year, Super Saver, Fabulous February Fares sales and Happy Friday (offered every Friday).

RJ used different platforms to promote these campaigns, including social media channels, newspapers, websites, radio, TV stations and billboards.

• Engineering and Maintenance

- Component Services Contract with Spairliners:

RJ signed a component services contract with Spairliners, the leading Integrated Component Care provider for Embraer E-Jet and Airbus A380 aircraft. The contract covers the component supply and repair management of RJ's E-Jet fleet, whereby Spairliners will supply RJ's fleet from its component pool and logistic hub in Paris, France, as well as its central spare parts warehouse in Munich, Germany. The contracted services include: streamlined supply chain management, pool access, repair management and tailored logistics services for Line Replaceable Units of RJ's E175 and E195 aircraft fleet.

- International Airlines Technical Pool (IATP):

RJ activated its role as a pool provider to the International Airlines Technical Pool (IATP). RJ is a long-standing IATP member and to perform this task, RJ offers parts of its inventory to other airline members.

To this end, the Material Section of the Engineering and Maintenance Department revised its outstations' procurement procedures and included IATP providers in these stations. It also offered part of its inventory from Queen Alia International Airport and Baghdad International Airport station to the pool, and this, in turn, serves as an extra source of revenue for the airline without compromising the level of services required by the company's aircraft.

IATP members share aircraft recovery kits, aircraft parts and tools, ground-handling equipment, manpower and facilities. This leads to lower inventory expenses for aircraft parts than if they were to have a dedicated inventory at the outstations.

– Technical handling agreements signed with four airlines:

RJ continues to bring in more revenue by reaching agreements and contracts with other airlines in the field of aircraft maintenance. In 2018, RJ signed technical handling agreements with four airlines: Turkish Airlines, flydubai, flynas and GulfAir.

RJ offers technical handling services to the aforementioned carriers at Baghdad International Airport and Basra International Airport, in addition to RJ's base station: Queen Alia International Airport. The handling services include: aircraft arrival and departure procedures, maintenance checkups such as pre-flight and transit checks. The services also include: defect troubleshooting and rectification in accordance with RJ's procedures, the customer's standards and applicable regulatory requirements.

• IT systems

In 2018, RJ started using advanced electronic systems to increase its ability to track the movement of its aircraft and optimize its flight network in order to keep abreast of modern advances and the expansion of air transport industry services. By making use of the latest solutions, RJ is in line with the accredited technical systems and global aviation sector. These IT systems also include innovative solutions that improve operational processes and provide excellent services to airports and passengers on board.

– Amadeus IT solutions:

RJ will witness a significant digital transformation through its new-term partnership with Amadeus IT Group.

The airline has signed for the full Amadeus Altéa suite, meaning its critical systems, including reservation, inventory and departure control, will be moving onto Altéa technology. The airline also renewed its distribution agreement with Amadeus. The new agreement will support RJ's efforts to enhance their customer experience from the moment they plan to book their flights until they board the aircraft.

The innovative solutions will make the travel experience seamless by providing passengers with more options such as paying for services at the airport, or paying a small fee to lock in a fare at a particular price when they book online.

- Self check-in:

RJ passengers can now self check-in at Queen Alia International Airport using the Common Use Self Service (CUSS) kiosks, available in the "departures" terminal.

Passengers' boarding passes and luggage tags can now be issued without queuing at the check-in counters in just 60 seconds.

Passengers flying on RJ and departing from QAIA can check themselves in for all routes. Exceptions include: flights to North America and London, due to security procedures.

The kiosks provide other services as well, such as: passport-detail verification, flight number and departure time, seat selection, Royal Club mileage calculator and the accrued awards. Members of a group/family can check-in together at the same time.

- World Tracer, baggage tracking system:

RJ enables customers to manage their baggage claims and provide them with better guidance regarding baggage inquiries. The service on RJ's website allows customers to check on their delayed baggage status online through the World Tracer website.

Customers can file a baggage claim at RJ's Baggage Services Unit. Upon arrival at Queen Alia International Airport or other airports, the Baggage Services staff will guide them by using the World Tracer website where they can track their luggage, revise its specifications (color and bag content) and provide their addresses and the most suitable time for the baggage to be delivered.

- Enhanced RJ website:

RJ completed Phase 1 of the performance-based enhancement on RJ's site in partnership with Tanasuk Technologies, revealing a complete transformation from RJ's previous content-management system to the new and improved Sitecore Experience Platform.

So far, the Tanasuk team migrated over 200 pages across six different languages on RJ's website.

This exceptionally sophisticated platform makes it possible for RJ to satisfy its customers with many flexible online touchpoints. Additionally, it complements RJ's marketing and digital tools, enabling customers to access a much faster and more advanced website.

The next phase will consist of a complete data-migration process, whereby all of RJ's historical data from various sources and platforms will be consolidated and migrated using different Sitecore omnichannel experiences.

- Revamped RJ Staff portal:

RJ launched the revamped its staff portal rjstaff.rj.com with added features, offering employees better administrative services and browsing experiences. It provides all the needed information and services to RJ employees in Jordan and outstations easily and with a user-friendly interface.

The staff members can access all work-related information, including the corporate structure, vacancies, annual leave forms and balances, daily attendance, provident funds, salary slips, HR circulars, the "Update from the CEO" newsletter and RJ logos.

RJ employees can also use the self-ticketing feature on the RJ staff portal using the "MyID Travel" system used by various international airlines.

With this service, RJ's current and retired employees will be able to self-book and issue their discounted tickets online, at any time and from anywhere, when travelling with other airlines under the Z-Agreement. RJ has such agreements with around 30 international airlines listed on the website.

The website for RJ retirees has also been finalized, giving them access to all information and services in an easier and faster way.

• Air Cargo

Air cargo is RJ's second major source of revenue. The company continues its efforts to improve revenues generated by cargo operations on RJ aircraft or through partnership agreements with regional and international entities or other airlines. RJ also focuses on projecting Jordan as a regional distribution hub, aided by the country's strategic geographic location, to connect the different regions of the world and seek promising markets in this sector.

– Supporting Jordanian exports and facilitating imports:

RJ owns 40% of the local market share of air cargo and is always keen to increase this percentage. It transports various types of goods on freighters and passenger aircraft. In 2018, RJ exerted much effort to enhance ways of cooperation with exporters of Jordanian fruit and vegetables in finding potential European markets for Jordanian exports. The company also exerted their efforts to find the most suitable mechanisms of exporting perishables to the world, which include: facilities needed, the use of freighters, transportation of delicate goods and Jordanian imports of meat from Romania and London in a manner that benefits both importers and exporters. RJ also studied all alternatives and costs at reception points in Europe that guarantee the competitiveness of the Jordanian product in these markets, where they are very well received.

RJ transported big amounts of fruit and vegetables from Cairo to Europe and renewed its exclusive deal with a local cargo general sales agent, whereby RJ's A310 freighter carries strawberry crops from Amman to Maastricht and onboard passenger aircraft to London. From London, the strawberries are transported to other parts of Europe by trucks.

This step was taken out of RJ's keenness to support Jordanian exports of perishables to world markets, securing fast shipping that helps them arrive at the destinations in the best condition.

In addition, RJ concluded agreements with Indian airlines to transport freight from different cities in India, including Mumbai, to Doha airport, from where the shipments are transported on RJ flights to Amman and farther on to different destinations on RJ's extensive route network.

As for mail and courier services, the Dutch Post, the American Post and some European offices now use RJ's network to transport e-commerce goods from these stations to all RJ destinations. RJ was able to boost connectivity of e-commerce goods between the Far East and the Arab Gulf.

• Passenger Services

RJ constantly endeavors to enhance the services it offers its passengers on board, specifically food services, to suit different tastes. It recently upgraded the meals featured in the Crown Class. The enhancement included introducing new appetizers and dessert plates that pair well with the choices of hot meals RJ serves onboard.

RJ also brought back its "Cheese Board" service on board its medium to long-haul flights. Business Class passengers can enjoy a selection of cheeses offered after the hot meal, which is served alongside a choice of garnishes, including nuts and fruits, in addition to a selection of bread and crackers.

For economy class passengers, the snack box contents were upgraded: the bread and types of cheeses used for the sandwiches were changed to ensure that these snacks appeal to all tastes and remain fresh throughout the catering uplift process and during the flight.

RJ added a premium service for its Crown Class passengers, designating a VIP shuttle to transport these guests across the tarmac to the airport terminal when the aircraft is parked at remote stands.

• Frequent Flyer Program - Royal Club

RJ launched an all-new frequent flyer program that offers frequent travelers a more rewarding, attractive and flexible package carrying the name of Royal Club, replacing the old "Royal Plus". Moreover, Platinum Hawk, Gold Sparrow, Silver Jay and Bronze Sunbird are now the new names of Royal Club membership tiers, which represent a more Jordanian identity.

Through Royal Club, RJ also enhances the members' online experience and services since members can now purchase, transfer, gift and donate miles online. Members can now purchase miles either online or through RJ offices to top up their accounts with the award miles needed to qualify for the award of their choice; or they can present them to another member as a gift by crediting the purchased miles to the chosen member's account. Moreover, members can now transfer miles easily between any two accounts, any time, whether online or offline, for a set transfer fee. Royal Club members can also use their miles to help cancer patients by donating their miles to King Hussein Cancer Foundation and Center.

The Family Club Program, which is part of the Royal Club, is a testimony to RJ's keenness to satisfy the club members by giving the head of the Family Club account extra flexibility to include his/her extended family members in the account. This allows them all to qualify for the award of their choice in a faster manner.

RJ also offers Royal Club members the opportunity to shop through its online store (royalclubrewards.rj.com), giving loyal customers a brand new shopping experience.

Royal Club members can redeem their miles for commercial products via the new online store. They will now be able to benefit from multiple innovative and engaging redemption opportunities worldwide. The customized global rewards catalogue consists of over 500 products and 100+ internationally recognized premium brands ranging from the latest high-tech products and fashion accessories, to home decor and much more.

For Royal Club members to redeem their miles on the e-store, not only will they be able to spend their miles, but they can also pay using a combination of miles and cash, making the rewards more accessible.

Awards and Recognitions (2018):

– RJ listed among the top 20 safest airlines in the world:

RJ was listed as one of the top 20 safest airlines in the world, according to the annual list of the world's safest airlines released by AirlineRatings.com (an Australian based aviation analysis website). The safety rating system of this list was developed with the help of the United Nations' International Civil Aviation Organization (ICAO).

The top 20 safest carriers were selected from a pool of 409 airlines based on their compliance with international regulators, the age of their aircraft fleet, fatality record over the past 10 years, their IATA's safety audits results and whether or not their countries of origin conform with ICAO's safety parameters.

– Four-Star Major Regional Airline APEX Award:

The Airline Passenger Experience Association (APEX) awarded RJ the "2019 Four-Star Major Regional Airline" honor for the second year in a row.

The 2019 APEX Official Airline Ratings are based solely on the passengers' feedback of the airline's using the TripIt mobile app, the world's highest-rated travel-organizing app.

– Ranked 4th place among Middle Eastern airlines in terms of punctuality:

RJ ranked fourth in terms of punctuality among Middle Eastern airlines last year, with a 77.13% on-time performance rate, according to OAG's Punctuality League study.

The airlines that qualified in the Punctuality League have flight status data for at least 80% of all scheduled flights operated. OAG also gauges on-time performance of flights that arrive within 15 minutes of their scheduled arrival/departure times.

– Award for Excellence in Driving Revenue:

RJ was highly commended by SimpliFlying Award for Excellence in Social Media, in the "Best Airline in Driving Revenue" category, because of its innovative and targeted campaigns on social media that generate sales. SimpliFlying is committed to spotting the best social media practices in the aviation industry.

Tikram achievements in 2018:

-Signing 40 corporate agreements:

Tikram signed 40 corporate agreements with different companies interested in the services offered to travelers, including travel agencies, commercial banks, hotels and several other organizations and local educational institutions.

-Launching Tikram website:

In September 2018, Tikram's website www.tikram.jo was launched in an effort to promote Tikram and increase its exposure to the public.

The user-friendly website is a great way to provide departing and arriving passengers with information about services and their prices, in addition to promotions the company offers. Pre-bookings of Tikram services increased from 7% to 9% in 2018, meaning that the company is earning the confidence of customers who are more and more inclined to book Tikram meet and greet services ahead of time.

-Social media channels:

Tikram opened its social media accounts on Facebook and Instagram to communicate better with the public.

-Media promotion:

Tikram partnered with Rotana Radio and Amman TV to broadcast daily promotional ads.

-Six Tikram reception booths:

Tikram has 5 booths in both departure and arrival terminals, which are re-decorated to be more eye-catching and appealing to the travelers; and one booth at the City Terminal/7th circle.

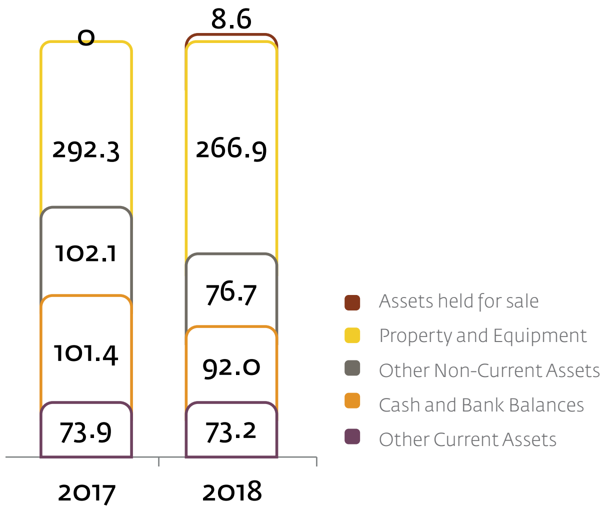
The qualitative leap in the services Tikram offers QAIA guests led to a great performance in 2018, with the company registering net profits in 2018 against net losses in 2017.

Analysis of Company's Financial Position and 2018 Business Results

Analysis of the Financial Position

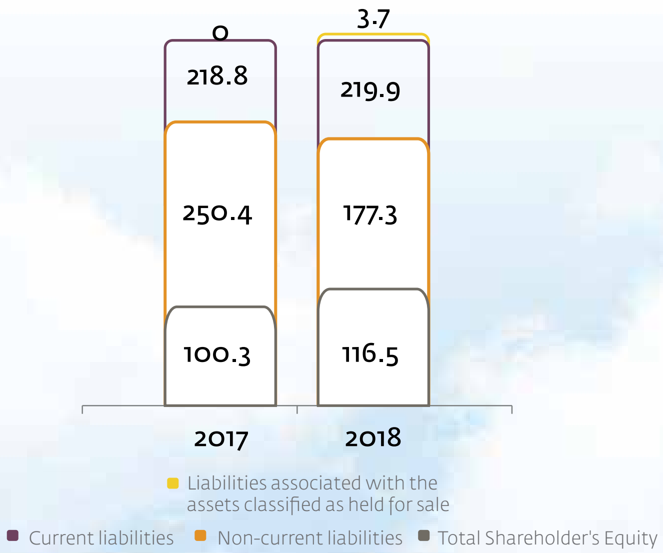
Assets

Total assets decreased by 9% over 2017 (JD 52 million) basically from advances for the purchase of Boeing 787 aircraft item with amount of JD 31 million, as a result of the refund of purchase of the eighth aircraft after the company re-marketed it. Current assets decreased as a result of the decrease in cash and bank balances amounting to JD 9 million compared to those of 2017.



Equity

Total shareholders' equity increased by 16% over the year 2017 (JD 116.5 million) compared to (JD 100.3 million) in 2017. During 2018, the procedures related to the subscription of 100 million shares were completed at a price of JD 0.39 per share and with a total of JD 39 million. The company has completed the registration procedures for the amount of JD 11 million during the month of January 2019 and thus, the company has completed the subscription in the first half of the second phase. The company's capital has therefore become 274.6 shares / JD.



Liabilities

Non-current liabilities decreased by 29% during 2017. This decrease mainly occurred due to the company's commitment to repay the bank's syndicated loan that amounted to JD 47 million and the decrease in the loan balance. Current liabilities also decreased slightly from the previous year to constitute 43% of total liabilities and equity.

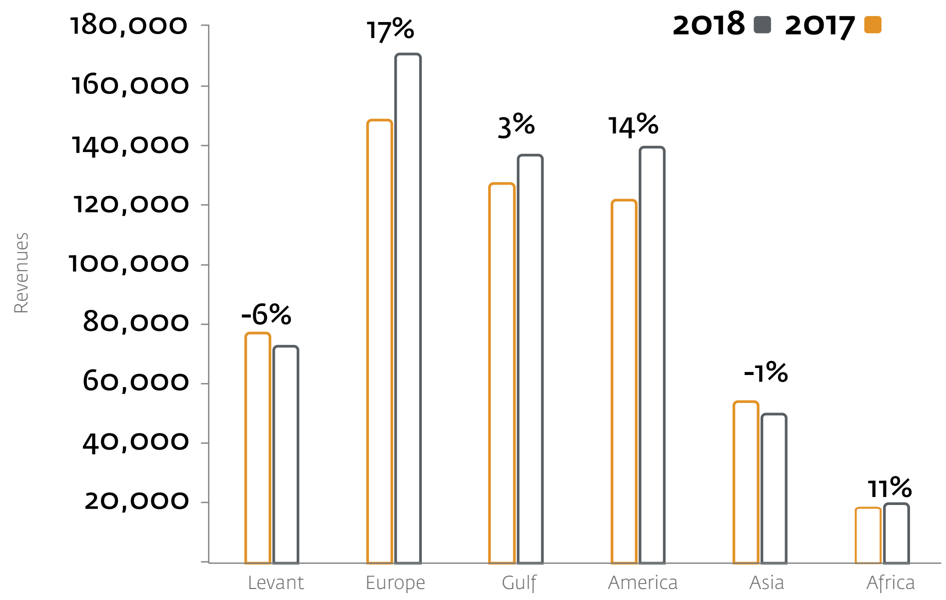
Analysis of Business Results

Revenues:

Total revenues for the year 2018 amounted to JD 653.3 million compared to JD 605.8 million in 2017, indicating an 8% increase. The main reason for the growth in revenues is the increase in the number of passengers transported by the company in 2018 by 4%, in addition to the increase in the average price of tickets by 5%. The company's revenues from cargo sales and storage increased, in addition to the growth of other revenues resulting from additional services by 8.8%, 13.3% and 13.4%, respectively.

The following diagram shows the geographical distribution of revenues and the variation between 2017 and 2018. The company's revenues in all regions increased at different rates compared to 2017. This increase mainly stems from Europe, with a value of JD 24.7 million.

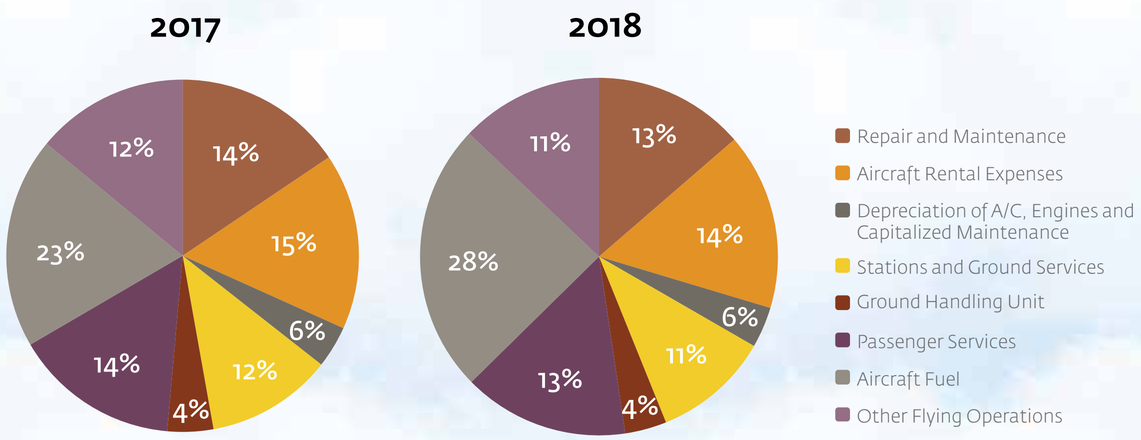
% Change in Geographical Distribution between 2017-2018



Cost of Revenues

Operating costs in 2018 increased by 7% compared to 2017 as a result of the 31% increase in the cost of fuel against 2017, equivalent to JD 83 million; in addition to the increase in consumption by JD 3 million due to the capitalized aircraft maintenance.

The following graph shows the breakdown of operating costs as a percentage of total costs in 2018 and 2017:



Gross profit and net operational profit

The total gross profit in 2018 increased by 13.7% compared to that of 2017 as a result of the increase in revenues by JD 47.5 million, the increase in seat factor, passenger numbers, revenues from freight, as well as added services.

Net operating profit for the year 2018 was JD 19 million compared to an operating profit of JD 13 million in 2017.

Net Loss

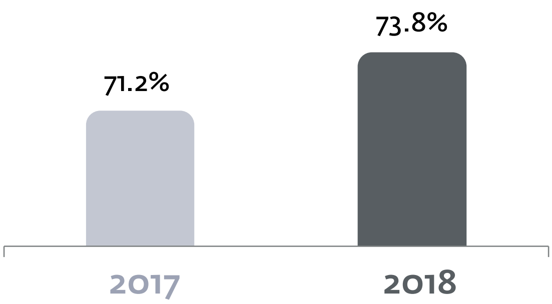
The company recorded a net loss of JD 5.9 million in 2018 in comparison to a net profit of JD 274,000 in 2017. This is caused as a result of the significant increase in the fuel bill, in addition to other factors that had a negative impact on the results, including losses due to the decrease in the exchange rates of some currencies, especially the Sudanese pound. The loss experienced by the Royal Wings Company is also another factor. The decline in the exchange rates of some currencies and the Sudanese pound inflicted RJ with a loss of JD 4.2 million. Royal Wings (owned by RJ) incurred a loss of JD 3.9 million in 2018 and was classified under discontinued operations.

Our Financial and Operational KPIs for 2018

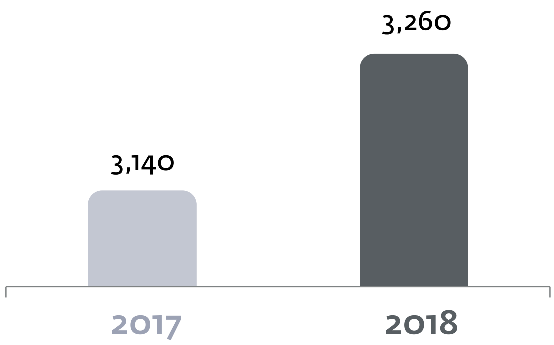
Our Operational KPIs

The seat factor increased by 2.6 points to 73.8% in 2018, which is the highest rate RJ has ever recorded in the past ten years:

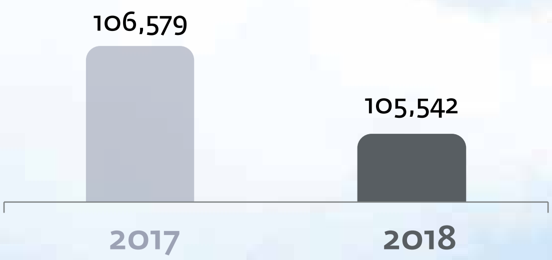
Seat factor



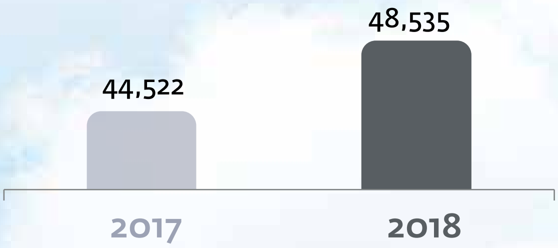
Number of Passengers ('000)



Flying Hours



Cargo (Kilograms)
Chargeable Weight(' 000)



	2018	2017	Variance %
Revenues	**653,300**	605,781	8%
Gross profit	**90,391**	79,451	14%
Net Operating Profit	**19,011**	12,947	47%
Net Profit (Loss)	**(5,857)**	274	-
Non-Current Assets	**343,554**	394,339	13-%
Current Assets	**165,182**	175,251	6-%
Total Shareholder's Equity	**116,478**	100,335	16%
Paid in Capital	**246,405**	146,405	68%
Net Cash Flow from Operating Activities	**24,440**	21,021	16%
Return on Paid in Capital	**2.4-%**	0.2%	-
Return on Assets	**1.2-%**	0.0%	-
Current Ratio	**0.75**	0.80	6-%
Debt to Total Assets Ratio	**77.5%**	82.4%	6-%
Equity to Total Assets Ratio	**22.5%**	17.6%	28%
Debt Ratio	**66.7%**	73.8%	10-%
Share Price at End of Year (JD)	**0.37**	0.44	16-%
Earnings per Share	**(0.0250)**	0.0017	-
Number of Shares paid and subscribed at End of year ('000)	**246,405**	146,405	68%

Company Future Developments in 2019

The airline always reviews its network, normally through feasibility studies that are conducted regularly to look for new opportunities and enhance the current network in a profitable manner.

RJ is also committed to following up on its plans to adjust the number of departures to the current destinations, in addition to increasing the effectiveness of linking its flights from and to Amman by adjusting the transit time as per the needs of transit passengers. Some routes had to be suspended for safety reasons, these include: Misurata, Tripoli and Benghazi in Libya, Mosul in Iraq, Sana'a and Aden in Yemen. Suspension continues on RJ's services to Damascus and Aleppo in Syria due to the political circumstances.

RJ will continue to serve most of its current routes in 2019. These routes will cover 52 destinations worldwide, served by 373 weekly departures: 84 departures to Europe, 7 to Asia, 134 to the Arabian Gulf, 117 to the Levant, 20 departures to North America and 11 departures to North Africa.

Fleet Future Plans

In its policy and strategic plans for the continuous modernization of its fleet, the company introduced several modern aircraft: Boeing, Airbus and Embraer. In 2017, the company introduced the 7th Boeing 787. The seventh aircraft of the same model arrived in January 2017. These fuel-efficient planes replaced all Airbus 330/340 fleet to operate on long and medium-haul routes: North America, East Asia and London.

This quality addition reduced the average age of RJ's fleet, giving a competitive advantage to the airline.

The company is always keen on introducing new aircraft as part of its policy to maintain adequacy and efficiency of fleet operations through continuous modernization and for the sake of maintaining a young fleet. This, in turn, reduces the cost of maintenance. In 2019, the company aims to decide on modernizing the narrow-body fleet serving medium and short-haul routes to Europe, Africa, Gulf and the Levant. This decision will reduce the overall variable, fixed and maintenance costs accumulated from this fleet, resulting in lower costs per seat.

This fleet modernization shall enhance the company's competitiveness in the region as these modern aircraft will provide compelling services to passengers.

In 2019, the company's fleet will consist of:

Type of Aircraft	No. of Aircraft in 2019
Boeing 787	7
Airbus 321	2
Airbus A320	7
Airbus 319	5
Embraer 195	2
Embraer 175	2
Airbus A310 (cargo)	1
Total	26

Future Plans: **one**world Alliance and Code Sharing

Since joining the **one**world alliance in 2007, RJ has been working to strengthen its relations with its partners. RJ will also cooperate and coordinate with the alliance members and with those who have codeshare agreements with RJ. The company will contribute to the success of joint projects as well, with the aim of reducing costs and exchanging experiences among the companies of the alliance, all of which provides RJ passengers with more than 1,000 extra destinations to and from Amman.

In 2018, RJ also enhanced the benefits derived from some code-sharing agreements with several companies in the alliance, through increasing the number of destinations included in the agreements. These include: American Airlines, British Airlines, Siberia Airlines (S7), Iberia, Malaysian Airlines, and Qatar airways. These are in addition to the airline's previous agreements with Tarom Airways, Syrian Airlines (currently not operating due to the situation in Syria), Gulf Air, Oman Air, Middle East Airlines, Alitalia, Turkish Airlines and Tunis Air.

Important Future Developments

Ongoing studies are currently taking place to develop the medium and short-haul fleet. Network improvements and partnerships are under development using the new network planning systems implemented in 2018 to develop and enhance the company's network, planning on the medium and long-term periods.

Audit Fees

Audit fees for RJ and its subsidiary Royal Wings in 2017 were as follows:

- RJ audit fee JD 81,200 inclusive of tax.
- Royal Wings audit fee 13,920 inclusive of tax.
- Royal Tours audit fee2,320 inclusive of tax
- Tikram (Mashreq flight services) JD 8,120 inclusive tax.

Shares Owned by the Board of Directors

The below table indicates the Board of Directors, their relatives and their shares, compared to last year:

Name	Number of shares as of	
	31.12.2018	31.12.2017
HE Said S. Darwazeh	-	-
HE Basem K. Al-Salem	-	-
HE Nasser S. Shraideh*	-	-
HE Sami Dawud	-	-
HE Dr Abulhakim Al Shibli	5,000	5,000
HE Capt. Suleiman R. Obeidat	3,406	3,406
HE Nizar Khoury	-	-
HE Mr. Imad J. Al-Qudah	-	-
HE Mr. "Mohammad Ali" Bdair	7,699	7,699
HE Mr. Michael N. Nazzal	5,000	5,000

Securities owned by relatives of members of the Board of Directors by the end of 2018.

Member Name	Relative Name	Relation	Shares owned
Said S. Darwazeh	Mazen S. Darwazeh	Brother	77,248

Shares Owned by Senior Executive Management

There are no securities owned by either members of the Senior Executive Management or their relatives during 2018.

Board of Directors Benefits and Remunerations

Below is a table of remunerations and benefits received by the Chairman and Board members in 2018 in JD:

Name	Title	Appointment/ Resignation date	Rep. Allowance Transport Allowance (Annual)	Annual Remunerations	Travel Allowance	Total Annual Benefits
HE ENG. Said Darwazeh	Chairman	From 20Jun2016	-	-	-	-
H.E ENG. Basem Khalil al-Salem	Vice Chairman	From 17Apr2016	5,500	-	-	5,000
H.E Dr. Izzidin Knakriya	Former Vice Chairman	Until 08May2018	2,500	-	-	2,500
H.E. Dr. Abdelhakim Shibli	Former Vice Chairman	From 08May2018	3,000	-	-	3,000
H.E. Mr. Nasser Sultan Shraideh	Member	From 26Oct unti12Feb2019	5,000	-	-	5,000
H.E. Mr. Sami Kamel Dawud	Member	From 12Feb2019	-	-	-	-
H.E. Captain Suleiman Reda Obeidat	Member	From 29Aug2018	5,500	-	-	5,500
H.E. Mr. Nizar Khoury	Member	From 20Jun2016	1,548	-	-	1,548
H.E. ENG. Samer Abdul Salam Al-Majali	Member	Until 31Jul2018	3,483	-	-	3,483
H.E. Mr. Imad Jamal Al-Qudah	Member	From 28Dec2016	5,500	-	-	5,500
H.E. Mr."Mohammad Ali" Issam Bdair	Member	From March 2008	5,500	-	-	5,500
H.E. Mr.Michael Nabeeh Nazzal	Member	From 17Apr2016	5,000	-	-	5,000

Senior Executive Management Benefits and Remunerations

Below is a table of remunerations and benefits received by the Senior Executive Management during 2018 in JD:

Name	Title	Appointment / Resignation date	Annual Salaries	Annual Remuneration	Travel Allowance (JD)	Total Annual Benefits
Mr. Stefan Pichler	President/ CEO	From 01 Jun 2017	424,510	105,172	3,231	532,913
Mr. Marwan Marji	CFO	From 01 Sep 2018	53,033	-	-	53,033
Mr. Firas Qaraeen	CFO	Until 30 Jun 2018	84,318	-	354	84,672
Mr. Sufian AlSalman	CHRO	Until 02 May 2018	31,920	-	-	31,920

Donations and Grants made by the company in 2017

Recipient	Amount (JD)
RJ Staff Club	5,000
Scholarships	3,294
Mother's Day Celebration	3,800
Education Fund – The General Trade Union of Workers in Air Transportation	10,000
Emergency Cases	6,265
Ramadan Annual Campaign – Charities	21,910
Others	7,900
Total	**58,169**

Contracts, projects and commitments concluded by the company with its subsidiary, sister or associates or with the Chairman or board members or the Chief Executive or any employee of the company or their relatives:

- Consultation Service Agreement with Royal Wings.
- Staff Commissioning Agreement with RW.
- Pilots Commissioning Agreement with RW.
- Maintenance Agreement with RW.
- Fit to Fly Agreement with RW.
- Engine Leasing Agreement with RW.
- Dispatch Agreement at QAIA with RW.
- Agreement with RW to be included in the maintenance agreement between RJ and Air France.
- Leasing Aircraft Capacity with RW.
- Agreement to supply RW with fuel and include it in the fuel purchase agreements concluded by RJ.
- Service Agreement with Royal Tours.
- Agreement to lease Royal Wings aircraft (A320 JY-AYI) to RJ on ACMI basis.
- Memorandum of Understanding regarding the provision of ground handling services to Royal Wings aircraft at QAIA.
- To supply Royal Wings with fuel in stations abroad since Royal Wings operates using RJ's callsign.

RJ's Corporate Social Responsibility Policy

Introduction:

Since its establishment in 1963 as an emerging airline, RJ has taken upon itself to be an active model that serves its community and contributes, alongside other national organizations, to Jordan's development and progress. RJ aims to also introduce new global horizons to its people and eliminate all obstacles in the way of ambitions; to reach across the globe seeking education and knowledge, self-affirmation and cross-cultural interaction.

RJ strongly believes in the principle of social responsibility and the importance of positive interaction in the Jordanian community. RJ sees this possible through active participation in various local events and activities, in fields as varied as economic, social, artistic and/or sports. The company is interested in feeding the needs of the poor, charity associations, orphanages and those with special needs, and lend them support within its capabilities.

Community service:

In RJ's chapter on vision, mission and values, a clause regarding social responsibility is clearly stated as a primary principle of the airline, which believes in the importance of partnership between the public and private sectors to achieve general benefits.

RJ's mission includes "supporting local communities and charities", based on the idea that successful companies play a major role in contributing to improving communities' quality of life, supporting ambitious projects, leading humanitarian initiatives and supporting the endeavors of individuals and associations, particularly supporting sustainable efforts.

National role:

Being the national carrier and having the Royal Crown as part of the airlines' logo, RJ believes in the vital national role it plays and which, 54 years into its existence, has established it as a main national and economic pillar in the country.

Today, RJ assumes a high position in the hierarchy of national economic powerhouses, in terms of resources, revenue, cost, workforce and major services it offers to various sectors, including tourism, commerce, and a provider of hard currency.

RJ has been a cultural bridge linking Jordan to the world and a means of connecting people, as part of its vision and strategic targets in serving the country.

The airline believes that the true excellence of companies and associations is not measured only by the profits attained or basic goals reached, but measured by what they offer to the society (directly or indirectly) and how they understand and respond to the community's needs in ways that are far from self-promotion. As such, RJ will continue to play this leading national role it has always been known for.

Ever since its establishment, RJ has adopted programs that support its belief in the need to strengthen local communities and assist various events and activities in differing sectors, including: education, youth, health, environment and the less fortunate.

Dimensions of the company's CSR:

RJ relies on a set of regulations and values that govern its CSR policy, define its features and execution of initiatives to achieve the desired objectives. This has the following main dimensions:

- Social: Alongside its responsibility towards the society at large, RJ is also, and foremost, responsible for its employees (the internal community), by improving the work environment in a manner that positively affects their productivity and skills.
- Environmental: RJ takes into consideration the environmental impact of its activities, working to reduce emissions and waste, to achieve maximum productivity by using available resources and minimizing practices that may negatively affect the environment.

- Economic: RJ is proud of its continuous use of business ethics and transparency when dealing with customers. It scrupulously complies with rules and regulations whilst exerting efforts to make profit.

Social responsibility goals:

- Ensure that RJ is one of the leading national establishments with an active role in the Jordanian community.
- Contribute to encouraging the spirit of social responsibility and stress its importance as a parallel work course at RJ.
- Adopt programs that are in line with RJ's mission to support the local community and provide assistance to a different community or national economic, sports and creative events and activities, in addition to supporting dynamic sectors relating to education, health, youth and the less fortunate.
- Contribute to developing the local community.
- Contribute to strengthening the country's infrastructure, an important component that contributes to the wellbeing of citizens.
- Support civil society associations involving women, children, youth, school, university students, the elderly and individuals with special needs.
- Support educational institutions and hospitals, as scientific research and cooperation between private sector companies and educational institutions will lead to better services for the local community.
- Contribute to protecting the environment and minimizing pollution.
- Contribute positively and effectively in emergency situations and cases of natural disasters.
- Increase social solidarity among different segments of the Jordanian community.

Transparency and social responsibility:

Based on proper corporate governance, RJ issues annual financial reports with all figures and details about the airline's achievements and its role in the field of social responsibility, which measure the airline's performance throughout the year, assuring it is balanced and inclusive of different areas and segments of the society. These accurate and reliable reports and statements clearly show the financial donations to the local community.

In this vein, it should be noted that:

- RJ sponsors and supports various local events only with the approval of the president/CEO and at the recommendation of the Executive Assistant to the President/Media, Corporate Communications and CSR.
- Support and donations are granted to non-profit organizations only, to enable them to achieve their objectives.

Implementing social responsibility initiatives:

RJ has a specialized department responsible for implementing different social responsibility programs and initiatives, which reports directly to the president/CEO. The department works with a budget approved by RJ's Board of Directors.

Social responsibility policy and the environment:

- As part of the company's continuous quest to modernize its fleet and introduce new aircraft, it contributes directly to minimizing CO_2 emissions and noise pollution from operating old aircraft. This is in line with RJ's objective of protecting the environment and minimizing pollution.
- RJ recently introduced seven Boeing 787 Dreamliners, among the most fuel-efficient aircraft in the world. That, in turn, resulted in less fuel consumption and their advanced-technology engines significantly eliminated noise levels.
- The average age of RJ's aircraft is considered young by international standards; it does not exceed five years, while the average fleet age of many international airlines reaches up to 11 years. This makes RJ's modern fleet environment-friendly.

- The airline takes measures to minimize the pollution resulting from fuel combustion when operating the aircraft. It participates in the EU Emissions Trading Scheme (EU ETS) to reduce CO_2 emissions with the objective of enhancing the environmental performance and control the negative operational impact, in accordance with international laws.
- RJ was one of the first airlines to prohibit smoking on all company premises and onboard its aircraft since the beginning of the 21st century.
- RJ employees often carry out community activities that aim to protect the environment.

Paper consumption:

Royal Jordanian seeks to reduce the negative environmental impact of paper consumption by going electronic, providing digital and automated services to customers. It is one of the first international airlines to issue electronic tickets (E-ticket), in compliance with IATA regulations and other organizations (since 2008), along with putting an end to paper tickets. Moreover, RJ is fully electronic in all booking and travel procedures.

Reducing energy consumption:

Although the nature of RJ's business requires high use of energy, RJ continuously works on rationalizing this consumption in various ways.

- The headquarters building is equipped with a gas central heating system, considered safe and environment-friendly.
- Exterior shades on the windows of the headquarters building help to cool in the summer; also, all old lighting units were replaced with energy-saving units.

Community Support:

RJ is proud of the pioneering role it plays in supporting the local community and of being aware of the needs and concerns of the community. This stand is firmly entrenched in the minds of the RJ family and is part of their internal organizational culture. The company will continue increasing its presence and visibility in various fields and events.

Support is directed to non-profit organizations to enable them to achieve their objectives.

RJ carries out a goodwill campaign and offers food and medical assistance annually during the Holy Month of Ramadan.

Corporate Social Responsibility 2018

• Continuous support to King Hussein Cancer Foundation and Center

RJ has continuously been extending support to the King Hussein Cancer Foundation and Center in their fight against cancer and has contributed to the foundation's endeavors to provide the best treatment for cancer patients.

- Renewing agreements to donate travel miles:

RJ renewed the agreement signed with KHCF in 2015, whereby RJ's Royal Club members contributed to the fight against cancer by donating their collected travel miles to KHCC; to be used by the center's patients and their companions to travel and get the necessary treatment. The total miles donated to the KHCF since the agreement was signed, reached 5.73 million miles.

- Donation boxes for cancer patients:

RJ gives passengers and employees the chance to contribute to the fight against cancer through minimal donations that could help save the lives of many patients who need to undergo treatment at the cancer center through the donation boxes. These boxes are placed in RJ's sales offices and in the Crown Lounge at Queen Alia International Airport (QAIA). The donations go towards achieving the center's mission in offering the best medical services to patients.

RJ’s contribution to KHCF coin boxes placed in the Crown Lounge at QAIA and in sales offices added up to JD 27,000 last year. The total amount collected from the end of 2013 to the end of 2018 reached over JD 170,000.

- World Cancer Day activities:

RJ launched an internal competition for employees, titled “Lose to Win”, in support of the awareness campaign “Up to the Challenge?” launched by KHCF, on the occasion of World Cancer Day, which is marked every year on February 4.

The competition encourages employees who need it to lose weight for a healthier life.

- Facilitating travel to Italy of 26 children from KHCC to participate in camp activities:

RJ offered comprehensive services to 26 children receiving treatment at KHCC during their flight to Rome to participate in the Dynamo Camp, held in Italy, as part of KHCC’s endeavor to provide comprehensive care to its young cancer patients and ease their suffering.

The services offered by RJ included special discounts on ticket fares for the children and their travel companions, simplified check-in procedures and special meals on board. RJ also gave symbolic gifts to the children.

- Supporting the “Think Pink” campaign:

RJ is a strong supporter of KHCF, helping KHCF promote the “Think Pink” initiative, which is carried out in October every year during the International Month of Breast Cancer Awareness. On this occasion, RJ organized various activities, such as:

-Distribution of the symbolic pink ribbon:

Eight hundred pink ribbons (designed to reflect the Jordanian identity) were distributed to all female colleagues at the head office and the airport. A significant number of female employees, especially among those who deal directly with passengers, showed solidarity with cancer patients and survivors by wearing the ribbon.

-Holding an informative, educational session:

An educational meeting about breast cancer was held at the head office for RJ’s female employees.

-Posting “Think Pink” messages on its social media pages:

During the month of October, RJ posts messages on its social media channels to support this awareness campaign and inform about the importance of early detection of breast cancer and the possibility of prevention.

-Selling KHCF customized items:

Customized items for breast cancer awareness were sold at two KHCF booths that were placed in the head office and Crown Lounge; the proceeds were used to fight breast cancer.

-Offering special discounts at Hadiya – the gift shop:

RJ gave its staff and visitors the chance to buy products from the gift shop (Hadiya) at discounted prices, that reached up to 50%, for three days. The profits from sales were given to KHCF to help it fight against cancer.

-Supporting "My Story with Cancer" initiative:

RJ donated a free round trip ticket from Amman to Istanbul to the "My Story with Cancer" initiative; the ticket was presented as a grand prize at a dinner hosted by the initiative's organizers under the patronage of HRH Princess Dina Mired, in honor of the cancer survivors who shared their stories of their fight against this disease on the initiative's official page.

The "My Story with Cancer" initiative was launched in 2016 with the aim of spreading hope among cancer patients by sharing different inspirational stories of cancer survivors through social media channels.

• Continuous support to the Charity Clothing Bank

Since 2014, RJ has been offering continuous support to the Charity Clothing Bank by placing donation boxes in different company facilities to enable the staff to donate garments, shoes, and toys to the beneficiaries of the clothing bank. Royal Jordanian donated 16,425 kilograms of clothing, footwear, and children's toys through the boxes. The number of beneficiaries from these donations over the past four years reached 4,073 individuals.

In 2018, RJ employees donated approximately 3,300 kg of clothing, benefiting about 825 beneficiaries. In 2017, 4,560 kg went to 1,140 needy persons. The weight of these donations during 2016 and 2015 was about 8,560 kg, delivered to more than 2,108 members of needy families.

In addition to the donations from the staff, RJ also donated more than 9,000 pieces of stocked uniforms over the past few years, including men's and women's wear, shoes, and travel bags.

The airline also donated 1,200 used, but in good condition, blankets to the Charity Clothing Bank.

• Ramadan Charity Campaign

Among RJ's most notable social contributions is the annual Ramadan campaign, during which it distributes food parcels to the underprivileged families, donates medical equipment, holds iftar banquets for orphans, distributes Eid clothes to poor families and donates toys and gifts to needy children. Among these goodwill initiatives were:

- Sponsoring 50 families for an entire year, in collaboration with Tkiyet Um Ali:

Royal Jordanian signed a partnership agreement with Tkiyet Um Ali Charity organization, whereby RJ sponsored 50 families from among Tkiyet Um Ali beneficiaries all year round, providing these families with monthly food parcels. The families, whose monthly net income reaches JD20 (or less) for each individual, are entitled to receive food aid.

RJ also sponsored, one day of "Mawaed Al Rahman" iftar banquets, which Tkiyet Um Ali holds every Ramadan. A team of RJ volunteers participated in dishing out and serving iftar meals to more than 1,600 underprivileged people.

- Iftar banquets for 300 orphans:

RJ held two iftar banquets for hundreds of orphans in the care of different associations in Jordan in 2018: RJ invited 200 orphans for iftar at the Children's Museum/Jordan, and 100 others were hosted for iftar at one of Amman's restaurants.

- Honoring 100 women on Mother's Day:

RJ invited 100 Jordanian mothers, on the occasion of Mother's Day, to the Haya Cultural Center, in appreciation of the great role they play in serving their families and the local communities.

RJ and the Haya Cultural Center staff participated in the event and shared happy moments with the mothers; gifts were distributed to women by different charity societies.

RJ organizes many charity events each year, as part of its social responsibility towards the local community. RJ does this through positive interaction with the local community in such activities that bring joy and happiness to the people, mainly targeting the less fortunate in Amman and other cities in Jordan.

• International Women's Day:

RJ spares no effort in offering support to the women who have been playing a significant part in the progress of the company, investing in their competencies and promoting them.

Women have occupied leading positions in RJ, such as the first captain in the Arab World, vice president, head of department, director and other positions.

On the occasion of International Women's Day, March 8 every year, RJ flights on the Amman-Aqaba route were operated by an all-female crew led by Captain Hadeel Khamash, first officer Shireen Qatamin, and three female flight attendants.

• Sustainable development

RJ focuses on the implementation of several community-based initiatives that are sustainable, mainly supporting educational programs, aiding students with special needs, and establishing small businesses.

- A modern, environment-friendly fleet:

RJ continually modernizes its fleet and introduces new aircraft, directly contributing to limiting air and noise pollution. The move contributes to fulfilling the airline's goals of protecting the environment and mitigating CO_2 emissions.

RJ took several measures to control pollution produced by fuel consumption, aiming at improving the environmental part of the operations, and controlling and monitoring the negative impact of operations, in line with international legislation.

RJ introduced the Boeing 787 aircraft into its fleet, a notable fuel-efficient aircraft, leading to less fuel consumption and reduced noise levels, due to this aircraft's high-tech features.

- Temporary student employment:

RJ provides temporary employment opportunities to 80 students from public and private universities during the summer period. This initiative gave those students some insight into the type of work performed by RJ employees and attracted those interested in working for RJ.

The students selected majored in different academic subjects that match RJ's workforce needs. They were paid reasonable salaries during RJ's peak period because during that time more staff was needed to help facilitate the movement of an increased number of passengers.

The initiative is in line with RJ's national role toward the local community, which includes offering employment opportunities to the Jordanian youth and enabling them to build and enhance their skills according to market needs. RJ also pushes them to achieve their ambitions, expand their knowledge and experience; reflecting positively on the community.

- Recruitment of employees with special needs:

RJ provides Jordanian job seekers with equal and fair opportunities, including individuals with special needs, some of whom are employed by RJ based on their qualifications. This way, the airline is consistent with the "Convention on the Rights of Persons with Disabilities." Jordan was one of the first countries that ratified this convention in 2009, aiming to secure the right of individuals with disabilities to education, health, sports, employment, and others.

• Support to the Children's Museum/Jordan

RJ donated a small-scale Boeing 787 aircraft model painted with the RJ logo to the "aviation zone" at the Children's Museum-Jordan. They did this to support the museum's efforts in the field of interactive education and development of children's skills.

The Boeing 787 model consists of a flight deck that holds two persons (in the cockpit) and a 5-seat passenger cabin; giving the children the chance to learn about aviation and the job of a pilot in a fun and exciting way. Other miniature models of all aircraft from RJ's fleet are displayed in the aviation zone, in addition to information banners.

The initiative mainly aims at familiarizing children with the undertakings of the national carrier that connects Jordan to the world, while also enabling them to learn more about aviation professions and experience the whole travel process.

The aviation zone at the museum includes models of a control tower, a passenger waiting area with nine seats, a screen displaying information about RJ's network, and a corner where children get to dress up in RJ uniforms before boarding the scale-model plane.

• Sport and youth sponsorships

- Sponsorship of the Arab Youth Conference:

It has become a yearly ritual for the company, since 1980, to sponsor the Arab Youth Conference. On this occasion, RJ offered discounted tickets to youth from 12 Arab and foreign countries who participated in the conference.

- Sponsoring Abu Nusair Sports Club:

RJ enabled 16 players from Abu Nusair Sports club to participate in the International Karate Championship for the Disabled, held in Ohio, USA, by offering a special discount on tickets to the participating players.

-Sponsoring Jiu-Jitsu champion Samy Al Jamal:

RJ's sponsoring of international Jiu-Jitsu trainer Samy Al Jamal enabled him to participate in different sports activities and championships held worldwide.

The sponsorship is in line with RJ’s commitment to support local talent and offer all facilities in its pursuit of success at regional and international levels.

RJ granted Al Jamal several free tickets to different destinations on its route network where sports activities and championships are held.

RJ logos were placed on Coach Al Jamal's official fighting gear and the uniform he wore during these international tournaments; he also shared his journey details onboard RJ aircraft with his fans and followers on all his posts on different social media channels.

• RJ as official carrier of participants in different events

- Supporting “Aqaba Carnival for Tourism and Shopping Sales Season 3”:

In a bid to encourage travel between Amman and Aqaba during the winter season, Royal Jordanian offered very attractive fares on the Amman-Aqaba-Amman route.

This move contributed to boosting the "Aqaba Carnival for Tourism and Shopping Sales Season 3", launched by the Aqaba Special Economic Zone Authority (ASEZA).

This winter promotional campaign encouraged tourists, both local and international, to make Aqaba city their getaway during this season and enjoy the warmer weather in this Red Sea resort, particularly since the carnival coincides with Jordanian schools and universities' winter break.

RJ operates 13 weekly flights, on average twice daily.

-The official carrier of participants in the MENA ICT:

RJ was the official carrier of participants in the 2018 Middle East and North Africa Information and Communications Technology (MENA ICT) Forum, hosted by the Information and Communications Technology Association (int@j) at the King Hussein Business Park.

RJ offered 26 free tickets to different destinations on its route network. With the support of Jordan's role as a host of this forum that supports and encourages entrepreneurs, along with enabling experts in the field of innovative technology and content developers. Also, this generated more insights to develop the business environment in Jordan and the region.

-The official carrier for participants in the Mobile Innovation Summit:

RJ was the official carrier and sponsor of the Mobile Innovation Summit 2018, organized by the innovative technology platform "Moments Innovation" under the patronage of HRH Princess Rym Ali. RJ offered five free roundtrip tickets to the speakers at the event. The summit intended to help marketers understand the industry trend, inspire innovative thinking and respond to future opportunities and challenges for mobile marketing and mobile payments.

-Supporting the investigative journalism forum "Arij":

RJ was the silver sponsor of the 11th annual forum of Arab Reporters for Investigative Journalism (ARIJ), which was held in November at the Dead Sea.

The airline offered free upgrades on Crown Class to the main speakers at the forum as part of its sponsorship of the event and facilitated bookings for more than 200 of the participants, which came from 15 different countries.

-Sponsoring Amman, Fuhais and Shabib Festival:

RJ has been sponsoring the Jerash festival ever since it was first launched. RJ offered discounted tickets for the performers and folk troupes participating in this festival; held annually in the ancient Greco-Roman city of Jerash.

RJ was also a sponsor of Fuhais Festival, in its 27th edition, and of Shabibi Festival/Zarqa.

-Sponsoring the Amman Opera Festival:

RJ's sponsorship of this festival comes in light of the importance of the Amman Opera Festival as a cultural bridge and means of connecting people.

RJ was an official partner during the festival's second edition. The airline's sponsorship included offering air transport services and free tickets to the performers and orchestra members.

-Supporting UNICEF efforts:

Royal Jordanian supported the efforts of the United Nations Children's Fund (UNICEF) by shipping tennis equipment on one its flights from London to Amman, later carried by UNICEF to Sana'a, Yemen.

As one of UNICEF's activities in supporting the children's right to play, UNICEF aims to train a group of Yemeni children; especially in unstable countries where children suffer from the consequences of war.

-Donating materials in support of the "GIOIA" initiative:

On one of its flights from Istanbul to Amman, Royal Jordanian shipped 115 kg of donations to the GIOIA initiative for free. The shipment included raw materials used in the shoe industry. The shipment was for a group of less fortunate women from the local community who sell their final products at charity bazaars. The proceeds of the sales go to humanitarian goals, to help the needy women in the Jordanian society.

Royal Jordanian gave two free tickets, from Amman to Istanbul, to the GIOIA entrepreneur along with providing booking facilities to enable her to execute this initiative.

Financial Statements:

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Alia – The Royal Jordanian Airlines Company (Royal Jordanian)
Amman - Jordan

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of **Alia – The Royal Jordanian Airlines Company (Royal Jordanian)** (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards, are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Jordan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

1. Passenger and cargo revenue recognition
Refer to note 24 of the consolidated financial statements

Key audit matter	How the key audit matter was addressed in the audit
Passenger tickets and cargo airway bills sales are reflected in the consolidated statement of financial position as deferred revenue and recognized as revenue when the transportation service is provided. Tickets that are not used for transportation ('unused tickets') are recognized as revenue after 12 months from the date of their issuance. We focus on revenue recognition because it is material and the process is highly automated. In respect of customer loyalty program (Royal Plus), a portion of the fair value of the consideration received is allocated to the award credits and deferred, this is then recognized as revenue over the period that the award credits are redeemed. The fair value of the award credits is estimated by reference to the fair value of the awards for which the points could be redeemed and is reduced to take into account the proportion of award credits that are not expected to be redeemed by customers. The Group exercises its judgment in determining the assumptions to be adopted in respect of the number of points not expected to be redeemed through the use of statistical modelling and historical trends and in determining the mix and fair value of the award credits.	Our audit procedures included considering the appropriateness of the Group's revenue recognition policies in accordance with IFRS (15). We also tested the Group's controls around revenue recognition and key controls in the revenue cycle. We selected a sample before and after the cutoff period to assess whether the revenue was recognized in the correct period. We also performed substantive analytical procedures using financial and non-financial information about the revenue figures for the year. In addition, we selected and tested a representative sample of journal entries. We obtained an understanding of management's process related to scoping and identifying the revenue streams.

2. **Lease classification** Refer to notes 19 and 31 of the consolidated financial statements	
Key audit matter	**How the key audit matter was addressed in the audit**
Due to the significance of the lease agreements signed by the Group and due to the nature of the airlines business, this was considered as a key audit matter.	Our audit procedures included obtaining the finance and operating lease agreements. For new lease agreements signed during the year under audit, we inspected the lease agreements to ensure proper classification, recognition and presentation.

3. **Obsolete and slow moving spare parts and other supplies** Refer to note 13 of the consolidated financial statements	
Key audit matter	**How the key audit matter was addressed in the audit**
Spare parts and other supplies are valued at the lower of cost or net realizable value. We focus on this area as there is a risk of inventory obsolescence, any provision for obsolescence is determined by reference to specific items of stock. A regular review is undertaken at each reporting date to determine the extent of any provision for obsolescence.	We critically tested the basis for inventory obsolescence in line with management estimates. In doing so, we tested the ageing profile of inventory, the process for identifying obsolete and slow moving items in inventory and historical loss rates.

Other information included in the Company's 2018 annual report

Other information consists of the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group's or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exist. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exist, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Company's to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonable be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

The Company maintains proper books of accounts which are in agreement with the consolidated financial statements.

The partner in charge of the audit resulting in this auditor's report was Waddah Isam Barkawi; license number 591.

Amman – Jordan
27 March 2019

Ernst + Young

Consolidated Statement of Financial Position
At 31 December 2018 (In Thousands of Dinars)

	Notes	2018	2017
ASSETS			
Non- current assets			
Property and equipment	8	**266,852**	292,250
Advances on purchase and modification of aircraft	9	**5,254**	35,993
Financial assets at fair value through other comprehensive income	10	**5,967**	5,992
Investments in associates	11	**17,680**	16,715
Restricted cash against operating lease contracts		**32,881**	28,469
Deferred tax assets	33	**14,920**	14,920
		343,554	394,339
Current assets			
Other current assets	12	**25,575**	27,048
Spare parts and supplies, net	13	**6,256**	11,193
Accounts receivable, net	14	**41,339**	35,617
Cash and bank balances	15	**92,012**	101,393
		165,182	175,251
Assets classified as held for sale	16	**8,631**	-
TOTAL ASSETS		**517,367**	569,590
EQUITY AND LIABILITIES			
Shareholders' equity			
Paid in capital	17	**246,405**	146,405
Share discount	17	**(61,000)**	-
Payments in respect of capital increase	17	**8,000**	25,000
Statutory reserve	17	**13,509**	13,509
Fair value reserve		**3,771**	3,771
Accumulated losses		**(94,483)**	(88,607)
		116,202	100,078
Non-controlling interests		**276**	257
Total shareholders' equity		**116,478**	100,335
LIABILITIES			
Non- current liabilities			
Long term loans	18	**71,626**	118,685
Long term obligations under finance leases	19	**105,281**	114,534
Accounts payable	22	**-**	16,764
Other long term liabilities	20	**404**	433
		177,311	250,416
Current liabilities			
Current portion of long term loans	18	**47,059**	38,099
Accrued expenses	21	**66,115**	61,432
Accounts payable and other current liabilities	22	**50,735**	61,923
Income tax provision	33	**-**	34
Deferred revenues	23	**46,713**	46,507
Short term obligations under finance leases	19	**9,253**	10,844
		219,875	218,839
Liabilities associated with assets classified as held for sale	16	**3,703**	-
Total liabilities		**400,889**	469,255
TOTAL EQUITY AND LIABILITIES		**517,367**	569,590

Consolidated Income Statement For the Year Ended 31 December 2018 (In Thousands of Dinars)

	Notes	2018	2017
Revenues	24	**653,300**	605,781
Cost of revenues	25	**(562,909)**	(526,330)
Gross Profit		**90,391**	79,451
Administrative expenses	27	**(20,372)**	(20,472)
Selling and marketing expenses	28	**(45,716)**	(44,463)
Other provisions	13,14	**(5,292)**	(1,569)
Net operating profit		**19,011**	12,947
Share of profit of associates	11	**2,242**	1,072
Other (expense) income, net	26	**(4,457)**	511
Gain (Loss) on disposal of property and equipment		**747**	(37)
Provision for voluntary termination	30	**(1,874)**	(1,243)
(Loss) gain on foreign exchange differences	38	**(4,248)**	206
Finance costs	29	**(16,238)**	(14,482)
Interest income		**2,850**	2,449
(Loss) profit before tax for the year from continuing operations		**(1,967)**	1,423
Income tax provision	33	**(39)**	(194)
(Loss) profit for the year from continuing operations		**(2,006)**	1,229
Discontinued operations			
Loss for the year from discontinued operations (net of tax)	16	**(3,851)**	(955)
(Loss) Profit for the year		**(5,857)**	274
Attributable to:			
Equity holders of the parent		**(5,876)**	246
Non-controlling interests		**19**	28
(Loss) profit for the year		**(5,857)**	274
Earnings per share			
Basic and diluted earnings per share attributable to equity holders of the parent	32	**JD (0.0250)**	JD 0.0017
Basic and diluted earnings per share from continuing operations after tax attributable to equity holders of the parent	32	**JD (0.0086)**	JD 0.0082

Consolidated Statement of Comprehensive Income
For the Year Ended 31 December 2018
(In Thousands of Dinars)

	2018	2017
(LOSS) PROFIT FOR THE YEAR	(5,857)	274
Add: Other comprehensive income items after tax	-	-
Total comprehensive income for the year	(5,857)	274
Attributable to:		
Equity holders of the parent	(5,876)	246
Non controlling interests	19	28
	(5,857)	274

Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2018
(In Thousands of Dinars)

	Attributable to equity holders of the parent								
	Paid in Capital	Share discount	Payments in respect of capital increase	Statutory reserve	Fair value reserve	Accumulated losses	Total	Non – controlling interests	Total equity
-2018									
Balance as of 1 January 2018	**146,405**	**-**	**25,000**	**13,509**	**3,771**	**(88,607)**	**100,078**	**257**	**100,335**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**(5,876)**	**(5,876)**	**19**	**(5,857)**
Payments in respect of capital increase (note 17)	**-**	**-**	**22,000**	**-**	**-**	**-**	**22,000**	**-**	**22,000**
Capital increase	**100,000**	**(61,000)**	**(39,000)**	**-**	**-**	**-**	**-**	**-**	**-**
Balance as of 31 December 2018	**246,405**	**(61,000)**	**8,000**	**13,509**	**3,771**	**(94,483)**	**116,202**	**276**	**116,478**
2017 -									
Balance as of 1 January 2017	146,405	-	-	13,455	3,771	(88,749)	74,882	229	75,111
Total comprehensive income for the year	-	-	-	-	-	246	246	28	274
Transfers to statutory reserve	-	-	-	54	-	(54)	-	-	-
Payments in respect of capital increase (note 17)	-	-	25,000	-	-	-	25,000	-	25,000
Capital increase costs	-	-	-	-	-	(50)	(50)	-	(50)
Balance as of 31 December 2017	146,405	-	25,000	13,509	3,771	(88,607)	100,078	257	100,335

Consolidated Statement of Cash Flows
For the Year Ended 31 December 2018
(In Thousands of Dinars)

	Notes	2018	2017
OPERATING ACTIVITIES			
(Loss) Profit before tax from continuing operations		**(1,967)**	1,423
(Loss) before tax from discontinued operations	16	**(3,851)**	(955)
(Loss) Profit for the year before income tax		**(5,818)**	468
Adjustments for:			
Depreciation of property and equipment	8	**38,736**	35,938
Share of profit of associates	11	**(2,242)**	(1,072)
Finance costs		**16,238**	14,482
Provision for expected credit losses	14	**820**	12
Provision for slow moving inventory	13	**4,472**	1,557
(Gain) loss from sale of property and equipment		**(747)**	37
Provision for voluntary termination	30	**1,874**	1,243
Provision for end of service indemnity	20	**17**	82
Amortization of deferred revenue – Jordan Flight Catering		**(300)**	(300)
Other provisions		**294**	-
Interest income		**(2,850)**	(2,449)
Working capital changes			
Accounts receivable		**(7,786)**	(1,717)
Spare parts and supplies		**465**	(1,742)
Other current assets		**2,794**	6,750
Deferred revenues		**506**	16,602
Accounts payable and other current liabilities		**(26,563)**	(37,338)
Accrued expenses		**6,456**	(9,814)
End of service indemnity paid	20	**(46)**	(438)
Voluntary termination program payments	30	**(1,807)**	(1,217)
Income tax paid	33	**(73)**	(63)
Net cash flows from operating activities		**24,440**	21,021
INVESTING ACTIVITIES			
Dividends received from associates	11	**1,277**	1,809
Purchase of property and equipment		**(18,925)**	(4,485)
Acquisition of a subsidiary – net cash acquired	7	**-**	411
Sale of financial assets at fair value through OCI		**25**	30
Proceeds from sale of property and equipment		**815**	12
Interest income received		**1,565**	1,830
Change in restricted cash against lease contracts		**(4,412)**	(3,226)
Proceeds from sale of property and equipment held for sale		**426**	426
Recoveries (advances) on purchase and modification of aircrafts		**29,902**	(8,376)
Short term deposits		**2,648**	20,626
Net cash flows from investing activities		**13,321**	9,057
FINANCING ACTIVITIES			
Repayment of term loans		**(38,879)**	(21,591)
Capital increase		**22,000**	-
Capital increase costs		**-**	(50)
Finance lease obligations		**(10,844)**	(14,898)
Interest paid		**(15,764)**	(13,494)
Net cash flows used in financing activities		**(43,487)**	(50,033)
Net decrease in cash and cash equivalents		**(5,726)**	(19,955)
Cash and cash equivalents, beginning of the year		**72,919**	92,874
Cash and cash equivalents, end of the year	15	**67,193**	72,919

(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 consolidated financial statements were authorized for issue by the Board of Directors during their meeting held on 24 March 2019.

(2) BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards.

The consolidated financial statements are prepared under the historical cost convention, except for financial assets at fair value through other comprehensive income that have been measured at fair value at the date of the consolidated financial statements.

The consolidated financial statements have been presented in Jordanian Dinar which is the functional currency of the Group.

(3) BASIS OF CONSOLIDATION

The 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 December 2018:

	Ownership Interest	Country
Royal Wings Company-under liquidation (Note 16)	**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.

When 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 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.

The financial statements of the subsidiaries company are consolidated from the control date until stop this control. Revenue and expenses of the subsidiaries are consolidated in the consolidated income statement from the date of control until stop this control.

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 into 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 assets (including goodwill) and liabilities of the subsidiary.
- Derecognizes the carrying amount of any non- controlling interests.
- Derecognizes the cumulative translation differences, recorded in equity.
- Recognizes the fair value of the consideration received.
- Recognizes the fair value of any investment retained.
- Recognizes the gain or loss resulted from loss of control.
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss.

Shareholders who have a significant influence over the Group

The Government of the Hashemite Kingdom of Jordan presented by Governmental Investment Management Company, Mint Trading Middle East Ltd. and Social Security Corporation own 76.4%, 9.14% and 5.94% respectively of the Company's shares (60 :2017%, 15% and 10% respectively). As disclosed in note (17), capital increase procedures for part of the second tranche shares were completed during January 2019. Accordingly, the Government of the Hashemite Kingdome of Jordan presented by Governmental Investment Management Company ownership of the Company's shares became 78.8%.

(4) CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2017 except for the followings starting from 1 January 2018:

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards.

The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the modified retrospective approach. There was no impact of adopting IFRS 15 on the Retained Earnings. IFRS 15 impacted the Group's accounting policy for revenue recognition as detailed below:

Compared with IAS 18, the implementation of IFRS 15 also requires new judgements and assumptions, notably regarding the enforceable contract term and the expected total transaction price and the reference price of the transaction components. IFRS 15 changed the indicators used to determine whether an entity acts as a principal or an agent in a transaction. This did not, however modify the Group's previous judgements.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group had previously implemented the first phase of IFRS 9 as issued during 2009. The date of initial implementation of the first phase of IFRS 9 was 1 January 2011. The standard has been applied retrospectively and, in line with IFRS 9, comparative amounts have not been restated.

The standard eliminates the use of the IAS 39 incurred loss impairment model approach, uses the revised hedge accounting framework, and the revised guidance on the classification and measurement requirements.

Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Group to record an allowance for ECL for all financial assets.

For all financial assets, the Group has applied the standard's simplified approach and has calculated ECL based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The adoption of the ECL requirements of IFRS 9 had no material impact on the impairment allowances of the Group's financial assets.

FRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

This Interpretation does not have any impact on the Group's consolidated financial statements.

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

These amendments do not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. If applicable - The Group's has no cash-settled share based payments. In addition, the Group has no share-based payment transaction with net settlement features for withholding tax obligations.

These amendments do not have any impact on the Group's consolidated financial statements.

Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

These amendments do not have any impact on the Group's consolidated financial statements.

(5) USE OF ESTIMATES

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of financial assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the revenues and expenses and the resultant provisions. In particular, considerable judgment by Group's management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty and actual results may differ resulting in future changes in such provisions.

Significant estimates are as follows:

Useful lives of property and equipment

The Group's management determines the estimated useful lives of its property and equipment for calculating depreciation based on expected usage of the asset or physical wear and tear, management reviews the residual value and useful lives annually and future depreciation charge would be adjusted prospectively where the management believes the useful lives differ from previous estimates.

Revenue recognition – Frequent Flyer points for customer loyalty program

The Group estimates the fair value of points awarded under the Frequent Flyer Program by applying statistical techniques. Inputs to the models include making assumptions about expected redemption rates and customer preferences. Such estimates are subject to varying degrees of uncertainty. As at 31 December 2018, the estimated liability for unredeemed points was approximately JD 2017) 5,577: JD 5,953).

(6) SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are as follows:

Business combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree.

For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in the consolidated statement of income.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Impairment of Goodwill

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairments is determined for goodwill by assessing the recoverable amount of each cash generating unit (or group of cash generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than their carrying amount an impairment loss is recognized.

Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and any impairment in value. Land is not depreciated. Property and equipment are depreciated when they are ready for use on a straight-line basis over their estimated useful lives. The depreciation rates and periods used are summarized as follows:

	Depreciation Rate (%)
Owned passenger and cargo aircrafts, aircrafts under finance leases,	
Aircraft engines and aircraft components	5.5 - 5
Machinery and equipment	15-10
Computers	25
Furniture and fixtures	10
Vehicles	20-15
Buildings	10 - 2.5
Capitalized maintenance	Period 120 -24 months

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amounts. Impairment losses are recognised in the consolidated income statement.

Useful lives and depreciation method are reviewed on regular basis to ensure that the depreciation method and the period of depreciation are selected based on the economic benefits expected from assets.

Property and equipment held for sale

Property and equipment are classified as held for sales if their carrying amounts will be recovered principally through a sale transaction and when the following conditions are met:

- The Group must be committed to sale, which should be expected to qualify for recognition as completed sales within one year from the date of classification.
- Assets are available for immediate sales in its present condition.

Property and equipment held for sale are recorded at the lower of cost or fair value less cost to sell.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are recorded at fair value plus acquisition costs at the date of acquisition and subsequently measured at fair value. Changes in fair value are reported as a separate component in the consolidated statement of other comprehensive income and in the consolidated statement of changes in equity, including the change in fair value resulting from conversion differences of non-cash items of assets at foreign currencies. In case of sale of such assets or part of it, the gain or loss is recorded in the consolidated statement of other comprehensive income and in the consolidated statement of changes in equity, and the valuation reserve balance for sold assets will be transferred directly to retained earnings. These assets are not subject to impairment testing and dividends received are recognised in the consolidated income statement when declared.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates are accounted for using the equity method.

Under the equity method, the investment in an associates initially recognised at cost, the carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associates since the acquisition date. Goodwill relating to the associates is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated income statement reflects the Group's share of the results of operations of the associates. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income (OCI). In addition, when there has been a change recognised directly in the equity of the associates, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associates.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated income statement within operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associates are prepared for the same reporting period and using the same accounting policies as the Group.

Spare parts and other supplies

Spare parts and other supplies are valued at the lower of cost, using the weighted average method, or net realizable value.

Accounts receivable

Accounts receivables are stated at original invoice amount less any provision for expected credit losses. For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and short-term deposits with an original maturities of three months or less.

Impairment and uncollectibility of financial assets

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Company to record an allowance for ECL for all debt instruments measured at amortized cost.

For all debt instruments, the Group has applied the standard's simplified approach and has calculated ECL based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Fair value measurement

Fair values of financial instruments are disclosed in Note 36.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for both recurring fair value measurement, such as unquoted available for sales financial assets, and for non-recurring measurement, such as assets held for distribution in discontinued operation.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Finance leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at amounts equal to the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability. Finance charges are charged directly against income.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

End of service indemnity provision

The Group provides end of service indemnity benefits to its employees. Provision is made at the consolidated financial statements date for amounts payable to employees based upon the employees' final salary and length of service prior to the date on which the employees didn't join the social security scheme.

Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) arising from a past event and the costs to settle the obligation are both probable and able to be reliably measured.

Loans

All loans are initially recognized at fair value of the consideration received less directly attributable transaction costs. After initial recognition, loans are subsequently measured at amortized cost using the effective interest method.

Interests on loans are recognized in the consolidated income statement in the period they occur including the grace period, if any.

Revenue recognition

Revenue is recognized under IFRS 15 five step model approach which include determining the contract, price, performance obligation and revenue recognition based on satisfaction of performance obligation.

Passenger and cargo revenues are recognized when the transportation is provided. Passenger tickets and airway bills sales are reflected in the consolidated statement of financial position as deferred revenue until recognized as revenue.

Other revenues are recognized at the time the service is provided.

The Company operates a frequent flyer program, (Royal Plus), which allows frequent travelers to accumulate mileage credits which entitle them to a choice of upgrade to Crown Class or free travel. A portion of the fair value of the consideration received is allocated to the award credits and deferred, this is then recognized as revenue over the period that the award credits are redeemed.

Group's revenue fall under IFRS 15 "revenue from contracts with customers". The Group provide services to its customers through passenger tickets. Revenue are recognized after deduction of taxes collected on behalf of Government.

Maintenance and repair costs

Routine maintenance and repair costs for leased and owned aircraft and flight equipment are charged to the consolidated income statement as incurred.

Aircraft, engines, and components heavy maintenance expenses are capitalized on property and equipment, and are being amortized over the period until the next scheduled heavy maintenance is due.

Finance costs

Finance costs are recognised as an expense when incurred. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized

Income tax

Tax expense comprises current tax and deferred taxes.

Current tax is based on taxable profits, which may differ from accounting profits published in the consolidated financial statements. Accounting profits may include non-taxable profits or expenses which may not be tax deductible in the current but in subsequent financial years.

Current income tax is calculated in accordance with the Income Tax law applicable in the Hashemite Kingdom of Jordan.

Deferred income tax is provided using the liability method on temporary differences at the consolidated financial statements date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax is measured at the tax rates that are expected to apply to the year when the tax liability is settled or the tax asset is realized.

The balance of deferred income tax assets is reviewed at each consolidated financial statements date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Operating leases

Leases of aircraft under which substantially all the risks and benefits of ownership are effectively retained by the lessor are classified as operating lease. Lease payments under an operating lease are recognized as an expense over the lease term on a straight line basis.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange ruling at the date of the consolidated financial statement.

All differences are taken to the consolidated income statement.

(7) ACQUISITION OF A SUBSIDIARY

2017

During March 2017, the Company's Board of Directors resolved to acquire the entire shares of Al Mashriq for Aviation Services, a private shareholding company for one Jordanian Dinar only. Accordingly, the Group became the sole owner of the whole shares of Al Mashriq for Aviation Services Company.

The fair value of the identifiable assets and liabilities of Al Mashriq for Aviation Services Company as of the date of acquisition are as follows:

	Fair value	Carrying value
ASSETS		
Property and equipment	30	30
Accounts receivable	40	40
Other current assets	133	133
Cash and bank balances	411	411
TOTAL ASSETS	614	614
LIABILITIES		
Accounts payable and other current liabilities	1,547	1,547
TOTAL LIABILITIES	1,547	1,547
(Deficit) in net asset acquired	(933)	(933)
Goodwill resulted from acquisition	933	

From the date of acquisition on 12 March 2017 until 31 December 2017, the acquired Company contributed a loss of JD 105. If the acquisition had taken place at the beginning of the year, the Group's revenues and expenses would have increased by JD 1,327 and JD 1,612 respectively and Group's pretax income would have been JD 288. The Group recorded a provision for goodwill impairment of JD 639 during the year ended 31 December 2017. Accordingly, net goodwill amounted to JD 294 as of 31 December 2017 and recorded as part of other current assets (Note 12). A provision for the remaining amount was recorded during 2018.

	2017
Cash flow on acquisition	
Net cash acquired with the subsidiary	**411**
Cash paid	**-**
Net cash acquired	**411**

(8) PROPERTY AND EQUIPMENT

2018	Aircrafts under finance leases	Aircrafts	Spare engines	Capitalized maintenance on aircrafts' engines, and components	Aircrafts' main Components	Machinery and Equipment	Computers	Furniture and Fixtures	Vehicles	Land and buildings	Total
Cost:											
Balance as of 1 January 2018	185,380	118,587	40,268	49,930	47,880	69,128	18,533	9,334	10,774	42,804	592,618
Additions during the year	-	-	1,091	14,331	567	2,496	629	50	441	262	19,867
Disposals during the year	-	(5,474)	-	(2,190)	-	(233)	(40)	(37)	(295)	-	(8,269)
Assets classified as held for sale (Note 16)	-	(30,411)	-	(5,824)	-	(483)	-	(747)	(227)	-	(37,692)
Transfers*	(40,831)	40,831	-	-	-	-	-	-	-	-	-
Balance as of 31 December 2018	144,549	123,533	41,359	56,247	48,447	70,908	19,122	8,600	10,693	43,066	566,524
Accumulated depreciation:											
Balance as of 1 January 2018	23,931	94,199	4,151	33,539	44,484	54,624	16,466	8,026	10,164	10,784	300,368
Depreciation for the year	8,953	3,737	2,279	16,113	1,271	3,351	592	298	289	1,853	38,736
Disposals during the year	-	(5,474)	-	(2,190)	-	(223)	(12)	(18)	(284)	-	(8,201)
Assets classified as held for sale (Note 16)	-	(26,851)	-	(2,987)	-	(462)	-	(704)	(227)	-	(31,231)
Transfers	(20,821)	20,821	-	-	-	-	-	-	-	-	-
Balance as of 31 December 2018	12,063	86,432	6,430	44,475	45,755	57,290	17,046	7,602	9,942	12,637	299,672
Net book value as of 31 December 2018	132,486	37,101	34,929	11,772	2,692	13,618	2,076	998	751	30,429	266,852

* During 2018, the Group has settled all lease balances related to two Embrear – E 175 aircrafts number 223 and number 232. The Group has also completed the pledge release procedures for these aircrafts. Accordingly, ownership of these aircrafts were transferred to the Company and were reclassified to Aircrafts Category (Note 19).

2017	Aircrafts under finance leases	Aircrafts	Spare engines	Capitalized maintenance on aircrafts' engines, and components	Aircrafts' main Components	Machinery and Equipment	Computers	Furniture and Fixtures	Vehicles	Land and buildings	Total
Cost:											
Balance as of 1 January 2017	153,583	78,131	29,363	43,808	47,475	61,712	17,984	9,321	10,670	42,596	494,643
Additions during the year	72,253	-	10,905	9,259	405	7,439	610	34	154	658	101,717
Disposals during the year	-	-	-	(3,137)	-	(23)	(61)	(21)	(50)	(450)	(3,742)
Transfers*	(40,456)	40,456	-	-	-	-	-	-	-	-	-
Balance as of 31 December 2017	185,380	118,587	40,268	49,930	47,880	69,128	18,533	9,334	10,774	42,804	592,618
Accumulated depreciation:											
Balance as of 1 January 2017	32,317	73,531	2,524	21,730	43,286	51,435	15,796	7,733	9,883	9,888	268,123
Depreciation for the year	10,569	1,713	1,627	14,946	1,198	3,212	731	314	329	1,299	35,938
Disposals during the year	-	-	-	(3,137)	-	(23)	(61)	(21)	(48)	(403)	(3,693)
Transfers	(18,955)	18,955	-	-	-	-	-	-	-	-	-
Balance as of 31 December 2017	23,931	94,199	4,151	33,539	44,484	54,624	16,466	8,026	10,164	10,784	300,368
Net book value as of 31 December 2017	161,449	24,388	36,117	16,391	3,396	14,504	2,067	1,308	610	32,020	292,250

* During 2017, the Group has settled all lease balances related to two Embrear – E 195 aircrafts number 107 and number 131. The Group has also completed the pledge release procedures for these aircrafts. Accordingly, ownership of these aircrafts were transferred to the Company and were reclassified to Aircrafts Category (Note 19).

(9) ADVANCES ON PURCHASE AND MODIFICATION OF AIRCRAFTS

	2018	2017
Advances for the purchase of Boeing 787 aircrafts	5,254	35,993

(10) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2018	2017
Royal Jordanian Air Academy	**5,386**	5,386
SITA Investment Certificates	**558**	583
Others	**23**	23
	5,967	5,992

(11) INVESTMENTS IN ASSOCIATES

	Country of incorporation	Ownership		Balance	
		2018	2017	**2018**	2017
Jordan Flight Catering Company	Jordan	**30%**	30%	**5,112**	4,976
Jordan Aircraft Maintenance Company (JORAMCO)	Jordan	**20%**	20%	**8,894**	8,259
Jordan Aircraft Training and Simulation Company (JATS)	Jordan	**20%**	20%	**3,674**	3,480
				17,680	16,715

Movement on investments in associates was as follows:

	2018	2017
Beginning balance	**16,715**	17,452
Company's Share of profit for the year	**2,242**	1,072
Dividends	**(1,277)**	(1,809)
	17,680	16,715

The following table represents the summary of the financial statements for the Group investments in associates:

	Jordan Flight Catering Company		Jordan Aircraft Maintenance Company (JORAMCO)		Jordan Aircraft Training & Simulation Company (JATS)		Al Mashriq for Aviation Services		Total	
Statement of financial position	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Current assets	**6,149**	5,868	**22,409**	17,602	**2,803**	1,296	**-**	-	**31,361**	24,766
Non-current assets	**1,128**	1,331	**19,255**	18,530	**17,773**	21,702	**-**	-	**38,156**	41,563
Current liabilities	**(3,241)**	(3,499)	**(13,082)**	(9,293)	**(1,725)**	(2,363)	**-**	-	**(18,048)**	(15,155)
Non-current liabilities	**-**	-	**(11,888)**	(13,272)	**(4,064)**	(6,669)	**-**	-	**(15,952)**	(19,941)
Net assets	**4,036**	3,700	**16,694**	13,567	**14,787**	13,966	**-**	-	**35,517**	31,233
Group's ownerships percentage	**30%**	30%	**20%**	20%	**20%**	20%	**100%**	100%		
Investment in associate	**1,211**	1,110	**3,339**	2,713	**2,957**	2,793	**-**	-	**7,507**	6,616

	Jordan Flight Catering Company		Jordan Aircraft Maintenance Company (JORAMCO)		Jordan Aircraft Training & Simulation Company (JATS)		Al Mashriq for Aviation Services		Total	
Statement of comprehensive income	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Revenues	**19,081**	19,770	**47,954**	33,929	**4,642**	5,175	**-**	267	**71,677**	59,141
Cost of sales	**(14,082)**	(13,942)	**(30,323)**	(25,860)	**(3,214)**	(3,578)	**-**	(446)	**(47,619)**	(43,826)
Other income and expenses	**(293)**	(1,329)	**(14,450)**	(9,808)	**(458)**	(1,249)	**-**	-	**(15,201)**	(12,386)
Income (loss) before tax	**4,706**	4,499	**3,181**	(1,739)	**970**	348	**-**	(179)	**8,857**	2,929
Income tax	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Profit (loss) for the year	**4,706**	4,499	**3,181**	(1,739)	**970**	348	**-**	(179)	**8,857**	2,929
Group's Share of profit for the year	**1,412**	1,350	**636**	(348)	**194**	70	**-**	-	**2,242**	1,072

(12) OTHER CURRENT ASSETS

	2018	2017
Prepaid expenses	**9,812**	10,292
Receivable from lessors – maintenance claims	**7,439**	8,831
Advances to suppliers	**4,535**	3,056
Refundable deposits	**911**	942
Employees' receivables	**882**	1,270
Derivatives*	**327**	-
Goodwill resulted from acquisition of a subsidiary (Note 7)	**-**	294
Others	**1,669**	2,363
	25,575	27,048

* During 2018, the Group signed aircraft fuel purchase options contracts to manage fuel price fluctuation risks and for the purpose of limiting the risk of fluctuations in fuel prices.

(13) SPARE PARTS AND OTHER SUPPLIES

	2018	2017
Spare parts and supplies	**16,266**	16,731
Provision for slow moving inventory	**(10,010)**	(5,538)
	6,256	11,193

Movement on provision for slow moving inventory was as follows:

	2018	2017
Beginning balance	**5,538**	3,981
Provision for the year	**4,472**	557 ,1
Ending balance	**10,010**	5,538

(14) ACCOUNTS RECEIVABLE

	2018	2017
Accounts receivable	**54,325**	50,381
Provision for expected credit losses	**(12,986)**	(14,764)
	41,339	35,617

As of 31 December 2018, provision for expected credit losses amounted to JD 2017) 12,986: JD 14,764)

Movement on provision for expected credit losses was as follows:

	2018	2017
Beginning balance	**14,764**	14,761
Provision for the year	**820**	12
Bad debts written off	**-**	(9)
Assets held for sale (Note 16)	**(2,598)**	-
Ending balance	**12,986**	14,764

As at 31 December, the aging of unimpaired trade receivables was as follows:

		Past due but not impaired					
	Neither past due nor impaired	30 -1 days	60 – 31 days	90 – 61 days	180 – 91 days	360-181 days	Total
2018	**19,826**	**10,689**	**2,374**	**1,411**	**4,152**	**2,887**	**41,339**
2017	6,936	19,284	2,884	1,958	3,317	1,238	35,617

Based on the Group's management estimates, the unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. The Group obtains bank guarantees as collateral from the majority of its general sales agents and cargo receivables. The Group does not obtain collateral over other receivables, therefore, they are unsecured.

(15) CASH AND BANK BALANCES

	2018	2017
Cash and bank balances	**23,129**	27,514
Short term deposits*	**19,804**	28,709
Cash in transit **	**23,253**	16,696
Cash and cash equivalents	**66,186**	72,919
Short term deposits mature after 3 months ***	**25,826**	28,474
	92,012	101,393

* This item represents deposits in Jordanian Dinar in Jordanian Banks as of 31 December 2018 with an interest rate ranging between 4.35% – 5.75% (4.5 :2017% –5%) and are due within three months.

** This item represents cash received on tickets sales and other sales during December that were deposited in the Company's bank accounts during January of next year.

*** This item represents deposit in Banks in Jordanian Dinar (JD 21,780) and Sudanese Pound (201,994 thousand Sudanese Pound which is equivalent to JD 2,858) in addition to Libyan Dinar and Syrian Lira equivalent to JD 1,180 as of 31 December 20,752 :2017) 2018 Jordanian Dinar and 215,302 Sudanese pounds which is equivalent to JD 3,799 in addition to Libyan Dinar and Syrian Lira equivalent to JD 3,923) with an average interest rate of 5.5% (5.13 :2017%) and are due within four months (2017: four months).

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

	2018	2017
Cash and cash equivalents	**66,186**	72,919
Add: discontinued operations (Note 16)	**1,007**	-
	67,193	72,919

(16) DISCONTINUED OPERATIONS

The Company's Board of Directors resolved on 26 September 2018 to sell or liquidate Royal Wings Company (wholly owned subsidiary). Accordingly, Royal Wings Company was classified as assets held for sale in the consolidated statement of financial position as at 31 December 2018 in accordance with IFRS 5.

Royal Wings Company was classified as at 31 December 2018 as assets held for sale and discontinued operations for the year ended. The result of Royal Wings Company for the year is presented as follows:

	2018	2017
Revenues	**10,216**	17,450
Cost of revenues	**(11,824)**	(17,144)
Gross (loss) profit	**(1,608)**	306
Administrative expenses	**(2,181)**	(1,322)
Other income, net	**(62)**	61
(Loss) before tax from discontinued operations	**(3,851)**	(955)
Income tax	**-**	-
(Loss) from discontinued operations	**(3,851)**	(955)

Major classes of Royal Wings Company's assets and liabilities classified as held for sale are as follows:

	2018
ASSETS	
Property and equipment	**6,461**
Accounts receivable and other debit balances	**1,163**
Cash and bank balances (Note 15)	**1,007**
Assets classified as held for sale	**8,631**
LIABILITIES	
Accounts payable and other credit balances	**1,389**
Accrued expenses	**2,314**
Liabilities associated with assets classified as held for sale	**3,703**
Net assets classified as held for sale	**4,928**

(17) SHAREHOLDERS' EQUITY

Paid in capital	2018	2017
Authorized capital (Par value of one Jordanian Dinar per share)	**274,610**	246,405
Paid in capital	**246,405**	146,405

- Share discount

Share discount amounted to JD 61 million as at 31 December 2018. The accumulated balance in this account represents the difference between the issuing price and the par value of the shares issued.

Payments in respect of capital increase

The General Assembly approved in its extraordinary meeting held on 2 May 2015 to restructure the Company's Capital by reducing it through writing off part of the Company's accumulated losses and increasing the Company's capital by 200 million shares with a par value of JD 1 per share. Capital increase procedures were completed for the first tranche of JD 100 million of the Company's capital increase during 2016.

The Prime Ministry resolved in its meeting held on 6 September 2017 to approve government's subscriptions presented by Governmental Investment Management Company in 50% of the second tranche of the suggested capital increase of JD 100 million (JD 50 million). The government shall subscribe in 100% of the capital increase. Subscription was completed through capitalization of JD 25 million of the amounts due to the Governmental Investment Management Company and through cash payments of the remaining amount of JD 25 million. Subscription was calculated using the share price in Amman Stock Exchange "ASE" on the date of the resolution (JD 0.390). Accordingly, an amount of JD 25 million was reclassified from long term liabilities to advance payments over capital increase in the consolidated financial statements as at 31 December 2017. Part of the second tranche was subscribed during February 2018. Accordingly, paid in capital amounted to JD 246,405, resulting in a share discount of JD 61 million as at 31 December 2018. The General Assembly resolved in its extra-ordinary meeting held on 26 April 2018 to increase the Company's authorized capital with 28,205,128 shares to become 274,610,470 shares to complete the first half of the second tranch of the capital increase of JD 50 million. Subscription was completed during January 2019 whereas the Company's authorized and paid in capital became 274,610 shares/ Dinar.

- 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.

(18) BANK LOANS

	2018		2017	
	Loan's Installments		Loan's Installments	
	Short term	**Long term**	Short term	Long term
Syndicated loan*	**47,839**	**72,471**	38,879	120,310
Less: directly attributable transaction costs	**(780)**	**(845)**	(780)	(1,625)
	47,059	**71,626**	38,099	118,685

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

According to the loan agreement, the Company is obliged to transfer the proceeds from its sales from travel agents (GSA) in 23 stations that are collected through IATA to the Company's account at Al-Mashreq Bank as a collateral.

Principal installments payable during the year 2019 and after are as follows:

Year	JD
2019	47,839
2020	66,699
2021	5,772
	120,310

(19) OBLIGATIONS UNDER FINANCE LEASES

	2018			2017		
	E175-	B787-	Total	E175-	B787-	Total
Long term obligations	-	**105,281**	**105,281**	-	114,534	114,534
Current obligations	-	**9,253**	**9,253**	1,975	8,869	10,844
	-	**114,534**	**114,534**	1,975	123,403	125,378

- B787- Lease Agreement - Aircraft Number 37984

The lease agreement was signed on 15 November 2016 with a total amount of USD 92,500,000 (JD 65,602). The term of the agreement is for 12 years. Interest on the lease was computed based on LIBOR plus 3.25%. The lease provides for 48 quarterly installments commencing on 15 February 2017. As of 31 December 2018, the outstanding balance was JD 31) 56,797 December 61,291 :2017).

- B787- Lease Agreement - Aircraft Number 37985

The lease agreement was signed on 15 January 2017 with a total amount of USD 92,031,250 (JD 65,270). The term of the agreement is for 12 years. Interest on the lease was computed based on LIBOR plus 3.35%. The lease provides for 48 quarterly installments commencing on 15 April 2017. As of 31 December 2018, the outstanding balance was JD 31) 57,737 December 62,112 :2017).

The Company has mortgaged the Embraer aircrafts the Boeing B787 aircrafts for the finance lease agreements for those aircrafts.

During June 2018, the Group has completed the pledge release procedures for two Embrear-E175- aircrafts number 232 and number 223, where the Group has also settled all lease balances related to the aircrafts.

Principal installments payable during 2019 and after relating to aircrafts delivered up to 31 December are as follows:

Year	Amounts
2019	9,253
2020	9,653
2021	10,071
2022	10,507
2023– and after	75,050
	114,534

Minimum lease payments under all finance leases are as follows:

	2018	2017
Total minimum lease payments	**142,489**	165,361
Interest	**(27,955)**	(39,983)
	114,534	125,378

(20) OTHER LONG TERM LIABILITIES

	2018	2017
Provision for end of service indemnity	**404**	433

Movement on provision for employee's end of service indemnity was as follows:

	2018	2017
Beginning balance	**433**	789
Provision for the year	**17**	82
Payments during the year	**(46)**	(438)
	404	433

(21) ACCRUED EXPENSES

	2018	2017
Accrual for flying operations expenses	**53,358**	48,345
Accrued operating lease payments	**12,757**	13,087
	66,115	61,432

(22) ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

	2018		2017	
	Short Term	**Long Term**	Short Term	Long Term
Fuel suppliers*	**1,963**	**-**	1,800	16,764
Government of the Hashemite Kingdom of Jordan **	**-**	**-**	9,706	-
Spare parts suppliers and accounts payable	**7,888**	**-**	12,099	-
Ministry of Finance	**1,707**	**-**	1,581	-
Employees Provident fund	**4,144**	**-**	4,473	-
Others	**35,033**	**-**	32,264	-

* During 2016, the Company signed an agreement with Jordan Petroleum Refinery to reschedule an amount of JD 83,024 over 60 monthly installments of JD 1,383.7 each with an annual interest rate of 4.4%. The first installment fell due on 30 April 2016.

During 2017, interest rate decreased to 0.5%. Accordingly, the liability was recorded at its fair value of JD 45,483 which was calculated by discounting the future cash flows using the average interest rate of 4.4% which is equivalent to the Company's average borrowing rate for 2017. The difference between the fair value and the liability balance of JD 2,346 was recorded as other income in the consolidated income statement for the year ended 31 December 2017. JD 1,349 was recognized as finance costs for the year ended 31 December 2018.

** During 2016, the Company signed an agreement with the Hashemite Kingdom of Jordan – Ministry of Finance to reschedule an amount of JD 49,435 over 51 monthly installments of JD 969.3 each with an annual interest rate of 0.5%. The first installment fell due on 30 June 2016. The last installment was paid during October 2018.

The liability was recorded at its fair value of JD 46,361 which was calculated by discounting the future cash flows using average interest rate of 3.5% which is equivalent to the Company's average borrowing rate for 2016. The difference between the fair value and the liability balance of JD 3,074 was recorded as other income in the consolidated income statement for the year ended 31 December 2016. This amount will be recognized as finance costs in subsequent periods. An amount of JD 227 was recorded as finance costs for the year ended 31 December 31) 2018 December 2,847 :2017).

The Prime Ministry resolved in its meeting on 6 September 2017 to approve governments' subscription presented by Governmental Investment Management Company in the first part of the second tranche of the Company's capital increase. An amount of JD 25 million was transferred from amounts due to the government to Management Investment Management Company. An amount of JD 25 million was paid tc Accordingly, an amount of JD 25 million was reclassified from long term liabilities to advances in respect of capital increase as of 31 December 2017 (Note 17).

(23) DEFERRED REVENUES

	2018	2017
Unutilized passenger tickets, air way bills and other service sales	**45,988**	45,482
Deferred revenue – Jordan Flight Catering Company***	**725**	1,025
	46,713	46,507

***Alia – The Royal Jordanian Airlines Company signed an 11 years and six months catering contract with Jordan Flight Catering Company during January 2010, and in return the Company was granted an additional share of 10% in Jordan Flight Catering Company. The grant was recorded as deferred revenues to be amortized over the catering contract period of 11 years and six months, which will expire during 2021.

(24) REVENUES

	2018	2017
Scheduled Services		
Passengers	**528,164**	487,351
Cargo	**37,702**	34,648
Excess baggage	**5,257**	4,374
Airmail	**7,889**	6,168
Total scheduled services (note 35)	**579,012**	532,541
Chartered flights (note 35)	**8,406**	11,585
Commercial revenues from arriving and departing aircrafts of other companies	**11,469**	11,235
Revenues from technical and maintenance services provided to other companies	**3,948**	3,983
Cargo warehouse revenues	**16,275**	14,360
First class services revenues	**5,459**	4,721
Revenues from NDC (Galileo)	**3,599**	3,335
Change and cancelation of reservation revenues	**11,186**	11,725
Other revenues	**13,946**	12,296
	653,300	605,781

(25) COST OF REVENUES

	2018	2017
Flying operations costs		
Aircraft Fuel	**159,301**	121,450
Other flying operations costs	**64,484**	61,785
Total flying operations costs	**223,785**	183,235
Repair and maintenance	**72,238**	72,430
Aircraft rental expenses	**76,926**	80,647
Depreciation of aircraft and engines and capitalized maintenance	**33,236**	30,556
Stations and ground services	**62,032**	63,536
Ground handling unit	**22,281**	22,085
Passenger services	**72,411**	73,841

	562,909	526,330

Employees benefits expenses included in cost of revenues are as follows:

	2018	2017
Salaries and wages	**42,140**	42,461
Overtime	**2,329**	2,474
End of service indemnity	**984**	1,462
Social Security contribution	**5,111**	5,298
Provident fund contribution	**3,168**	3,152
Medical expenses	**1,917**	1,970
Other benefits	**2,570**	2,493
	58,219	59,310

(26) OTHER (EXPENSES) INCOME - NET

	2018	2017
Legal cases provision	**(1,804)**	(648)
Loss from termination of purchase contract - Boeing 787 aircraft (note 40)	**(1,436)**	-
Other (loss) income	**(1,217)**	1,159
	(4,457)	511

(27) GENERAL AND ADMINISTRATIVE EXPENSES

	2018	2017
Salaries and wages	**7,067**	6,687
Computer expenses	**3,325**	2,694
Depreciation	**1,825**	1,429
Professional and consultation expenses	**1,260**	1,534
Employees benefits	**583**	631
Overtime	**239**	246
Medical expenses	**609**	523
End of service indemnity	**26**	403
Social security contribution	**736**	755
Provident fund contribution	**532**	511
Life insurance	**118**	194
Rent	**198**	388
Maintenance and cleaning expenses	**104**	138
Water, electricity and heating	**624**	571
Communication expense	**118**	155
Legal expenses	**303**	527
Others	**2,705**	3,086
	20,372	20,472

(28) SELLING AND MARKETING EXPENSES

	2018	2017
Commission	**17,036**	18,387
Salaries and wages	**11,298**	10,949
Marketing and advertisement	**4,622**	3,158
Other employee benefits	**2,491**	2,566
Rent	**1,945**	2,005
Social security contribution	**1,749**	1,805
Overtime	**201**	192
Medical expenses	**696**	765
End of service indemnity	**177**	165
Provident fund contribution	**287**	286
Life insurance	**73**	76
Maintenance and cleaning expenses	**169**	187
Water, electricity and heating	**184**	199
Computer expenses	**658**	650
Depreciation	**197**	231
Communication expenses	**980**	793
Legal expenses	**259**	238
Consulting expenses	**68**	70
Others	**2,626**	1,741
	45,716	44,463

(29) FINANCE COSTS

	2018	2017
Interest on loans	**8,941**	7,618
Interest on finance leases contracts	**6,605**	5,861
Other interest and bank charges	**692**	1,003
	16,238	14,482

(30) provision for VOLUNTARY TERMINATION

During January 2018, the Company signed a labor collective contract with union of workers in Air Transport and Tourism as requested from some of the staff who decided to terminate their services voluntarily. The agreement covering the period from 1 February 2018 to 31 March 2018. The Company extended the agreement from 1 November 2018 to 30 November 2018. Accordingly, the Company has recorded a provision amounted to JD 1,874 for the year ended 31 December 2018 which represents the accrued amounts for employees who applied to the plan and management approved their applications (31 December 2017: the Company has recorded a provision amounted to JD 1,243 against the labor collective contract covering the period from 15 March 2017 to 30 April 2017).

(31) OPERATING LEASE COMMITMENTS

As of the date of these consolidated financial statements, Alia – The Royal Jordanian Airlines Company has future commitments which represent operating lease agreements in respect of six Airbus A320- aircrafts, two Airbus A321- aircrafts, four Airbus A–319 aircrafts, and five Boeing B787- aircrafts.

Payments under the operating leases are detailed as follows:

Year	Amount
2019	**65,180**
2020	**60,949**
2021	**57,894**
2022	**56,334**
2023 and after	**170,242**

(32) EARNINGS PER SHARE

	2018	2017
(Loss) profit for the year attributed to the equity holders of the parent ('000)	**(5,876)**	246
Weighted average number of shares ('000)	**234,625**	146,405
Basic and diluted earnings per share (JD)	**(0.0250)**	0.0017

	2018	2017
(Loss) Profit for the year from continuing operations after tax attributable to equity holders of the parent ('000)	**(2,025)**	1,201
Weighted average number of shares ('000)	**234,625**	146,404
Basic and diluted earnings per share from continuing operations after tax attributable to equity holders of the parent (JD)	**(0.0086)**	0.0082

(33) INCOME TAX

The income tax appearing in the consolidated income statement represents the following:

	2018	2017
Current year's income tax charge	**39**	34
Deferred Tax Assets		
Related to temporary differences additions	**-**	160
Income tax expense	**39**	194

No provision for income tax was calculated for the Company for the years 2018 and 2017, as deductible expenses exceeded taxable income in accordance with Jordanian Income Tax Law No. (34) of 2014.

Provision for income tax charge during the years 2018 and 2017 with an amount of JD 39 and JD 34 represent the income tax expense incurred by Al Mashriq for Aviation Services and Royal Tours for Travel and Tourism Company (Subsidiaries) for the year ended 31 December 2018 and 2017, respectively.

The Income and Sales Tax Department raised a claim to RJ by an amount of JD 701 which represents sales tax differences for the years 2013 ,2012 and 2014. The Company appealed the case at the Tax Court. The case is still outstanding up to date of the consolidated financial statement. Although results of the case can not be determined accurately, management believes that no material liability is likely to result. The Tax Court resolved on 14 March 2019 to fully repeal the claim noting that the prosecutor has the right to appeal the decision within one month from the date of the resolution.

The Company filed its tax return for the years 2015 to 2017. The Income Tax Department has not reviewed the Company's accounting records up to the date of the consolidated financial statements.

The Company reached a final settlement with the Income Tax Department up to the year 2014.

Royal Wings Company filed its tax return for the year 2017. The Income Tax Department has not reviewed the Company's accounting records up to the date of the consolidated financial statements.

Royal Wings Company reached a final settlement with the Income Tax Department up to the year 2016.

Royal Tours Company filed its tax return for the year 2017. The Income Tax Department has not reviewed the Company's accounting records up to the date of the consolidated financial statements.

Royal Tours for Travel and Tourism Company reached a final settlement with the income tax department up to the year 2016.

Al-Mashriq for Aviation Services Company filed its tax return for the years 2017 and 2016. The Income Tax Department has not reviewed the company's accounting records up to the date of the consolidated financial statements.

Al-Mashriq for Aviation Services Company reached a final settlement with the income tax department up to the year 2015.

Movement on provision for income tax was as follows:

	2018	2017
Beginning balance	**34**	63
Current year's income tax charge	**39**	34
Income tax paid	**(73)**	(63)
Ending balance	**-**	34

Movement on deferred tax assets was as follows:

	2018	2017
Beginning balance	**14,920**	15,080
Deferred tax assets for the year	**-**	(160)
Ending balance	**14,920**	14,920

Reconciliation between accounting profit and taxable profit

	2018	2017
Accounting (loss) profit	**(5,818)**	468
Non-taxable profits	**(2,242)**	(1,072)
Non-deductible expenses	**14,500**	1,545
Prior years tax losses	**(128,347)**	(129,288)
Accumulated tax losses	**(121,907)**	(128,347)
Relates to:		
Total loss – Parent Company	**(121,346)**	(128,036)
Total loss – Subsidiaries	**(561)**	(311)
Effective income tax rate for Subsidiaries	**20%**	20%
Statutory income tax rate	**20%**	20%
Current year income tax – Subsidiaries	**39**	34
Income tax expense	**39**	34

(34) RELATED PARTY TRANSACTIONS

Related party transactions represent transactions with associated companies, employees' Provident fund, and the Government of the Hashemite Kingdom of Jordan. Pricing polices 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 consolidated statement of financial position:

	2018		2017	
	Accounts receivable	Accounts payable	Accounts receivable	Accounts payable
Government of Jordan	**3,910**	**1,707**	3,830	11,287
Employees' Provident Fund	**-**	**4,144**	-	4,423
Jordan Aircraft Maintenance Company	**1,177**	**-**	3	14
Jordan Flight Catering Company	**-**	**3,190**	-	2,294
Jordan Aircraft Training and Simulation Company	**-**	**60**	-	269
Al Mashriq for Aviation Services	**-**	**-**	-	-
	5,087	**9,101**	3,833	18,287

	2018	2017
Payments in respect of capital increase – included in shareholders equity:		
Governmental Investment Management Company	**8,000**	25,000

- Following is a summary of the transactions with associated companies included in the consolidated income statement:

	2018	2017
Jordan Aircraft Maintenance Company (JORAMCO):		
Scheduled services revenues	**281**	168
Repair and maintenance expenses	**(3,688)**	(4,958)
Jordan Flight Catering Company:		
Passenger services expenses	**(14,642)**	(16,162)
Jordan Aircraft Training and Simulation Company:		
Scheduled services revenues	**22**	11
Pilots training expenses	**(728)**	(721)

The Company signed a 4 years maintenance contract with Jordan Aircraft Maintenance Company (JORAMCO) during January 2005, and in return the Company was granted a 20% share in Jordan Aircraft Maintenance Company. The contract was extended for 7 years up to the end of October 2016. The contract was renewed up to the end of June 2019. Management will agree on contract renewal during 2019.

The Company signed a 4 year training contract with Jordan Aircraft Training and Simulation Company during July 2006 and in return the Company was granted a share of 20% in Jordan Aircraft Training and Simulation Company which has been extended until the end of January 2020.

Alia – The Royal Jordanian Airlines Company signed a 11 years and six months catering contract with Jordan Flight Catering Company during 2010, and in return the Company was granted an additional share of 10% in Jordan Flight Catering Company to reach a total share of 30%.

- Following is a summary of the transactions with the Government of the Hashemite Kingdom of Jordan included in the consolidated income statement:

	2018	2017
Scheduled services revenues – passengers	**3,844**	3,860
Scheduled services revenues – cargo	**1,352**	1,520
Charter flights	**1,276**	1,777
	6,472	7,157

- The Company's contribution to the employees' saving fund amounted to JD 3,987 and JD 3,949 for the years 2018 and 2017, respectively.

Compensation of key management personnel

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

	2018	2017
Salaries and other benefits	**702**	555
Board of Directors remuneration	**42**	51

(35) 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:

	2018				2017			
	Scheduled	**Chartered Flights**			Scheduled	Chartered Flights		
	services	**Passengers**	**Cargo**	**Total**	services	Passengers	Cargo	Total
Levant	**69,838**	**599**	**1,046**	**71,483**	71,880	1,278	2,499	75,657
Europe	**165,637**	**235**	**1,657**	**167,529**	139,375	1,943	1,462	142,780
Arab Gulf	**135,764**	**-**	**102**	**135,866**	129,891	908	490	131,289
America	**138,842**	**-**	**3,647**	**142,489**	123,002	-	2,412	125,414
Asia	**52,108**	**278**	**842**	**53,228**	53,363	190	298	53,851
Africa	**16,823**	**-**	**-**	**16,823**	15,030	105	-	15,135
Total Revenue	**579,012**	**1,112**	**7,294**	**587,418**	532,541	4,424	7,161	544,126

(36) FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and bank balances, accounts receivable, financial assets at fair value through other comprehensive income, and some other current assets. Financial liabilities consist of accounts payable, bank loans, obligations under finance leases and some other current liabilities.

The fair values of financial instruments are not materially different from their carrying values.

(37) Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 - market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

31 December 2018	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through other comprehensive income	-	5,967	-	5,967

31 December 2017				
Financial assets:				
Financial assets at fair value through other comprehensive income	-	5,992	-	5,992

(38) RISK MANAGEMENT

Interest rate risk

The Group is exposed to interest rate risk on its interest bearing financial assets and liabilities (bank deposits, obligation under finance leases and bank loans).

The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates on the Group's profit for one year, based on the floating rate financial assets and financial liabilities held at 31 December 2018.

The following table demonstrates the sensitivity of the consolidated income statement to reasonably possible changes in interest rates as of 31 December 2018, with all other variables held constant.

	Increase in interest rate	Effect on loss
-2018	**(points)**	
Currency		
USD	**50**	**1,166**
JD	**50**	**(208)**

	Decrease in interest rate	Effect on loss
	(points)	
Currency		
USD	**(25)**	**(583)**
JD	**(25)**	**104**

	Increase in interest rate	Effect on Profit
-2017	(points)	
Currency		
USD	50	(1,410)
JD	50	246

	Decrease in interest rate	Effect on Profit
	(points)	
Currency		
USD	(25)	705
JD	(25)	(123)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables and with respect to banks by only dealing with reputable banks.

The Group provides its services to a large number of customers. No single customer accounts for more than 10% of outstanding accounts receivable at 31 December 2018 and 2017.

Liquidity risk

The Group limits its liquidity risk by ensuring bank facilities are available.

The table below summarises the maturities of the Group's (undiscounted) financial liabilities at 31 December 2018 and 2017, based on contractual payment dates and current market interest rates.

31 December 2018	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Accounts payables and other current liabilities	2,264	48,471	-	-	50,735
Bank loans	12,959	40,733	75,117	-	128,809
Obligations under finance leases	3,988	10,529	70,197	57,775	142,489
Other long term liabilities	-	-	-	404	404
Total	19,211	99,733	145,314	58,179	322,437

31 December 2017	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Accounts payables and other current liabilities	2,473	59,525	16,688	-	78,686
Bank loans	12,144	33,126	127,136	-	172,406
Obligations under finance leases	5,637	11,143	75,593	72,988	165,361
Other long term liabilities	-	-	-	433	433
Total	20,254	103,794	219,417	73,421	416,886

Currency risk

The table below indicates the Group's foreign currency exposure at 31 December, as a result of its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the JD currency rate against the foreign currencies, with all other variables held constant, on the consolidated statement of income.

2018 -		
Currency	**Increase in foreign currency rate to the JD currency**	**Effect on loss**
	(%)	
Euro	1	(98)
GBP	1	(45)
SDG	1	(29)

Currency	Decrease in foreign currency rate to the JD currency	Effect on loss
	(%)	
Euro	(1)	98
GBP	(1)	45
SDG	(1)	29

2017 -		
Currency	Increase in foreign currency rate to the JD currency	Effect on profit
	(%)	
Euro	1	50
GBP	1	36
SDG	1	59

Currency	Decrease in foreign currency rate to the JD currency	Effect on profit
	(%)	
Euro	(1)	(50)
GBP	(1)	(36)
SDG	(1)	(59)

The Jordanian Dinar exchange rate is fixed against the U.S. Dollars (USD 1.41 for JD 1).

Losses on foreign exchange differences amounted to JD 4,248 for the year ended 31 December 31) 2018 December 2017: foreign exchange gain of JD 206)

(39) CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value.

Capital comprises of share capital, payments in respect of capital increase, share discount, statutory reserve and accumulated losses and is measured at JD 112,431 as at 31 December 2017) 2018: JD 96,307).

(40) CONTINGENCIES AND COMMITMENTS

Bank guarantees

As of 31 December 2018, the Group had letters of guarantee amounting to JD 2017) 12,132: JD 15,034).

Claims against the Group

The Group is a defendant in a number of lawsuits amounting to 2017) 12,866: JD 17,038) 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. The management and their legal advisors believe that no material liabilities are likely to result.

Capital commitments

As of 31 December 2018, the Group had capital commitments of USD 2017) 423,714,932: USD 508,539,929), equivalent to JD 2017) 300,507: JD 360,667) relating to finance lease agreements signed for three new aircrafts. 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 2018, the Group terminated a contract to purchase one Boeing 787 aircraft with serial number 37982. Loss resulted from the termination amounted to JD 1,436 (note 26).

(41) STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 16 Leases

During January 2016, the IASB issued IFRS 16 "Leases" which sets out the principles for the recognition, measurement, presentation and disclosure of leases.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 introduced a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted.

Transition to IFRS 16

The Group has the option to adopt IFRS 16 retrospectively and restate each prior reporting period presented or using the modified retrospective approach by applying the impact as an adjustment on the opening retained earnings. The Group will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4.

The Group will adopt IFRS 16 using the modified retrospective approach. During 2018, the Group has performed a detailed impact assessment of IFRS 16.

The Group expect the effect of adopting IFRS 16 to be JD 366 Million on the total assets and JD 366 Million on the total liabilities.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The interpretation is effective for annual reporting periods beginning on or after 1January 2019, but certain transition reliefs are available.

Amendments to IFRS 10 and IAS 28:Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group will apply these amendments when they become effective.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss.

An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

(42) COMPARATIVE FIGURES

Some of 2017 balances were reclassified to correspond with the consolidated financial statements figures for the year 2018 presentation, with no effect on profit and equity for the year 2017.

The Board of Directors of the Company hereby declares that according to the best of its information and in its opinion, there are no substantial matters that may affect the Company as a going concern during the coming financial 2019.

The Company's Board of Directors hereby declares its responsibility for the preparation of the financial statements and an effective control system in the Company.

Said Darwazah Chairman of the Board	**Bassem Al-Salem** Vice Chairman	**Suleiman Obaidat** Member
Abdelhakim Shibli Member	**Sami Dawud** Member	**Nizar Khoury** Member
Emad Kodah Member	**"Mohammad Ali" Bdeir** Member	**Michael Nazzal** Member

We, the undersigned acknowledge the correctness, accuracy and completeness of the information in the annual report for 2018

Marwan Marji Chief Financial Officer	**Stefan Pichler** President/CEO	**Said Darwazah** Chairman of the Board


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