

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

**A PUBLIC SHAREHOLDING COMPANY**

**UNAUDITED INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**30 June 2017**



Building a better  
working world

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

***Introduction***

We have reviewed the accompanying interim condensed consolidated financial statements of Alia- The Royal Jordanian Airlines Company and its subsidiaries (the Group) as at 30 June 2017, comprising of the interim consolidated statement of financial position as at 30 June 2017 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six month period then ended and explanatory information. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

***Scope of Review***

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

***Conclusion***

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



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***Emphasis of a Matter***

- Without qualifying our conclusion, the Group's accumulated losses of JD 115 million as at 30 June 2017 reached 78.6% of the Company's capital. According to article No. 266 of the Jordanian Company's Law No. 22 for the year 1997 and its amendments, if the accumulated losses of the public shareholding company exceeds 75% of its capital, the Company shall be liquidated unless the General Assembly of the Company decides in its extraordinary meeting to increase the paid up capital of the Company to cover the accumulated losses. The General Assembly approved to increase the Company's capital by the first tranche of JD 100 million during 2016. The General Assembly has also approved to increase the Company's capital by the second tranche of JD 100 million during 2017 and 2018.

Amman – Jordan  
29 July 2017

*Ernst + Young*

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Interim Condensed Consolidated Statement of Financial Position**  
**At 30 June 2017**  
**(In Thousands of Jordanian Dinars)**

	Notes	30 June 2017 (unaudited)	31 December 2016 (audited)
<b>ASSETS</b>			
<b>Non- current assets</b>			
Property and equipment	4	301,252	226,520
Projects under construction		784	674
Advances on purchase and modification of aircrafts		39,281	59,731
Financial assets at fair value through other comprehensive income		6,020	6,022
Investments in associates		17,705	17,452
Restricted cash against operating lease contracts		26,389	25,243
Deferred tax assets		15,080	15,080
		<u>406,511</u>	<u>350,722</u>
<b>Current assets</b>			
Other current assets		39,806	32,815
Spare parts and supplies, net		12,383	11,008
Accounts receivable, net		48,892	33,233
Cash and bank balances	5	97,221	141,974
		<u>198,302</u>	<u>219,030</u>
Property and equipment held for sale		2,103	1,064
<b>TOTAL ASSETS</b>		<u>606,916</u>	<u>570,816</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Paid in capital	8	146,405	146,405
Statutory reserve	8	13,455	13,455
Fair value reserve		3,771	3,771
Accumulated losses		(115,124)	(88,749)
		<u>48,507</u>	<u>74,882</u>
Non-controlling interests		255	229
<b>Total shareholders' equity</b>		<u>48,762</u>	<u>75,111</u>
<b>LIABILITIES</b>			
<b>Non- current liabilities</b>			
Long term loans	6	125,355	143,308
Long term obligations under finance leases	7	119,015	63,266
Accounts payable		50,493	71,445
Other long term liabilities		659	789
		<u>295,522</u>	<u>278,808</u>
<b>Current liabilities</b>			
Current portion of long term loans	6	35,487	35,067
Accrued expenses		82,585	70,232
Accounts payable and other current liabilities		66,414	69,590
Income tax provision		-	63
Deferred revenues		63,982	30,205
Short term obligations under finance leases	7	14,164	11,740
		<u>262,632</u>	<u>216,897</u>
<b>Total liabilities</b>		<u>558,154</u>	<u>495,705</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>606,916</u>	<u>570,816</u>

The attached notes from 1 to 14 form part of these interim condensed consolidated financial statements

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Interim Condensed Consolidated Statement of Comprehensive Income**  
**For The Three and Six Months Period Ended 30 June 2017 (Unaudited)**  
**(In Thousands of Jordanian Dinars)**

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2017	2016	2017	2016
Revenues	9	157,683	146,709	284,252	287,088
Cost of revenues		(138,263)	(135,754)	(271,403)	(263,576)
<b>Gross profit</b>		<b>19,420</b>	<b>10,955</b>	<b>12,849</b>	<b>23,512</b>
Administrative expenses		(4,767)	(4,588)	(9,757)	(10,286)
Selling and marketing expenses		(10,871)	(12,038)	(21,339)	(22,313)
<b>Net operating gain (loss)</b>		<b>3,782</b>	<b>(5,671)</b>	<b>(18,247)</b>	<b>(9,087)</b>
Share of profit of associates		301	600	943	1,385
Other (expense) income, net		(42)	1,361	298	2,143
Provision for voluntary termination	14	(386)	(691)	(1,243)	(2,091)
Loss on sale of property and equipment		-	(1)	-	(11)
Gain (loss) on foreign exchange		545	666	871	(9)
Finance costs		(4,272)	(4,552)	(8,961)	(7,932)
<b>Loss for the period before income tax</b>		<b>(72)</b>	<b>(8,288)</b>	<b>(26,339)</b>	<b>(15,602)</b>
Income tax provision	10	(10)	(17)	(10)	(17)
<b>Loss for the period</b>		<b>(82)</b>	<b>(8,305)</b>	<b>(26,349)</b>	<b>(15,619)</b>
Add: other comprehensive income items after tax		-	77	-	77
<b>Total loss and comprehensive income for the period</b>		<b>(82)</b>	<b>(8,228)</b>	<b>(26,349)</b>	<b>(15,542)</b>
<b>Loss for the period attributable to:</b>					
Equity holders of the parent		(108)	(8,354)	(26,375)	(15,667)
Non-controlling interests		26	49	26	48
		<b>(82)</b>	<b>(8,305)</b>	<b>(26,349)</b>	<b>(15,619)</b>
<b>Total loss and comprehensive income attributable to:</b>					
Equity holders of the parent		(108)	(8,277)	(26,375)	(15,590)
Non-controlling interests		26	49	26	48
		<b>(82)</b>	<b>(8,228)</b>	<b>(26,349)</b>	<b>(15,542)</b>
		JD	JD	JD	JD
Basic and diluted losses per share attributable to equity holders of the parent		(0.00)	(0,01)	(0.18)	(0,16)

The attached notes from 1 to 14 form part of these interim condensed consolidated financial statements

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Interim Condensed Consolidated Statement of Changes in Equity**  
**For The Six Months Period Ended 30 June 2017 (Unaudited)**  
(In Thousands of Jordanian Dinars)

	Attributable to equity holders of the parent							Non – controlling interests	Total equity
	Paid in capital	Payments in respect of capital increase	Statutory reserve	Fair value reserve	Cash flow hedges	Accumulated losses	Total		
<b>For the Six months period ended 30 June 2017</b>									
Balance as of 1 January 2017	146,405	-	13,455	3,771	-	(88,749)	74,882	229	75,111
Total loss and comprehensive income for the period	-	-	-	-	-	(26,375)	(26,375)	26	(26,349)
<b>Balance as of 30 June 2017</b>	<b>146,405</b>	<b>-</b>	<b>13,455</b>	<b>3,771</b>	<b>-</b>	<b>(115,124)</b>	<b>48,507</b>	<b>255</b>	<b>48,762</b>
<b>For the six months period ended 30 June 2016</b>									
Balance as of 1 January 2016	46,405	50,154	13,455	3,771	(178)	(64,094)	49,513	195	49,708
Total loss and comprehensive income for the period	-	-	-	-	77	(15,667)	(15,590)	48	(15,542)
Payments in respect of capital increase	-	13,702	-	-	-	-	13,702	-	13,702
Capital increase	100,000	(63,856)	-	-	-	-	36,144	-	36,144
Capital increase costs	-	-	-	-	-	(50)	(50)	-	(50)
<b>Balance as of 30 June 2016</b>	<b>146,405</b>	<b>-</b>	<b>13,455</b>	<b>3,771</b>	<b>(101)</b>	<b>(79,811)</b>	<b>83,719</b>	<b>243</b>	<b>83,962</b>

The attached notes from 1 to 14 form part of these interim condensed consolidated financial statements

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Interim Condensed Consolidated Statement of Cash Flows**  
**For The Six Months Period Ended 30 June 2017 (Unaudited)**  
**(In Thousands of Jordanian Dinars)**

	Notes	For the six months ended	
		30 June	
		2017	2016
<b>OPERATING ACTIVITIES</b>			
Loss for the period		(26,339)	(15,602)
<b>Adjustments for:</b>			
Depreciation of property and equipment		16,715	12,950
Share of profit of associates		(943)	(1,385)
Finance costs		8,961	7,932
Loss on sale of property and equipment		-	11
Provision for voluntary termination	14	1,243	2,091
Provision for end of service		55	7
Amortization of deferred revenue - Jordan Flight Catering Company Ltd		(150)	(150)
<b>Working capital changes:</b>			
Accounts receivable		(15,659)	(8,770)
Spare parts and other supplies		(1,375)	(657)
Other current assets		(6,991)	8,070
Deferred revenues		33,927	27,165
Accounts payable and other current liabilities		(22,161)	(23,682)
Accrued expenses		10,383	1,463
End of service indemnity paid		(185)	(168)
Voluntary termination program payments		(1,174)	-
Income tax paid		(73)	(249)
<b>Net cash flows (used in) from operating activities</b>		<b>(3,766)</b>	<b>9,026</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment		(483)	(14,514)
Projects under construction		(470)	(187)
Sale (purchase) of financial assets at fair value through other comprehensive income		2	(2)
Change in restricted cash against lease contracts		(1,146)	(2,169)
Advances on purchase and modification of aircrafts		(7,890)	(19,881)
Restricted bank accounts		-	(2,806)
Dividends received from associates		690	1,461
Short term deposits		19,792	-
<b>Net cash flows from (used in) investing activities</b>		<b>10,495</b>	<b>(38,098)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from loans		-	151,063
Capital increase		-	99,846
Capital increase costs		-	(50)
Repayment of term loans		(17,533)	(62,480)
Finance lease obligations		(7,097)	(3,683)
Interest paid		(7,060)	(4,912)
<b>Net cash flows (used in) from financing activities</b>		<b>(31,690)</b>	<b>179,784</b>
Net (decrease) increase in cash and cash equivalents		(24,961)	150,712
Cash and cash equivalents, beginning of the period		92,874	34,571
<b>Cash and cash equivalents, end of the period</b>	5	<b>67,913</b>	<b>185,283</b>

The attached notes from 1 to 14 form part of these interim condensed consolidated financial statements

## **1. GENERAL**

Alia - The Royal Jordanian Airlines Company (Royal Jordanian), the "Company", was registered as a Jordanian public shareholding company on 5 February 2001. The Company is the legal successor of Alia-Royal Jordanian Corporation. 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 of civil aircraft that land in and take off from the airports of the Kingdom.

The Jordanian Civil Aviation Authority granted the Company the exclusive right to utilise the Jordanian Traffic Rights for International Routes, from Amman, for the operation of scheduled flights. The initial contract started on 5 February 2002 for the term of four years, which was renewed for another 4 years on 5 February 2006 which ended on 2 February 2010.

The interim condensed consolidated financial statements were authorized for issue by the Board of Directors in their meeting held on 29 July 2017.

## **2. BASIS OF PREPARATION**

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

The interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Group's annual financial statements as of 31 December 2016. In addition, results of the six months period ended 30 June 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

### **Changes in accounting policies**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of new standards effective as of 1 January 2017:

#### **Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative**

Limited amendments which require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). However, the adoption of these amendments have no impact on the Company's interim condensed consolidated financial statements.



**Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Un-recognised Losses**

Limited amendments to clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference and some other limited amendments. The adoption of these amendments have no impact on the Company's interim condensed consolidated financial statements.

**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 30 June 2017:

	Ownership	
	<u>Interest</u>	<u>Country</u>
Royal Wings Company	100%	Jordan
Royal Tours for Travel and Tourism Company	80%	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, and
- 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 are consolidated from the control date until stop this control. Revenue and expenses of the subsidiaries are consolidated in the consolidated statement of comprehensive income 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, Mint Trading Middle East Ltd. and Social Security Corporation own 60%, 15% and 10% of the Company's shares respectively.

#### **4. PROPERTY AND EQUIPMENT**

During the six months ended 30 June 2017, The Group acquired property and equipment with a cost of JD 89,963 (30 June 2016: JD 14,514).

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Notes to The Interim Condensed Consolidated Financial Statements**  
**30 June 2017 (unaudited)**  
**(In Thousands of Jordanian Dinars except for amounts in US Dollars)**

**5. CASH AND CASH EQUIVALENTS**

	<u>30 June 2017</u> (Unaudited)	<u>31 December 2016</u> (Audited)
Cash and bank balances	11,896	12,944
Short term deposits*	30,842	62,202
Cash in transit **	25,175	17,728
Cash and cash equivalents	<u>67,913</u>	<u>92,874</u>
Short term deposits mature after 3 months ***	<u>29,308</u>	<u>49,100</u>
	<u>97,221</u>	<u>141,974</u>

\* This item represents deposits in banks in Jordanian Dinars as of 30 June 2017 bearing average interest rate of 3.5% - 4.1% (2016: 3%- 3.65%).

\*\* This item represents cash received on tickets sales and other sales during June that were deposited in the Group's bank accounts during July.

\*\*\* Included in this item deposits in Banks in Jordanian Dinar (JD 20,000) and Sudanese Pound (194,887 thousand Sudanese Pound which is equivalent to JD 7,345) as of 30 June 2017 and 31 December 2016 with an average interest rate of 4.5% (2016: 4.5%) and are due within five months (2016: five months).

**6. LOANS**

	<u>30 June 2017</u> (Unaudited)		<u>31 December 2016</u> (Audited)	
	<u>Loans' installments</u>		<u>Loans' installments</u>	
	<u>Short term</u>	<u>Long term</u>	<u>Short term</u>	<u>Long term</u>
Syndicated loan*	36,267	127,370	35,847	145,713
Less: directly attributable transaction costs	<u>(780)</u>	<u>(2,015)</u>	<u>(780)</u>	<u>(2,405)</u>
	<u>35,487</u>	<u>125,355</u>	<u>35,067</u>	<u>143,308</u>

\* On 20 December 2015, the Company 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 December 2021.

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Notes to The Interim Condensed Consolidated Financial Statements**  
**30 June 2017 (unaudited)**  
**(In Thousands of Jordanian Dinars except for amounts in US Dollars)**

According to the loan agreement, the Company is liable to transfer collections of general sales agents "GSA" sales in twenty three stations that are collected through IATA Billing and Settlement Plan as a collateral.

The loan agreement contain loan covenants which require the Company to meet certain financial ratios. The Company did not comply with these ratios and obtained a waiver until 30 September 2017.

Principal installments payable for the period ended 30 June 2017 and after are as follows:

	<u>Amount</u>
1 July 2017– 30 June 2018	36,267
1 July 2018– 30 June 2019	38,891
1 July 2019– 30 June 2020	51,989
1 July 2020– 30 June 2021	36,490

**7. OBLIGATIONS UNDER FINANCE LEASES**

	<u>30 June 2017</u>				<u>31 December 2016</u>			
	<u>(Unaudited)</u>				<u>(Audited)</u>			
	<u>E-195</u>	<u>E-175</u>	<u>B-787</u>	<u>Total</u>	<u>E-195</u>	<u>E-175</u>	<u>B-787</u>	<u>Total</u>
Long term obligations	-	-	119,015	119,015	-	1,976	61,290	63,266
Current obligations	1,591	3,890	8,683	14,164	3,658	3,770	4,312	11,740
	<u>1,591</u>	<u>3,890</u>	<u>127,698</u>	<u>133,179</u>	<u>3,658</u>	<u>5,746</u>	<u>65,602</u>	<u>75,006</u>

**- E-195 Lease Agreement - Aircraft Number 107**

The lease agreement was signed on 17 September 2007 with a total amount of USD 22,500,000 (JD 15,957). The term of the agreement is for 10 years. Interest on the lease was computed based on LIBOR plus 0.75%. The lease provides for 40 quarterly installments commencing on 20 December 2007. As of 30 June 2017, the outstanding balance is JD 533 (31 December 2016: JD 1,575).

**- E-195 Lease Agreement - Aircraft Number 131**

The lease agreement was signed on 17 September 2007 with a total amount of USD 22,500,000 (JD 15,957). The term of the agreement is for 10 years. Interest on the lease was computed based on LIBOR plus 0.75%. The lease provides for 40 quarterly installments commencing on 20 February 2008. As of 30 June 2017, the outstanding balance was JD 1,058 (31 December 2016: JD 2,083).

**- E-175 Lease Agreement - Aircraft Number 223**

The lease agreement was signed on 17 September 2007 with a total amount of USD 21,000,000 (JD 14,894). The term of the agreement is for 10 years. Interest on the lease was computed based on LIBOR plus 0.75%. The lease provides for 40 quarterly installments commencing on 15 August 2008. As of 30 June 2017, the outstanding balance has JD 1,945 (31 December 2016: JD 2,873).

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Notes to The Interim Condensed Consolidated Financial Statements**  
**30 June 2017 (unaudited)**  
**(In Thousands of Jordanian Dinars except for amounts in US Dollars)**

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- **E-175 Lease Agreement - Aircraft Number 232**

The lease agreement was signed on 17 September 2007 with a total amount of USD 21,000,000 (JD 14,894). The term of the agreement is for 10 years. Interest on the lease was computed based on LIBOR plus 0.75%. The lease provides for 40 quarterly installments commencing on 15 September 2008. As of 30 June 2017, the outstanding balance is JD 1,945 (31 December 2016: JD 2,873).

- **B-787 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 30 June 2017, the outstanding balance is JD 63,469 (31 December 2016: JD 65,602).

- **B-787 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 3.25%. The lease provides for 48 quarterly installments commencing on 15 April 2017. As of 30 June 2017, the outstanding balance is JD 64,229 (31 December 2016: nil).

The Company has mortgaged the Embraer aircrafts E-195, E-175 and Boeing B787 aircrafts for the finance lease agreements.

Principal installments payable during 2017 and after relating to aircrafts delivered up to 30 June are as follow:

<u>Period</u>	<u>Amount</u>
1 July 2017– 30 June 2018	14,164
1 July 2018– 30 June 2019	9,059
1 July 2019– 30 June 2020	9,451
1 July 2020– 30 June 2021	9,860
1 July 2021 and thereafter	90,645
	<u>133,179</u>

Minimum lease payments under all finance leases are as follows:

	<u>30 June 2017</u>	<u>31 December 2016</u>
	(unaudited)	(audited)
Total minimum lease payments	168,123	93,408
Interest	(34,944)	(18,402)
	<u>133,179</u>	<u>75,006</u>

**8. SHAREHOLDER'S EQUITY**

	<b>30 June 2017</b>	<b>31 December 2016</b>
<b>- Paid in capital</b>	<b>(unaudited)</b>	<b>(audited)</b>
Authorized capital (246,405 shares of 1JD each)	<b>246,405</b>	<b>246,405</b>
Paid in capital	<b>146,405</b>	<b>146,405</b>

**Payments in respect of capital increase**

The General Assembly approved in its extraordinary meeting held on 2 May 2015 to reduce the Company's capital in an amount of JD 37,968 to become JD 46,405 through writing off part of the accumulated losses. Those procedures were completed at the Ministry of Industry and Trade on 26 July 2015. The General assembly also approved the Government's private and / or general subscriptions in 50% of the first tranche of the suggested capital increase of JD 100 million (JD 50 million). The Government shall subscribe in 100% of the amount of capital increase (JD 100 million) in the event that the other shareholders do not subscribe in the remaining 50%.

On 4 August 2015, the Ministry of Finance (MOF) requested the Central Bank of Jordan (CBJ) to open an escrow account and transfer an amount of JD 50 million to this account from the MOF account. On 22 October 2015, the amount was deposited by the CBJ in a special account "The Government's share of Royal Jordanian capital increase". This amount was recorded as restricted cash within the current assets and the corresponding amount was recorded as payments in respect of capital increase within the equity. This amount will be released once there is a notification from the Securities Depository Center that the 50 million shares are registered in the name of the Government. The Company's paid in capital has increased during January 2016 by JD 60.1 million to become JD 106.5 million. Furthermore, the Company's paid in capital was increased during April 2016 by JD 39.9 million to become JD 146.4 million. The Company's capital will be increased by the second tranche of JD 100 million during 2017 and 2018.

**- 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.

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Notes to The Interim Condensed Consolidated Financial Statements**  
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**9. REVENUES**

	For the three months ended 30 June		For the six months ended 30 June	
	2017	2016	2017	2016
<b>Scheduled Services</b>				
Passengers	<b>124,005</b>	117,615	<b>223,665</b>	225,835
Cargo	<b>8,933</b>	9,113	<b>16,797</b>	18,315
Excess baggage	<b>959</b>	1,164	<b>1,913</b>	2,278
Airmail	<b>1,732</b>	1,755	<b>3,134</b>	3,439
<b>Total scheduled services (note 12)</b>	<b>135,629</b>	129,647	<b>245,509</b>	249,867
Chartered flights (note 12)	<b>7,004</b>	2,446	<b>10,899</b>	8,234
Commercial revenues from arriving and departing aircrafts of other companies	<b>1,946</b>	2,711	<b>5,157</b>	5,179
Revenues from technical and maintenance services provided to other companies	<b>1,013</b>	1,180	<b>1,938</b>	2,287
Cargo warehouse revenues	<b>3,441</b>	2,893	<b>5,909</b>	5,526
First class services revenues	<b>1,285</b>	1,081	<b>2,123</b>	2,075
Services provided to other aviation companies	<b>405</b>	363	<b>822</b>	1,185
Change reservation fees	<b>1,516</b>	1,805	<b>2,927</b>	3,520
Revenues from NDC (Galileo)	<b>890</b>	858	<b>1,740</b>	1,595
Other revenues	<b>4,554</b>	3,725	<b>7,228</b>	7,620
	<b>157,683</b>	146,709	<b>284,252</b>	287,088

**10. INCOME TAX**

No provision for income tax was calculated by the Company for the period ended 30 June 2017 and 2016 due to the excess of deductible expenses over taxable income and the existence of prior years tax losses in accordance with the Income Tax Law No. (34) of 2014.

The income tax recorded as of 30 June 2017 and 2016 by an amount of JD 10 and JD 17 represent the income tax of Royal Wings Company – Limited Liability (Subsidiary) for the profit of the period ended on 30 June 2017 and 2016.

The Company filed its tax returns with the Income and Sales Tax Department for the year 2016. Income Tax Department has not reviewed the accounting records up to the date of the interim consolidated financial statements.

The Company reached a final settlement with the income and sales tax department up to 2014.

Royal Wings Company reached a final settlement with the Income and Sales Tax Department up to 2013. Royal Wings tax return was accepted based on sampling system for the year 2014.

Royal tours Company reached a final settlement with the income tax department up to 2015.

## **11. COMMITMENTS AND CONTINGENCIES**

### **- Bank guarantees**

As at 30 June 2017, the Group has letters of guarantee amounting to JD 18,763 (31 December 2016: JD 24,300).

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

The Group is a defendant in a number of lawsuits amounting to JD 16,209 as at 30 June 2017 (31 December 2016: JD 15,466) 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 30 June 2017, the Group had capital commitments of USD 508,539,929 (31 December 2016: USD 604,326,155) equivalent to JD 360,667 (31 December 2016: JD 428,600) relating to purchase agreements signed for new aircrafts.

### **- Operating lease commitments**

As of the date of these interim consolidated financial statements, Alia - The Royal Jordanian Airlines Company has future commitments which represent operating lease agreements in respect of six Airbus A-320 aircrafts, two Airbus A-321 aircrafts, four Airbus A-319 aircrafts, one Embraer E-175 aircraft and five Boeing B-787 aircrafts.

Future minimum lease payments under the operating leases are detailed as follows:

<u>Period</u>	<u>JD</u>
1 July 2017 – 30 June 2018	68,043
1 July 2018 – 30 June 2019	57,758
1 July 2019 – 30 June 2020	48,213
1 July 2020 – 30 June 2021	41,223
1 July 2021 and after	216,322



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**12. 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.

**For the three months ended 30 June:**

	2017				2016			
	Scheduled services	Chartered Flights		Total	Scheduled services	Chartered Flights		Total
		Passengers	Cargo			Passengers	Cargo	
Levant	18,055	3,087	737	21,879	18,152	975	235	19,362
Europe	34,124	693	595	35,412	31,853	171	306	32,330
Arab Gulf	34,250	481	390	35,121	29,842	-	43	29,885
America	31,916	-	1,021	32,937	29,616	-	681	30,297
Asia	12,470	-	-	12,470	14,540	-	-	14,540
Africa	4,814	-	-	4,814	5,644	35	-	5,679
<b>Total revenues</b>	<b>135,629</b>	<b>4,261</b>	<b>2,743</b>	<b>142,633</b>	<b>129,647</b>	<b>1,181</b>	<b>1,265</b>	<b>132,093</b>

**For the six months ended 30 June:**

	2017				2016			
	Scheduled services	Chartered Flights		Total	Scheduled services	Chartered Flights		Total
		Passengers	Cargo			Passengers	Cargo	
Levant	34,621	3,754	1,623	39,998	35,713	1,419	709	37,841
Europe	61,164	1,733	855	63,752	61,215	309	377	61,901
Arab Gulf	62,043	658	390	63,091	62,991	24	93	63,108
America	53,263	-	1,699	54,962	50,957	3,805	1,362	56,124
Asia	26,089	187	-	26,276	28,374	-	-	28,374
Africa	8,329	-	-	8,329	10,617	34	102	10,753
<b>Total revenues</b>	<b>245,509</b>	<b>6,332</b>	<b>4,567</b>	<b>256,408</b>	<b>249,867</b>	<b>5,591</b>	<b>2,643</b>	<b>258,101</b>

**13. RELATED PARTY TRANSACTIONS**

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

	30 June 2017 (Unaudited)		31 December 2016 (Audited)	
	Accounts receivable	Accounts payable	Accounts receivable	Accounts payable
Government of Jordan	4,507	41,108	4,026	52,635
Employees' Provident Fund	-	4,394	-	5,009
Jordan Aircraft Maintenance Company	254	-	674	-
Jordan Flight Catering Company	-	3,471	-	1,659
Jordan Aircraft Training and Simulation Company	-	376	7	457
Al Mashriq Aviation Services	125	-	105	-
	<b>4,886</b>	<b>49,349</b>	<b>4,812</b>	<b>59,760</b>

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

	For the three months ended 30 June		For the six months ended 30 June	
	2017	2016	2017	2016
<b>Jordan Aircraft Maintenance Company (Joramco):</b>				
Scheduled services revenues	40	24	91	55
Repair and maintenance expenses	1,682	1,594	3,411	3,204
<b>Jordan Flight Catering Company:</b>				
Passenger services expenses	3,929	3,717	7,457	7,425
<b>Jordan Aircraft Training and Simulation Company (JATS):</b>				
Other income	-	19	4	36
Pilot training expenses	205	346	458	647

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

	For the three months ended 30 June		For the six months ended 30 June	
	2017	2016	2017	2016
Scheduled services revenues – passengers	1,067	1,415	1,937	2,517
Scheduled services revenues – cargo	309	473	649	820
Renting private aircrafts	-	-	-	71
	<b>1,376</b>	<b>1,888</b>	<b>2,586</b>	<b>3,408</b>

**Compensation of key management personnel:**

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

	For the three months ended 30 June		For the six months ended 30 June	
	2017	2016	2017	2016
Salaries and other benefits	110	105	215	193
Bonus / transportation of board members	14	24	24	49
	<b>124</b>	<b>129</b>	<b>239</b>	<b>242</b>

**14. PROVISION FOR LABOR COLLECTIVE CONTRACT**

During March 2017, 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 15 March 2017 to 30 April 2017. Accordingly, the Company has recoded a provision amounted to JD 1,243 for the period ended 30 June 2017 which represents the accrued amounts for employee who applied to the plan and management approved their applications (30 June 2016: the Company has recorded a provision amounted to JD 2,091 against the labor collective contract covering the period from 1 April 2016 to 30 June 2016).