

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

A PUBLIC SHAREHOLDING COMPANY

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 September 2017

**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 September 2017, comprising the interim condensed consolidated statement of financial position as at 30 September 2017 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the nine month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 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.

Amman – Jordan
30 October 2017



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

	Notes	30 September 2017 (Unaudited)	31 December 2016 (Audited)
<u>ASSETS</u>			
Non- current assets			
Property and equipment	4	298,678	226,520
Projects under construction		891	674
Advances on purchase and modification of aircrafts		37,120	59,731
Financial assets at fair value through other comprehensive income		6,020	6,022
Investments in associates		16,808	17,452
Restricted cash against operating lease contracts		27,266	25,243
Deferred tax assets		15,080	15,080
		<u>401,863</u>	<u>350,722</u>
Current assets			
Other current assets		26,381	32,815
Spare parts and supplies, net		11,934	11,008
Accounts receivable, net		39,563	33,233
Cash and bank balances	5	103,355	141,974
		<u>181,233</u>	<u>219,030</u>
Property and equipment held for sale		-	1,064
TOTAL ASSETS		<u>583,096</u>	<u>570,816</u>
<u>EQUITY AND LIABILITIES</u>			
Shareholders' equity			
Paid in capital	8	146,405	146,405
Payments in respect of capital increase	8	25,000	-
Statutory reserve	8	13,455	13,455
Fair value reserve		3,771	3,771
Accumulated losses		(83,332)	(88,749)
		<u>105,299</u>	<u>74,882</u>
Non-controlling interests		258	229
Total shareholders' equity		<u>105,557</u>	<u>75,111</u>
<u>LIABILITIES</u>			
Non- current liabilities			
Long term loans	6	116,834	143,308
Long term obligations under finance leases	7	116,786	63,266
Accounts payable		25,842	71,445
Other long term liabilities		541	789
		<u>260,003</u>	<u>278,808</u>
Current liabilities			
Current portion of long term loans	6	35,240	35,067
Accrued expenses		76,422	70,232
Accounts payable and other current liabilities		53,738	69,590
Income tax provision		-	63
Deferred revenues		39,887	30,205
Short term obligations under finance leases	7	12,249	11,740
		<u>217,536</u>	<u>216,897</u>
Total liabilities		<u>477,539</u>	<u>495,705</u>
TOTAL EQUITY AND LIABILITIES		<u>583,096</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 Nine Months Ended 30 September 2017 (Unaudited)
(In Thousands of Jordanian Dinars)

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2017	2016	2017	2016
Revenues	9	202,434	187,000	486,686	474,088
Cost of revenues		(148,217)	(152,307)	(419,620)	(415,883)
Gross profit		54,217	34,693	67,066	58,205
Administrative expenses		(5,224)	(5,321)	(14,981)	(15,607)
Selling and marketing expenses		(12,698)	(12,594)	(34,037)	(34,907)
Net operating profit		36,295	16,778	18,048	7,691
Loss on property and equipment held for sale		-	(395)	-	(395)
Share of (loss) profit of associates		(288)	684	655	2,069
Other income, net		81	1,639	381	3,782
Provision for voluntary termination	14	-	(896)	(1,243)	(2,987)
Loss on sale of property and equipment		(1)	(35)	(3)	(46)
Gain (loss) on foreign exchange differences		438	(844)	1,309	(853)
Finance costs		(4,730)	(4,023)	(13,691)	(11,955)
Gain (loss) for the period before income tax		31,795	12,908	5,456	(2,694)
Income tax provision	10	-	-	(10)	(17)
Profit (loss) for the period		31,795	12,908	5,446	(2,711)
Add: Other comprehensive income items after tax		-	101	-	178
Total comprehensive income for the period		31,795	13,009	5,446	(2,533)
Profit (loss) for the period attributable to:					
Equity holders of the parent		31,792	12,907	5,417	(2,760)
Non-controlling interests		3	1	29	49
		31,795	12,908	5,446	(2,711)
Total comprehensive income for the period attributable to:					
Equity holders of the parent		31,792	13,008	5,417	(2,582)
Non-controlling interests		3	1	29	49
		31,795	13,009	5,446	(2,533)
		JD	JD	JD	JD
Basic and diluted earnings (losses) per share attributable to equity holders of the parent		0,217	0,088	0,037	(0,019)

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

**Allia - The Royal Jordanian Airlines Company (Royal Jordanian)
Interim Condensed Consolidated Statement of Changes in Equity
For The Nine Months Ended 30 September 2017 (Unaudited)
(In Thousands of Jordanian Dinars)**

	Attributable to equity holders of the parent							Non – controlling interests	Total equity
	Paid in capital	Payment in respect of capital increase	Statutory reserve	Fair value reserve	Cash flow hedges	Accumulated losses	Total		
For the nine months ended 30 September 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 period	-	-	-	-	-	5,417	5,417	29	5,446
Payments in respect of capital increase (note 8)	-	25,000	-	-	-	-	25,000	-	25,000
Balance as of 30 September 2017	146,405	25,000	13,455	3,771	-	(83,332)	105,299	258	105,557
For the nine months ended 30 September 2016									
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	-	-	-	-	178	(2,760)	(2,582)	49	(2,533)
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)
Balance as of 30 September 2016	146,405	-	13,455	3,771	-	(66,904)	96,727	244	96,971

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 Nine Months Ended 30 September 2017 (Unaudited)
(In Thousands of Jordanian Dinars)

	Notes	For the nine months ended 30 September	
		2017	2016
OPERATING ACTIVITIES			
Profit (loss) for the period before tax		5,456	(2,694)
Adjustments for:			
Depreciation of property and equipment		24,697	18,874
Share of profit of associates		(655)	(2,069)
Finance costs		13,691	11,955
Loss on sale of property and equipment		3	46
Loss on property and equipment held for sale		-	395
Provision for voluntary termination	14	1,243	2,987
Provision for end of service indemnity		-	12
Amortization of deferred revenue – Jordan Flight Catering Company Ltd		(225)	(225)
Working capital changes:			
Accounts receivable		(6,330)	(4,883)
Spare parts and other supplies		(926)	(224)
Other current assets		6,434	7,885
Deferred revenues		9,907	1,490
Accounts payable and other current liabilities		(34,898)	(34,447)
Accrued expenses		3,918	15,535
End of service indemnity paid		(248)	(203)
Voluntary termination program payments		(1,217)	-
Income tax paid		(73)	(249)
Net cash flows from operating activities		20,777	14,185
INVESTING ACTIVITIES			
Purchase of property and equipment		(1,434)	(20,280)
Projects under construction		(630)	(310)
Proceeds from sale of assets held for sale		284	-
Sale (purchase) of financial assets at fair value through other comprehensive income		2	(2)
Change in restricted cash against lease contracts		(2,023)	(3,688)
Advances on purchase and modification of aircrafts		(7,907)	(38,259)
Dividends received from associates		1,299	1,459
Short term deposits		19,156	(5,043)
Net cash flows from (used in) investing activities		8,747	(66,123)
FINANCING ACTIVITIES			
Proceeds from loans		-	151,064
Capital increase		-	99,846
Capital increase costs		-	(50)
Repayment of term loans		(26,301)	(62,285)
Finance lease obligations		(11,241)	(5,569)
Interest paid		(11,445)	(10,168)
Net cash flows (used in) from financing activities		(48,987)	172,838
Net (decrease) increase in cash and cash equivalents		(19,463)	120,900
Cash and cash equivalents, beginning of the period		92,874	34,571
Cash and cash equivalents, end of the period	5	73,411	155,471

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 30 October 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 nine month period ended 30 September 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 Company'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 condensed consolidated financial statements comprise the financial statements of Alia - The Royal Jordanian Airlines Company (the Company) and the following subsidiaries (collectively referred to as the "Group") as at 30 September 2017:

	<u>Ownership 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.

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

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 nine months ended 30 September 2017, the Group acquired property and equipment at a cost of JD 91,925 (30 September 2016: JD 20,280).

5. CASH AND CASH EQUIVALENTS

	30 September 2017	31 December 2016
	(Unaudited)	(Audited)
Cash and bank balances	21,229	12,944
Short term deposits*	34,513	62,202
Cash in transit **	17,669	17,728
Cash and cash equivalents	73,411	92,874
Short term deposits mature after 3 months ***	29,944	49,100
	103,355	141,974

* This item represents deposits in banks in Jordanian Dinars as of 30 September 2017 bearing average interest rate of 4.5% - 5% (2016: 2.875% - 4%).

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

*** Included in this item deposits in Banks in Jordanian Dinar (JD 20,708) and Sudanese Pound (196,016 thousand Sudanese Pound which is equivalent to JD 7,446) as of 30 September 2017 (2016: deposits in Banks in Jordanian Dinar JD 40,000 and Sudanese Pound 191,084 thousand Sudanese Pound which is equivalent to JD 7,022) with an average interest rate of 4.5% – 5.125% (2016: 4.5%) and are due within six months (2016: five months).

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

6. LOANS

	30 September 2017		31 December 2016	
	(Unaudited)		(Audited)	
	Loans' installments		Loans' installments	
	Short term	Long term	Short term	Long term
Syndicated loan*	36,020	118,654	35,847	145,713
Less: directly attributable transaction costs	(780)	(1,820)	(780)	(2,405)
	<u>35,240</u>	<u>116,834</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 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 for the period ended 30 September 2017 and after are as follows:

Period	Amount
1 October 2017– 30 September 2018	36,020
1 October 2018– 30 September 2019	41,308
1 October 2019– 30 September 2020	56,464
1 October 2020– 30 September 2021	20,882

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

7. OBLIGATIONS UNDER FINANCE LEASES

	30 September 2017 (Unaudited)				31 December 2016 (Audited)			
	E-195	E-175	B-787	Total	E-195	E-175	B-787	Total
Long term obligations	-	-	116,786	116,786	-	1,976	61,290	63,266
Current obligations	533	2,940	8,776	12,249	3,658	3,770	4,312	11,740
	533	2,940	125,562	129,035	3,658	5,746	65,602	75,006

- **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. The Group has settled all lease balance during September 2017 (the outstanding balance amounted to JD 1,575 as at 31 December 2016).

- **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 September 2017, the outstanding balance was JD 533 (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 September 2017, the outstanding balance was JD 1,470 (31 December 2016: JD 2,873).

- **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 September 2017, the outstanding balance was JD 1,470 (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 September 2017, the outstanding balance was JD 62,386 (31 December 2016: JD 65,602).

Alia - The Royal Jordanian Airlines Company (Royal Jordanian)
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30 September 2017 (unaudited)
(In Thousands of Jordanian Dinars except for amounts in US Dollars)

- **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 September 2017, the outstanding balance is JD 63,176 (31 December 2016: nil).

The Company has mortgaged the Embraer aircrafts E-195, E-175 and Boeing B787 aircrafts for the finance lease agreements for those aircrafts. The Company has completed the pledge release procedures for the Embraer E-195- Aircraft number 107, as the Company has settled all lease balance during September 2017.

Principal installments payable for the period ended 30 September 2017 and after relating to aircrafts delivered up to 30 September are as follow:

<u>Period</u>	<u>Amount</u>
1 October 2017– 30 September 2018	12,249
1 October 2018– 30 September 2019	9,155
1 October 2019– 30 September 2020	9,552
1 October 2020– 30 September 2021	9,965
1 October 2021 and thereafter	88,114
	<u>129,035</u>

Minimum lease payments under all finance leases are as follows:

	<u>30 September 2017</u>	<u>31 December 2016</u>
	(unaudited)	(audited)
Total minimum lease payments	162,897	93,408
Interest	(33,862)	(18,402)
	<u>129,035</u>	<u>75,006</u>

Allia - The Royal Jordanian Airlines Company (Royal Jordanian)
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30 September 2017 (unaudited)
(In Thousands of Jordanian Dinars except for amounts in US Dollars)

8. SHAREHOLDER'S EQUITY

	30 September 2017	31 December 2016
Paid in capital -	(unaudited)	(audited)
Authorized capital (246,405 shares of 1JD each)	246,405	246,405
Paid in capital	146,405	146,405

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 was 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 Prime Ministry resolved in its meeting on 6 September 2017 to approve Government's subscriptions in the first part of the second tranche of the suggested capital increase of JD 100 million. The Government shall subscribe in 100% of the capital increase if the major shareholders do not subscribe in the remaining 50%. Subscription will be calculated using the share price in Amman Stock Exchange "ASE" on the date of the resolution. Subscription of JD 25 million will be through capitalization of amounts due to the Government, the remaining JD 25 million will be subscribed through amounts designated by the Government for this purpose. Accordingly, an amount of JD 25 million was reclassified from long term liabilities to advance payments over capital increase in the interim condensed consolidated financial statements as at 30 September 2017.

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
30 September 2017 (unaudited)
(In Thousands of Jordanian Dinars except for amounts in US Dollars)

9. REVENUES

	For the three months ended 30 September		For the nine months ended 30 September	
	2017	2016	2017	2016
Scheduled Services				
Passengers	160,741	155,943	384,406	381,778
Cargo	8,248	7,053	25,045	25,368
Excess baggage	1,250	1,247	3,163	3,525
Airmail	1,579	1,473	4,713	4,912
Total scheduled services (note 12)	171,818	165,716	417,327	415,583
Chartered flights (note 12)	12,702	5,154	23,601	13,390
Commercial revenues from arriving and departing aircrafts of other companies	3,529	3,369	8,686	8,547
Revenues from technical and maintenance services provided to other companies	1,140	1,180	3,078	3,467
Services provided to other aviation companies	373	359	1,195	1,543
Cargo warehouse revenues	3,837	2,759	9,746	8,285
First class services revenues	1,399	1,240	3,522	3,316
Change reservation fees	1,848	1,953	4,775	5,472
Revenues from NDC (Galileo)	1,270	969	3,010	2,564
Other revenues	4,518	4,301	11,746	11,921
	202,434	187,000	486,686	474,088

10. INCOME TAX

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

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

The Company filed its tax returns with the Income and Sales Tax Department for the year 2016. The Income Tax Department has not reviewed the accounting records up to the date of the interim condensed 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 September 2017, the Group has letters of guarantee amounting to JD 19,525 (31 December 2016: JD 24,300).

Claims against the Group -

The Group is a defendant in a number of lawsuits amounting to JD 16,787 as at 30 September 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 September 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 condensed 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>Amount</u>
1 October 2017 – 30 September 2018	68,384
1 October 2018 – 30 September 2019	54,943
1 October 2019 – 30 September 2020	45,898
1 October 2020 – 30 September 2021	41,223
1 October 2021 and after	210,854

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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 September:

	2017				2016			
	Scheduled services	Chartered Flights		Total	Scheduled services	Chartered Flights		Total
		Passengers	Cargo			Passengers	Cargo	
Levant	21,138	8,098	745	29,981	20,274	2,874	605	23,753
Europe	45,499	2,138	277	47,914	42,879	921	141	43,941
Arab Gulf	44,794	250	100	45,144	41,713	-	28	41,741
America	43,304	-	1,021	44,325	40,787	-	312	41,099
Asia	13,371	3	-	13,374	15,674	-	-	15,674
Africa	3,712	70	-	3,782	4,389	210	63	4,662
Total revenues	171,818	10,559	2,143	184,520	165,716	4,005	1,149	170,870

For the nine months ended 30 September:

	2017				2016			
	Scheduled services	Chartered Flights		Total	Scheduled services	Chartered Flights		Total
		Passengers	Cargo			Passengers	Cargo	
Levant	55,759	11,852	2,369	69,980	55,987	4,293	1,314	61,594
Europe	106,663	3,871	1,132	111,666	104,094	1,230	518	105,842
Arab Gulf	106,837	908	489	108,234	104,704	24	121	104,849
America	96,567	-	2,720	99,287	91,744	3,805	1,674	97,223
Asia	39,461	190	-	39,651	44,048	-	-	44,048
Africa	12,040	70	-	12,110	15,006	246	165	15,417
Total revenues	417,327	16,891	6,710	440,928	415,583	9,598	3,792	428,973

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13. RELATED PARTY TRANSACTIONS

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

	30 September 2017 (Unaudited)		31 December 2016 (Audited)	
	Accounts receivable	Accounts payable	Accounts receivable	Accounts payable
Government of Jordan	4,425	13,766	4,026	52,635
Employees' Provident Fund	-	4,906	-	5,009
Jordan Aircraft Maintenance Company	11	421	674	-
Jordan Flight Catering Company	-	3,029	-	1,659
Jordan Aircraft Training and Simulation Company	-	135	7	457
Al-Mashreq Aviation Services	164	-	105	-
	<u>4,600</u>	<u>22,257</u>	<u>4,812</u>	<u>59,760</u>

Payments in respect of capital increase - included in shareholders equity:

	30 September 2017 (unaudited)	31 December 2016 (audited)
Government of Jordan	<u>25,000</u>	<u>-</u>

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2017	2016	2017	2016
Jordan Aircraft Maintenance Company (JORAMCO):				
Scheduled services revenues	<u>27</u>	<u>42</u>	<u>118</u>	<u>119</u>
Repair and maintenance expenses	<u>761</u>	<u>890</u>	<u>4,172</u>	<u>4,095</u>
Jordan Flight Catering Company:				
Passenger services expenses	<u>4,442</u>	<u>4,744</u>	<u>11,899</u>	<u>12,168</u>
Jordan Aircraft Training and Simulation Company (JATS):				
Other income	<u>-</u>	<u>10</u>	<u>4</u>	<u>46</u>
Pilot training expenses	<u>121</u>	<u>647</u>	<u>579</u>	<u>915</u>

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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 condensed consolidated income statement:

	<u>For the three months ended 30 September</u>		<u>For the nine months ended 30 September</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Scheduled services revenues – passengers	991	1,312	2,928	3,830
Scheduled services revenues – cargo	421	472	1,070	1,292
Renting private aircrafts	532	-	1,777	71
	<u>1,944</u>	<u>1,784</u>	<u>5,775</u>	<u>5,193</u>

Compensation of key management personnel:

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

	<u>For the three months ended 30 September</u>		<u>For the nine months ended 30 September</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Salaries and other benefits	<u>136</u>	<u>104</u>	<u>370</u>	<u>297</u>
Bonus / transportation of board members	<u>14</u>	<u>11</u>	<u>38</u>	<u>60</u>

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 recorded a provision amounted to JD 1,243 for the period ended 30 September 2017 which represents the accrued amounts for employees who applied to the plan and management approved their applications (30 September 2016: the Company has recorded a provision amounted to JD 2,987 against the labor collective contract covering the period from 1 April 2016 to 30 September 2016).