

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

**A PUBLIC SHAREHOLDING COMPANY**

**UNAUDITED INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**30 September 2018**



Building a better  
working world

Ernst & Young Jordan

P.O.Box 1140

Amman 11118

Jordan

Tel : 00 962 6580 0777/00 962 6552 6111

Fax: 00 962 6553 8300

www.ey.com/me

**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 2018, comprising the interim consolidated statement of financial position as at 30 September 2018 and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the nine months 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 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  
29 October 2018

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)  
Public Shareholding Company  
Interim Consolidated Statement of Financial Position  
At 30 September 2018  
(In Thousands of Jordanian Dinars)**

|   | Notes | 30 September<br>2018<br>(Unaudited) | 31 December<br>2017<br>(Audited) |
|---|-------|-------------------------------------|----------------------------------|
| <b>ASSETS</b>   |       |                                     |                                  |
| <b>Non- current assets</b>  |       |                                     |                                  |
| Property and equipment  | 4     | 272,123                             | 292,250                          |
| Advances on purchase and modification of aircrafts                |       | 5,081                               | 35,993                           |
| Financial assets at fair value through other comprehensive income |       | 5,992                               | 5,992                            |
| Investments in associates   |       | 17,577                              | 16,715                           |
| Restricted cash against operating lease contracts                 |       | 32,611                              | 28,469                           |
| Deferred tax assets   |       | 14,920                              | 14,920                           |
|   |       | <b>348,304</b>                      | <b>394,339</b>                   |
| <b>Current assets</b>   |       |                                     |                                  |
| Other current assets  |       | 30,702                              | 27,048                           |
| Spare parts and supplies, net                                     |       | 11,567                              | 12,508                           |
| Accounts receivable, net  |       | 47,185                              | 35,617                           |
| Cash and bank balances  | 5     | 119,195                             | 101,393                          |
|   |       | <b>208,649</b>                      | <b>176,566</b>                   |
| Assets classified as held for sale                                | 6     | 11,185                              | -                                |
| <b>TOTAL ASSETS</b>   |       | <b>568,138</b>                      | <b>570,905</b>                   |
| <b>EQUITY AND LIABILITIES</b>                                     |       |                                     |                                  |
| <b>Shareholders' equity</b>                                       |       |                                     |                                  |
| Paid in capital   | 9     | 246,405                             | 146,405                          |
| Share discount  | 9     | (61,000)                            | -                                |
| Payments in respect of capital increase                           | 9     | 1,997                               | 25,000                           |
| Statutory reserve   | 9     | 13,509                              | 13,509                           |
| Fair value reserve  |       | 3,771                               | 3,771                            |
| Accumulated losses  |       | (78,415)                            | (88,607)                         |
|   |       | <b>126,267</b>                      | <b>100,078</b>                   |
| Non-controlling interests   |       | 269                                 | 257                              |
| <b>Total shareholders' equity</b>                                 |       | <b>126,536</b>                      | <b>100,335</b>                   |
| <b>LIABILITIES</b>  |       |                                     |                                  |
| <b>Non- current liabilities</b>                                   |       |                                     |                                  |
| Long term loans   | 7     | 83,615                              | 118,685                          |
| Long term obligations under finance leases                        | 8     | 107,631                             | 114,534                          |
| Accounts payable  |       | -                                   | 16,764                           |
| Other long term liabilities                                       |       | 396                                 | 433                              |
|   |       | <b>191,642</b>                      | <b>250,416</b>                   |
| <b>Current liabilities</b>  |       |                                     |                                  |
| Current portion of long term loans                                | 7     | 44,366                              | 38,099                           |
| Accrued expenses  |       | 80,737                              | 62,747                           |
| Accounts payable and other current liabilities                    |       | 53,869                              | 61,923                           |
| Income tax provision  |       | 1                                   | 34                               |
| Deferred revenues   |       | 57,719                              | 46,507                           |
| Short term obligations under finance leases                       | 8     | 9,155                               | 10,844                           |
|   |       | <b>245,847</b>                      | <b>220,154</b>                   |
| Liabilities associated with assets classified as held for sale    | 6     | 4,113                               | -                                |
| <b>Total liabilities</b>  |       | <b>441,602</b>                      | <b>470,570</b>                   |
| <b>TOTAL EQUITY AND LIABILITIES</b>                               |       | <b>568,138</b>                      | <b>570,905</b>                   |

The attached notes from 1 to 17 form part of these interim condensed consolidated financial statements

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Public Shareholding Company**  
**Interim Consolidated Statement of comprehensive income**  
**For The Three and Nine Months Period Ended 30 September 2018 (Unaudited)**  
**(In Thousands of Jordanian Dinars)**

|  | Notes | For the three months<br>ended 30 September |           | For the nine months<br>ended 30 September |           |
|--|-------|--|-----------|---|-----------|
|  |       | 2018                                       | 2017      | 2018                                      | 2017      |
| Revenues   | 10    | <b>198,168</b>                             | 193,704   | <b>510,317</b>                            | 471,639   |
| Cost of revenues   | 11    | <b>(152,934)</b>                           | (139,942) | <b>(430,304)</b>                          | (405,932) |
| <b>Gross profit</b>  |       | <b>45,234</b>                              | 53,762    | <b>80,013</b>                             | 65,707    |
| Administrative expenses  |       | <b>(4,870)</b>                             | (4,840)   | <b>(14,946)</b>                           | (14,069)  |
| Selling and marketing expenses   |       | <b>(11,205)</b>                            | (12,698)  | <b>(34,695)</b>                           | (34,037)  |
| <b>Net operating profit</b>  |       | <b>29,159</b>                              | 36,224    | <b>30,372</b>                             | 17,601    |
| Share of results of associates   |       | <b>314</b>                                 | (288)     | <b>1,500</b>                              | 655       |
| Other (expense) income, net  |       | <b>(916)</b>                               | 55        | <b>(2,634)</b>                            | 344       |
| Provision for voluntary termination  | 16    | <b>20</b>                                  | -         | <b>(1,439)</b>                            | (1,243)   |
| Gain (loss) on sale of property and equipment  |       | -  | (1)       | <b>5</b>                                  | (3)       |
| (Loss) gain on foreign currency exchange   |       | <b>(1,375)</b>                             | 438       | <b>(3,480)</b>                            | 1,309     |
| Finance costs  |       | <b>(4,103)</b>                             | (4,729)   | <b>(12,277)</b>                           | (13,689)  |
| <b>Profit before tax for the period from<br/>continuing operations</b>   |       | <b>23,099</b>                              | 31,699    | <b>12,047</b>                             | 4,974     |
| Income tax provision   | 12    | -  | (10)      | -   | (10)      |
| <b>Profit for the period from continuing<br/>operations</b>  |       | <b>23,099</b>                              | 31,689    | <b>12,047</b>                             | 4,964     |
| <b>Discontinued operations</b>   |       |  |           |   |           |
| (Loss) profit after tax from discontinued<br>operations  | 6     | <b>(240)</b>                               | 106       | <b>(1,843)</b>                            | 482       |
| <b>Profit for the period</b>   |       | <b>22,859</b>                              | 31,795    | <b>10,204</b>                             | 5,446     |
| <b>Add: Other comprehensive income items after tax</b>   |       | -  | -         | -   | -         |
| <b>Total comprehensive income for the period</b>   |       | <b>22,859</b>                              | 31,795    | <b>10,204</b>                             | 5,446     |
| <b>Attributable to:</b>  |       |  |           |   |           |
| Equity holders of the parent   |       | <b>22,858</b>                              | 31,792    | <b>10,192</b>                             | 5,417     |
| Non-controlling interests  |       | <b>1</b>                                   | 3         | <b>12</b>                                 | 29        |
|  |       | <b>22,859</b>                              | 31,795    | <b>10,204</b>                             | 5,446     |
| Basic and diluted earnings per share attributable<br>to equity holders of the parent   |       | <b>JD 0.093</b>                            | JD 0.129  | <b>JD 0.046</b>                           | JD 0.024  |
| Basic and diluted earnings per share from<br>continuing operations after tax attributable to<br>equity holders of the parent |       | <b>JD 0.094</b>                            | JD 0.129  | <b>JD 0.054</b>                           | JD 0.022  |

The attached notes from 1 to 17 form part of these interim condensed consolidated financial statements

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Public Shareholding Company**  
**Interim Consolidated Statement of Changes in Equity**  
**For The Nine Months Period Ended 30 September 2018 (Unaudited)**  
**(In Thousands of Jordanian Dinars)**

|   | Attributable to equity holders of the parent |                 |   |                   |                    |                    |                | Total equity |                             |
|---|--|-----------------|---|-------------------|--------------------|--------------------|----------------|--------------|-----------------------------|
|   | Paid in capital                              | Share discount  | Payments in respect of capital increase | Statutory reserve | Fair value reserve | Accumulated losses | Total          |              | Non – controlling interests |
| <b>For the nine months period ended 30 September 2018</b> |  |                 |   |                   |                    |                    |                |              |                             |
| 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 period                 | -  | -               | -                                       | -                 | -                  | 10,192             | 10,192         | 12           | 10,204                      |
| Payments in respect of capital increase (note 9)          | -  | -               | 15,997                                  | -                 | -                  | -                  | 15,997         | -            | 15,997                      |
| Capital increase  | 100,000                                      | (61,000)        | (39,000)                                | -                 | -                  | -                  | -              | -            | -                           |
| <b>Balance as of 30 September 2018</b>                    | <b>246,405</b>                               | <b>(61,000)</b> | <b>1,997</b>                            | <b>13,509</b>     | <b>3,771</b>       | <b>(78,415)</b>    | <b>126,267</b> | <b>269</b>   | <b>126,536</b>              |
| <b>For the nine months period ended 30 September 2017</b> |  |                 |   |                   |                    |                    |                |              |                             |
| 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 9)          | -  | -               | 25,000                                  | -                 | -                  | -                  | 25,000         | -            | 25,000                      |
| <b>Balance as of 30 September 2017</b>                    | <b>146,405</b>                               | <b>-</b>        | <b>25,000</b>                           | <b>13,455</b>     | <b>3,771</b>       | <b>(83,332)</b>    | <b>105,299</b> | <b>258</b>   | <b>105,557</b>              |

The attached notes from 1 to 17 form part of these interim condensed consolidated financial statements

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)  
Public Shareholding Company  
Interim Consolidated Statement of Cash Flows  
For The Nine Months Period Ended 30 September 2018 (Unaudited)  
(In Thousands of Jordanian Dinars)**

|   | Notes | For the nine months ended 30 September |                 |
|---|-------|--|-----------------|
|   |       | 2018                                   | 2017            |
| <b>OPERATING ACTIVITIES</b>   |       |  |                 |
| Profit before tax from continuing operations                              |       | 12,047                                 | 4,974           |
| (Loss) profit before tax from discontinued operations                     | 6     | (1,843)                                | 482             |
| <b>Profit before tax for the period</b>                                   |       | <b>10,204</b>                          | <b>5,456</b>    |
| <b>Adjustments for:</b>   |       |  |                 |
| Depreciation of property and equipment                                    |       | 28,870                                 | 24,697          |
| Share of profit of associates   |       | (1,500)                                | (655)           |
| Finance costs   |       | 12,277                                 | 13,689          |
| (Gain) loss on sale of property and equipment                             |       | (5)                                    | 3               |
| Provision for voluntary termination                                       | 16    | 1,439                                  | 1,243           |
| Amortization of deferred revenue – Jordan Flight Catering Company Ltd     |       | (225)                                  | (225)           |
| Other provisions  |       | 225                                    | -               |
| <b>Working capital changes:</b>   |       |  |                 |
| Accounts receivable   |       | (14,926)                               | (6,330)         |
| Spare parts and other supplies  |       | 941                                    | (926)           |
| Other current assets  |       | (4,578)                                | 5,804           |
| Deferred revenues   |       | 11,437                                 | 9,907           |
| Accounts payable and other current liabilities                            |       | (23,071)                               | (34,898)        |
| Accrued expenses  |       | 19,063                                 | 3,920           |
| End of service indemnity paid   |       | (37)                                   | (248)           |
| Voluntary termination program payments                                    |       | (1,439)                                | (1,217)         |
| Income tax paid   |       | (33)                                   | (73)            |
| <b>Net cash flows from operating activities</b>                           |       | <b>38,642</b>                          | <b>20,147</b>   |
| <b>INVESTING ACTIVITIES</b>   |       |  |                 |
| Purchase of property and equipment  |       | (13,268)                               | (1,434)         |
| Proceeds from sale of assets held for sale                                |       | 426                                    | 284             |
| Proceeds from sale of property and equipment                              |       | 12                                     | -               |
| Sale of financial assets at fair value through other comprehensive income |       | -                                      | 2               |
| Change in restricted cash against lease contracts                         |       | (4,142)                                | (2,023)         |
| Recoveries (advances) on purchase and modification of aircrafts           |       | 29,902                                 | (7,907)         |
| Dividends received from associates  |       | 638                                    | 1,299           |
| Short term deposits   |       | 12,193                                 | 19,156          |
| <b>Net cash flows from investing activities</b>                           |       | <b>25,761</b>                          | <b>9,377</b>    |
| <b>FINANCING ACTIVITIES</b>   |       |  |                 |
| Repayment of term loans   |       | (29,388)                               | (26,301)        |
| Finance lease obligations   |       | (8,592)                                | (11,241)        |
| Interest paid   |       | (10,984)                               | (11,445)        |
| Capital increase  |       | 15,997                                 | -               |
| <b>Net cash flows used in financing activities</b>                        |       | <b>(32,967)</b>                        | <b>(48,987)</b> |
| Net increase (decrease) in cash and cash equivalents                      |       | 31,436                                 | (19,463)        |
| Cash and cash equivalents, beginning of the period                        |       | 72,919                                 | 92,874          |
| <b>Cash and cash equivalents, end of the period</b>                       | 5     | <b>104,355</b>                         | <b>73,411</b>   |

The attached notes from 1 to 17 form part of these interim condensed consolidated financial statements

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)  
Public Shareholding Company  
Notes to the Interim Condensed Consolidated Financial Statements  
30 September 2018 (unaudited)  
(In Thousands of Jordanian Dinars except for amounts in US Dollars)**

---

**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 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 October 2018.

**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 2017. In addition, results of the nine months period ended 30 September 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

**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 annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018:

**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.

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)  
Public Shareholding Company  
Notes to the Interim Condensed Consolidated Financial Statements  
30 September 2018 (unaudited)  
(In Thousands of Jordanian Dinars except for amounts in US Dollars)**

---

IFRS 9 requires the Group to record an allowance for expected credit losses for all debt instruments measured at amortized cost.

The impact of the adoption of IFRS 9 as at 1st January 2018 has been recognised in retained earnings. 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.

For all debt instruments, the Group has applied the standard's simplified approach and has calculated ECLs 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. It is the Group's policy to measure such instruments on a 12-month ECL basis.

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

**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. The effect of adopting IFRS 15 was not material on the Group's interim condensed consolidated financial statements.



#### **IFRIC 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 recognises 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 interim condensed 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 interim condensed 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. The Group's accounting policy for cash-settled share based payments is consistent with the approach clarified in the amendments.

In addition, the Group has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction.

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

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)  
Public Shareholding Company  
Notes to the Interim Condensed Consolidated Financial Statements  
30 September 2018 (unaudited)  
(In Thousands of Jordanian Dinars except for amounts in US Dollars)**

---

**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 interim condensed consolidated financial statements.

**3. BASIS OF CONSOLIDATION**

The interim condensed consolidated financial statements comprise the financial statements of Alia - The Royal Jordanian Airlines Company (the "Company") and the following subsidiaries (collectively referred to as the "Group") as at 30 September 2018:

|  | <u>Ownership<br/>Interest</u> | <u>Country</u> |
|--|-------------------------------|----------------|
| Royal Wings Company (Note 6)               | 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, and
- The ability to use its power over the investee to affect its returns

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)  
Public Shareholding Company  
Notes to the Interim Condensed Consolidated Financial Statements  
30 September 2018 (unaudited)  
(In Thousands of Jordanian Dinars except for amounts in US Dollars)**

---

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 presented by Governmental Investment Management Company, Mint Trading Middle East Ltd. and Social Security Corporation own 76.4%, 9.1% and 5.9%, respectively from the Company's shares as at 30 September 2018 (31 December 2017: 60%, 15% and 10% respectively).

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

During the nine months period ended 30 September 2018, the Group acquired property and equipment with a cost of JD 13,268 (30 September 2017: JD 91,925).

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Public Shareholding Company**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**30 September 2018 (unaudited)**  
(In Thousands of Jordanian Dinars except for amounts in US Dollars)

**5. CASH AND CASH EQUIVALENTS**

|   | <b>30 September<br/>2018</b> | <b>31 December<br/>2017</b> |
|---|------------------------------|-----------------------------|
|   | <b>(Unaudited)</b>           | <b>(Audited)</b>            |
| Cash and bank balances                        | <b>24,941</b>                | 27,514                      |
| Short term deposits*                          | <b>54,978</b>                | 28,709                      |
| Cash in transit **                            | <b>22,995</b>                | 16,696                      |
| Cash and cash equivalents                     | <b>102,914</b>               | 72,919                      |
| Short term deposits mature after 3 months *** | <b>16,281</b>                | 28,474                      |
|   | <b>119,195</b>               | 101,393                     |

\* This item represents deposits in Jordanian Dinar in Jordanian Banks as of 30 September 2018 with an interest rate ranging between 4.25% - 5.75% (31 December 2017: 4.5%- 5%).

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

\*\*\* This item represents deposit in Banks in Jordanian Dinar (JD 11,768) and Sudanese Pound (196,164 thousands Sudanese Pound, which is equivalent to JD 4,513) (31 December 2017: deposits in Jordanian Dinars 20,752 and Sudanese Pound 215,302 thousands, which is equivalent to JD 7,722), with an average interest rate of 4.5% (31 December 2017: 5.13%) and are due within four months (31 December 2017: four months).

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

|                                       | <b>30 September<br/>2018</b> |
|---------------------------------------|------------------------------|
|                                       | <b>(Unaudited)</b>           |
| Cash and cash equivalents             | <b>102,914</b>               |
| Add: discontinued operations (Note 6) | <b>1,441</b>                 |
|                                       | <b>104,355</b>               |

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Public Shareholding Company**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**30 September 2018 (unaudited)**  
(In Thousands of Jordanian Dinars except for amounts in US Dollars)

**6. DISCONTINUED OPERATIONS**

The Company's Board of Directors resolved on 26 September 2018 to sell Royal Wings Company (wholly owned subsidiary). Accordingly, Royal Wings Company was classified as assets held for sale in the interim consolidated statement of financial position as at 30 September 2018 in accordance with IFRS 5.

Royal Wings Company was classified as at 30 September 2018 as assets held for sale and discontinued operations for the period then ended. The result of Royal Wings Company for the period is presented as follows:

|  | <b>30 September<br/>2018</b> | 30 September<br>2017 |
|--|------------------------------|----------------------|
|  | <b>(Unaudited)</b>           | (Unaudited)          |
| Revenues   | <b>9,449</b>                 | 15,047               |
| Cost of revenues   | <b>(10,556)</b>              | (13,688)             |
| <b>Gross (loss) profit</b>                                   | <b>(1,107)</b>               | 1,359                |
| Administrative expenses                                      | <b>(538)</b>                 | (911)                |
| Other (expense) income, net                                  | <b>(198)</b>                 | 34                   |
| <b>(Loss) profit before tax from discontinued operations</b> | <b>(1,843)</b>               | 482                  |
| Income tax   | -                            | -                    |
| <b>(Loss) profit from discontinued operations</b>            | <b>(1,843)</b>               | 482                  |

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

|   | <b>30 September<br/>2018</b> |
|---|------------------------------|
|   | <b>(Unaudited)</b>           |
| <b>ASSETS</b>   |                              |
| Property and equipment  | <b>6,698</b>                 |
| Accounts receivable and other debit balances                  | <b>3,046</b>                 |
| Cash and bank balances  | <b>1,441</b>                 |
| Assets classified as held for sale                            | <b>11,185</b>                |
| <b>LIABILITIES</b>  |                              |
| Accounts payable and other credit balances                    | <b>1,747</b>                 |
| Accrued expenses  | <b>2,366</b>                 |
| Liabilities associate with assets classified as held for sale | <b>4,113</b>                 |
| Net assets classified as held for sale                        | <b>7,072</b>                 |

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Public Shareholding Company**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**30 September 2018 (unaudited)**  
(In Thousands of Jordanian Dinars except for amounts in US Dollars)

**7. LOANS**

|   | <b>30 September<br/>2018</b> |                      | <b>31 December<br/>2017</b> |                      |
|---|------------------------------|----------------------|-----------------------------|----------------------|
|   | <b>(Unaudited)</b>           |                      | <b>(Audited)</b>            |                      |
|   | <b>Loans' installments</b>   |                      | <b>Loans' installments</b>  |                      |
|   | <b>Short<br/>term</b>        | <b>Long<br/>term</b> | <b>Short<br/>term</b>       | <b>Long<br/>term</b> |
| Syndicated loan*                              | <b>45,146</b>                | <b>84,655</b>        | 38,879                      | 120,310              |
| Less: directly attributable transaction costs | <b>(780)</b>                 | <b>(1,040)</b>       | (780)                       | (1,625)              |
|   | <b>44,366</b>                | <b>83,615</b>        | 38,099                      | 118,685              |

\* On 20 December 2015, the Company signed a new syndicated loan agreement amounted to JD 195 million (USD 275 million), the loan bears annual interest rate of one month LIBOR plus 3%. The loan is repayable in 49 installments. The first installment amounting to JD 3 million fell due on 20 January 2017 and the last installment will fall due on 20 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 2018 and after are as follows:

| <b>Period</b>                     | <b>Amount</b> |
|-----------------------------------|---------------|
| 1 October 2018– 30 September 2019 | 45,146        |
| 1 October 2019– 30 September 2020 | 61,800        |
| 1 October 2020– 30 September 2021 | 22,855        |

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Public Shareholding Company**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**30 September 2018 (unaudited)**  
(In Thousands of Jordanian Dinars except for amounts in US Dollars)

**8. OBLIGATIONS UNDER FINANCE LEASES**

|                        | 30 September 2018 |              |         | 31 December 2017 |              |         |
|------------------------|-------------------|--------------|---------|------------------|--------------|---------|
|                        | (Unaudited)       |              |         | (Audited)        |              |         |
|                        | <i>E-175</i>      | <i>B-787</i> | Total   | <i>E-175</i>     | <i>B-787</i> | Total   |
| Long term obligations  | -                 | 107,631      | 107,631 | -                | 114,534      | 114,534 |
| Short term obligations | -                 | 9,155        | 9,155   | 1,975            | 8,869        | 10,844  |
|                        | -                 | 116,786      | 116,786 | 1,975            | 123,403      | 125,378 |

**- 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 2018, the outstanding balance was JD 57,938 (31 December 2017: JD 61,291).

**- 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 3.35%. The lease provides for 48 quarterly installments commencing on 15 April 2017. As of 30 September 2018, the outstanding balance is JD 58,848 (31 December 2017: 62,112).

The Company has mortgaged the Boeing B787 aircrafts for the finance lease agreements of these aircrafts.

Pledge release procedures were completed during June 2018 for the Embraer E175 number 223 and the Embraer E175 number 232 aircrafts. The Group has settled all lease balances related to the lease of these contracts of these aircrafts.

Principal installments payable for the period ended 30 September 2018 and after relating to aircrafts delivered are as follow:

| Period                            | Amount  |
|-----------------------------------|---------|
| 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– 30 September 2022 | 10,396  |
| 1 October 2022 and after          | 77,718  |
|                                   | 116,786 |

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Public Shareholding Company**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**30 September 2018 (unaudited)**  
**(In Thousands of Jordanian Dinars except for amounts in US Dollars)**

Minimum lease payments under all finance leases are as follows:

|                              | <b>30 September<br/>2018</b> | <b>31 December<br/>2017</b> |
|------------------------------|------------------------------|-----------------------------|
|                              | <b>(Unaudited)</b>           | <b>(Audited)</b>            |
| Total minimum lease payments | <b>145,958</b>               | 165,361                     |
| Interest                     | <b>(29,172)</b>              | (39,983)                    |
|                              | <b>116,786</b>               | 125,378                     |

**9. SHAREHOLDER'S EQUITY**

|  | <b>30 September<br/>2018</b> | <b>31 December<br/>2017</b> |
|--|------------------------------|-----------------------------|
|  | <b>(Unaudited)</b>           | <b>(Audited)</b>            |
| <b>Paid in capital -</b>                             |                              |                             |
| Authorized capital (274,610,470 shares of 1 JD each) | <b>274,610</b>               | 246,405                     |
| Paid in capital                                      | <b>246,405</b>               | 146,405                     |

**- Share discount**

Share discount amounted to JD 61 million as at 30 September 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 process 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 if the major shareholders do not subscribe in the remaining 50%. 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. 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 30 September 2018. The General Assembly approved in its extraordinary meeting held on 26 April 2018 to increase the Company's authorized capital by 28,205,128 shares to become 274,610,470 shares as a completion of the first half of the second tranche of the Company's capital increase process amounted to JD 50 million. Those shares were not issued as of the date of the interim condensed consolidated financial statements.



**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Public Shareholding Company**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**30 September 2018 (unaudited)**  
**(In Thousands of Jordanian Dinars except for amounts in US Dollars)**

**- Statutory Reserve**

As required by Jordanian Company Law, 10% of the profit before income tax is transferred to statutory reserve. This reserve is not available for distribution to the shareholders.

**10. REVENUES**

|   | <b>For the three months<br/>ended 30 September</b> |             | <b>For the nine months<br/>ended 30 September</b> |             |
|---|--|-------------|---|-------------|
|   | <b>(Unaudited)</b>                                 |             | <b>(Unaudited)</b>                                |             |
|   | <b>2018</b>  | <b>2017</b> | <b>2018</b>                                       | <b>2017</b> |
| <b>Scheduled Services</b>   |  |             |   |             |
| Passengers  | <b>165,045</b>                                     | 160,741     | <b>417,170</b>                                    | 384,406     |
| Cargo   | <b>9,038</b>                                       | 8,248       | <b>28,158</b>                                     | 25,045      |
| Excess baggage  | <b>1,439</b>                                       | 1,250       | <b>3,739</b>                                      | 3,163       |
| Airmail   | <b>1,979</b>                                       | 1,526       | <b>5,644</b>                                      | 4,475       |
| <b>Total scheduled services (note 14)</b>                                       | <b>177,501</b>                                     | 171,765     | <b>454,711</b>                                    | 417,089     |
| Chartered flights (note 14)   | <b>2,202</b>                                       | 4,276       | <b>6,294</b>                                      | 9,678       |
| Commercial revenues from arriving and<br>departing aircrafts of other companies | <b>2,914</b>                                       | 3,529       | <b>8,508</b>                                      | 8,686       |
| Revenues from technical and maintenance<br>services provided to other companies | <b>1,300</b>                                       | 1,140       | <b>3,160</b>                                      | 3,078       |
| Revenue from services provided to other<br>companies                            | <b>159</b>   | 373         | <b>648</b>  | 1,195       |
| Cargo warehouse revenues  | <b>4,310</b>                                       | 3,837       | <b>12,381</b>                                     | 9,746       |
| First class services revenues   | <b>2,010</b>                                       | 1,399       | <b>4,502</b>                                      | 3,522       |
| Change reservation fees   | <b>1,715</b>                                       | 1,848       | <b>4,815</b>                                      | 4,775       |
| Revenues from National Distribution Center<br>(Galileo)                         | <b>1,041</b>                                       | 1,270       | <b>2,790</b>                                      | 3,010       |
| Other revenues  | <b>5,016</b>                                       | 4,267       | <b>12,508</b>                                     | 10,860      |
|   | <b>198,168</b>                                     | 193,704     | <b>510,317</b>                                    | 471,639     |

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Public Shareholding Company**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**30 September 2018 (unaudited)**  
**(In Thousands of Jordanian Dinars except for amounts in US Dollars)**

**11. COST OF REVENUES**

|   | For the three months<br>ended 30 September |         | For the nine months<br>ended 30 September |         |
|---|--|---------|---|---------|
|   | (Unaudited)                                |         | (Unaudited)                               |         |
|   | 2018                                       | 2017    | 2018                                      | 2017    |
| <b>Flying operations costs</b>                                      |  |         |   |         |
| Aircraft fuel   | 47,272                                     | 33,037  | 122,209                                   | 92,245  |
| Other flying operations costs                                       | 16,763                                     | 14,466  | 48,301                                    | 46,909  |
| <b>Total flying operations costs</b>                                | <b>64,035</b>                              | 47,503  | <b>170,510</b>                            | 139,154 |
| Repair and maintenance  | 19,084                                     | 19,485  | 56,865                                    | 58,964  |
| Aircraft rental expenses  | 21,317                                     | 20,434  | 59,087                                    | 62,244  |
| Depreciation of aircraft and engines<br>and capitalized maintenance | 7,730                                      | 8,046   | 25,692                                    | 22,129  |
| Stations and ground services  | 14,643                                     | 17,649  | 46,822                                    | 48,894  |
| Ground handling unit  | 5,455                                      | 5,803   | 16,287                                    | 16,684  |
| Passenger services  | 20,670                                     | 21,022  | 55,041                                    | 57,863  |
|   | <b>152,934</b>                             | 139,942 | <b>430,304</b>                            | 405,932 |

**12. INCOME TAX**

No provision for income tax was calculated by the Company for the nine months period ended 30 September 2018 due to the excess of prior years' tax losses over taxable income in accordance with the Income Tax Law No. (34) of 2014.

Provision for income tax charge during the period ended 30 September 2017 with an amount of JD 10 represent the income tax expense incurred by Royal Tours for Travel and Tourism Company – Limited Liability Company (Subsidiary) for the period ended 30 September 2017.

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 2012, 2013 and 2014. The Company appealed the case at the Tax Court. The case is still outstanding up to the date of the interim condensed consolidated financial statement. Although results of the case can not be determined accurately, management believes that no material liability is likely to result.

The Company filed its tax returns with the Income and Sales Tax Department for the year 2017. 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 Tax department up to 2014.

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)  
Public Shareholding Company  
Notes to the Interim Condensed Consolidated Financial Statements  
30 September 2018 (unaudited)  
(In Thousands of Jordanian Dinars except for amounts in US Dollars)**

---

Royal Wings Company filed its tax returns with the Income and Sales Tax Department for the years 2017 and 2016. Income tax Department has not reviewed the accounting records up to the date of the interim condensed consolidated financial statements.

Royal Wings Company reached a final settlement with the Income and Sales Tax Department up to 2014.

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

Al Mashriq for Aviation Services Company filed its tax return for the years 2017, 2016 and 2015. Income Tax Department has not reviewed the Company's records up to the date of the interim condensed consolidated financial statements.

Al Mashriq for Aviation Services Company reached a final settlement with the Income Tax Department up to 2014.

### **13. COMMITMENTS AND CONTINGENCIES**

#### **- Bank guarantees**

As at 30 September 2018, the Group has letters of guarantee amounting to JD 12,008 (31 December 2017: JD 15,034).

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

The Group is a defendant in a number of lawsuits amounting to JD 16,150 as at 30 September 2018 (31 December 2017: 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 at 30 September 2018, the Group had capital commitments of USD 423,714,932 (31 December 2017: USD 508,539,929) equivalent to JD 300,507 (31 December 2017: JD 360,667) relating to agreements signed for the purchase of 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.

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Public Shareholding Company**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**30 September 2018 (unaudited)**  
**(In Thousands of Jordanian Dinars except for amounts in US Dollars)**

**- 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:

| Period                             | JD      |
|------------------------------------|---------|
| 1 October 2018 – 30 September 2019 | 63,467  |
| 1 October 2019 – 30 September 2020 | 60,063  |
| 1 October 2020 – 30 September 2021 | 55,521  |
| 1 October 2021 – 30 September 2022 | 54,103  |
| 1 October 2022 and after           | 173,964 |

**14. GEOGRAPHICAL DISTRIBUTION OF REVENUES**

All operations are integrated under the airline business. The Group does not have any segment information other than the geographical distribution of revenues.

**For the three months ended 30 September (Unaudited)**

|                | 2018      |                   |       |         | 2017      |                   |       |         |
|----------------|-----------|-------------------|-------|---------|-----------|-------------------|-------|---------|
|                | Scheduled | Chartered Flights |       | Total   | Scheduled | Chartered Flights |       | Total   |
|                | services  | Passengers        | Cargo |         | services  | Passengers        | Cargo |         |
| Levant         | 19,082    | 215               | 493   | 19,790  | 21,130    | 328               | 745   | 22,203  |
| Europe         | 50,754    | 63                | 335   | 51,152  | 45,482    | 1,508             | 277   | 47,267  |
| Arab Gulf      | 43,215    | -                 | -     | 43,215  | 44,776    | 232               | 100   | 45,108  |
| America        | 47,783    | -                 | 1,096 | 48,879  | 43,287    | -                 | -     | 43,287  |
| Asia           | 12,645    | -                 | -     | 12,645  | 13,367    | -                 | -     | 13,367  |
| Africa         | 4,022     | -                 | -     | 4,022   | 3,723     | 65                | 1,021 | 4,809   |
| Total revenues | 177,501   | 278               | 1,924 | 179,703 | 171,765   | 2,133             | 2,143 | 176,041 |

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Public Shareholding Company**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**30 September 2018 (unaudited)**  
**(In Thousands of Jordanian Dinars except for amounts in US Dollars)**

**For the nine months ended 30 September (Unaudited)**

|                       | 2018                  |                   |              |                | 2017                  |                   |              |                |
|-----------------------|-----------------------|-------------------|--------------|----------------|-----------------------|-------------------|--------------|----------------|
|                       | Scheduled<br>services | Chartered Flights |              |                | Scheduled<br>services | Chartered Flights |              |                |
|                       |                       | Passengers        | Cargo        | Total          |                       | Passengers        | Cargo        | Total          |
| Levant                | 52,998                | 590               | 1,046        | 54,634         | 55,724                | 699               | 2,369        | 58,792         |
| Europe                | 126,764               | 265               | 1,091        | 128,120        | 106,602               | 1,635             | 1,132        | 109,369        |
| Arab Gulf             | 112,426               | -                 | 81           | 112,507        | 106,769               | 568               | 490          | 107,827        |
| America               | 109,493               | -                 | 2,966        | 112,459        | 96,510                | -                 | 2,720        | 99,230         |
| Asia                  | 38,985                | 255               | -            | 39,240         | 39,438                | -                 | -            | 39,438         |
| Africa                | 14,045                | -                 | -            | 14,045         | 12,046                | 65                | -            | 12,111         |
| <b>Total revenues</b> | <b>454,711</b>        | <b>1,110</b>      | <b>5,184</b> | <b>461,005</b> | <b>417,089</b>        | <b>2,967</b>      | <b>6,711</b> | <b>426,767</b> |

**15. RELATED PARTY TRANSACTIONS**

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

|   | 30 September 2018<br>(Unaudited) |                     | 31 December 2017<br>(Audited) |                     |
|---|----------------------------------|---------------------|-------------------------------|---------------------|
|   | Accounts<br>receivable           | Accounts<br>payable | Accounts<br>receivable        | Accounts<br>payable |
| Government of Jordan                            | 4,187                            | 2,158               | 3,830                         | 11,287              |
| Employees' Provident Fund                       | -                                | 3,595               | -                             | 4,423               |
| Jordan Aircraft Maintenance Company             | 253                              | -                   | 3                             | 14                  |
| Jordan Flight Catering Company                  | -                                | 5,122               | -                             | 2,294               |
| Jordan Aircraft Training and Simulation Company | -                                | 147                 | -                             | 269                 |
|   | <b>4,440</b>                     | <b>11,022</b>       | <b>3,833</b>                  | <b>18,287</b>       |

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Public Shareholding Company**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**30 September 2018 (unaudited)**  
**(In Thousands of Jordanian Dinars except for amounts in US Dollars)**

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

|  | <b>For the three months ended 30 September (Unaudited)</b> |             | <b>For the nine months ended 30 September (Unaudited)</b> |             |
|--|--|-------------|---|-------------|
|  | <b>2018</b>  | <b>2017</b> | <b>2018</b>   | <b>2017</b> |
| <b>Jordan Aircraft Maintenance Company:</b>                    |  |             |   |             |
| Scheduled services revenues                                    | <b>45</b>  | 27          | <b>117</b>  | 118         |
| Repair and maintenance expenses                                | <b>347</b>   | 761         | <b>3,211</b>  | 4,172       |
| <b>Jordan Flight Catering Company:</b>                         |  |             |   |             |
| Passenger services expenses                                    | <b>4,281</b>   | 4,442       | <b>11,396</b>   | 11,899      |
| <b>Jordan Aircraft Training and Simulation Company (JATS):</b> |  |             |   |             |
| Other income   | <b>6</b>   | -           | <b>22</b>   | 4           |
| Pilot training expenses  | <b>208</b>   | 121         | <b>606</b>  | 579         |

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

|  | <b>For the three months ended 30 September (Unaudited)</b> |             | <b>For the nine months ended 30 September (Unaudited)</b> |             |
|--|--|-------------|---|-------------|
|  | <b>2018</b>  | <b>2017</b> | <b>2018</b>   | <b>2017</b> |
| Scheduled services revenues – passengers | <b>914</b>   | 991         | <b>3,036</b>  | 2,928       |
| Scheduled services revenues – cargo      | <b>301</b>   | 421         | <b>1,158</b>  | 1,070       |
| Chartered flights                        | <b>354</b>   | 532         | <b>992</b>  | 1,777       |
|  | <b>1,569</b>   | 1,944       | <b>5,186</b>  | 5,775       |

**Compensation of key management personnel:**

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

|   | <b>For the three months ended 30 September (Unaudited)</b> |             | <b>For the nine months ended 30 September (Unaudited)</b> |             |
|---|--|-------------|---|-------------|
|   | <b>2018</b>  | <b>2017</b> | <b>2018</b>   | <b>2017</b> |
| Salaries and other benefits             | <b>112</b>   | 136         | <b>440</b>  | 370         |
| Bonus / transportation of board members | <b>13</b>  | 14          | <b>40</b>   | 38          |

**16. 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. Accordingly, the Company has recorded a provision amounted to JD 1,439 for the period ended 30 September 2018 which represents the accrued amounts for employees who applied to the plan and management approved their applications (30 September 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).

**17. COMPARATIVE FIGURES**

Some of the comparative figures for the period ended 30 September 2017 have been reclassified to correspond with 30 September 2018 presentation with no effect on equity or profit for the period ended 30 September 2017.