

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

**A PUBLIC SHAREHOLDING COMPANY**

**UNAUDITED INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**30 September 2019**



Building a better  
working world

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

***Introduction***

We have reviewed the accompanying interim condensed consolidated financial statements of Alia - The Royal Jordanian Airlines Company and its subsidiaries (the Group) as at 30 September 2019, comprising the interim consolidated statement of financial position as at 30 September 2019 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  
27 October 2019

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)  
Public Shareholding Company  
Interim Consolidated Statement of Financial Position  
At 30 September 2019  
(In Thousands of Jordanian Dinars)**

	Notes	30 September 2019 (Unaudited)	31 December 2018 (Audited)
<b>ASSETS</b>			
<b>Non- current assets</b>			
Right of use assets	2	492,897	-
Property and equipment	4	103,475	266,852
Advances on purchase and modification of aircrafts		5,048	5,048
Financial assets at fair value through other comprehensive income		5,967	5,967
Investments in associates		17,724	17,680
Restricted cash against lease contracts		36,397	32,881
Deferred tax assets		14,920	14,920
		<u>676,428</u>	<u>343,348</u>
<b>Current assets</b>			
Other current assets		21,820	25,781
Spare parts and supplies, net		8,460	6,256
Accounts receivable, net		67,922	41,339
Cash and bank balances	5	108,340	92,012
		<u>206,542</u>	<u>165,388</u>
Assets classified as held for sale		4,765	8,631
<b>TOTAL ASSETS</b>		<u>887,735</u>	<u>517,367</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Paid in capital	7	274,610	246,405
Share discount	7	(78,205)	(61,000)
Payments in respect of capital increase	7	-	8,000
Statutory reserve	7	13,509	13,509
Fair value reserve		3,771	3,771
Cash flow hedges		(79)	-
Accumulated losses		(70,073)	(94,483)
		<u>143,533</u>	<u>116,202</u>
Non-controlling interests		260	276
<b>Total shareholders' equity</b>		<u>143,793</u>	<u>116,478</u>
<b>LIABILITIES</b>			
<b>Non- current liabilities</b>			
Long term loans	6	78,314	71,626
Long term leases obligation	2	381,680	105,281
Other long-term liabilities		386	404
		<u>460,380</u>	<u>177,311</u>
<b>Current liabilities</b>			
Current portion of long term loans	6	22,865	47,059
Accrued expenses		80,040	66,115
Accounts payable and other current liabilities		66,087	50,735
Deferred revenues		50,547	46,713
Short term lease obligation	2	60,406	9,253
		<u>279,945</u>	<u>219,875</u>
Liabilities associated with assets classified as held for sale		3,617	3,703
<b>Total liabilities</b>		<u>743,942</u>	<u>400,889</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>887,735</u>	<u>517,367</u>

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

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Public Shareholding Company**  
**Interim Consolidated Statement of comprehensive income**  
**For The Three and Nine Months Period Ended 30 September 2019 (Unaudited)**  
**(In Thousands of Jordanian Dinars)**

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2019	2018	2019	2018
Revenues	8	198,040	198,168	514,328	510,317
Cost of revenues		(148,093)	(152,934)	(412,136)	(430,304)
<b>Gross profit</b>		<b>49,947</b>	<b>45,234</b>	<b>102,192</b>	<b>80,013</b>
Administrative expenses		(5,683)	(4,870)	(16,140)	(14,946)
Selling and marketing expenses		(12,378)	(11,205)	(34,290)	(34,695)
Other provisions		-	-	(150)	-
<b>Net operating profit</b>		<b>31,886</b>	<b>29,159</b>	<b>51,612</b>	<b>30,372</b>
Share of results of associates		258	314	1,294	1,500
Other expense, net		(917)	(1,776)	(1,958)	(4,805)
Provision for voluntary termination	13	-	20	-	(1,439)
Gain on sale of property and equipment		-	-	-	5
Loss on foreign currency exchange		(801)	(1,375)	(1,626)	(3,480)
Finance costs	14	(7,965)	(4,103)	(24,438)	(12,277)
Interest income		539	860	1,501	2,171
<b>Profit before tax for the period from continuing operations</b>		<b>23,000</b>	<b>23,099</b>	<b>26,385</b>	<b>12,047</b>
Income tax provision	9	-	-	-	-
<b>Profit for the period from continuing operations</b>		<b>23,000</b>	<b>23,099</b>	<b>26,385</b>	<b>12,047</b>
<b>Discontinued operations</b>					
Loss after tax from discontinued operations		(74)	(240)	(1,991)	(1,843)
<b>Profit for the period</b>		<b>22,926</b>	<b>22,859</b>	<b>24,394</b>	<b>10,204</b>
<b>Add: Other comprehensive income items after tax</b>					
Profit (loss) from cash flow hedges	12	-	-	(79)	-
<b>Total comprehensive income for the period</b>		<b>22,938</b>	<b>22,859</b>	<b>24,315</b>	<b>10,204</b>
<b>Attributable to:</b>					
Equity holders of the parent		22,940	22,858	24,331	10,192
Non-controlling interests		(2)	1	(16)	12
		<b>22,938</b>	<b>22,859</b>	<b>24,315</b>	<b>10,204</b>
Basic and diluted earnings per share attributable to equity holders of the parent		JD 0.084	JD 0.103	JD 0.089	JD 0.046
Basic and diluted earnings per share from continuing operations after tax attributable to equity holders of the parent		JD 0.084	JD 0.104	JD 0.097	JD 0.054

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

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)  
Public Shareholding Company  
Interim Consolidated Statement of Changes in Equity  
For The Nine Months Period Ended 30 September 2019 (Unaudited)  
(In Thousands of Jordanian Dinars)**

	<i>Attributable to equity holders of the parent</i>									
	<i>Paid in capital</i>	<i>Share discount</i>	<i>Payments in respect of capital increase</i>	<i>Statutory reserve</i>	<i>Fair value reserve</i>	<i>Cash flow hedges</i>	<i>Accumulated losses</i>	<i>Total</i>	<i>Non – controlling interests</i>	<i>Total equity</i>
<b>For the nine months period ended 30 September 2019</b>										
Balance as of 1 January 2019	246,405	(61,000)	8,000	13,509	3,771	-	(94,483)	116,202	276	116,478
Total comprehensive income for the period	-	-	-	-	-	(79)	24,410	24,331	(16)	24,315
Payments in respect of capital increase (note 7)	-	-	3,000	-	-	-	-	3,000	-	3,000
Capital increase	28,205	(17,205)	(11,000)	-	-	-	-	-	-	-
<b>Balance as of 30 September 2019</b>	<b>274,610</b>	<b>(78,205)</b>	<b>-</b>	<b>13,509</b>	<b>3,771</b>	<b>(79)</b>	<b>(70,073)</b>	<b>143,533</b>	<b>260</b>	<b>143,793</b>
<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 7)	-	-	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>-</b>	<b>(78,415)</b>	<b>126,267</b>	<b>269</b>	<b>126,536</b>

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

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)  
Public Shareholding Company  
Interim Consolidated Statement of Cash Flows  
For The Nine Months Period Ended 30 September 2019 (Unaudited)  
(In Thousands of Jordanian Dinars)**

	Notes	For the nine months ended 30 September	
		2019	2018
<b>OPERATING ACTIVITIES</b>			
Profit before tax from continuing operations		26,385	12,047
Loss before tax from discontinued operations		(1,991)	(1,843)
Profit before tax for the period		24,394	10,204
<b>Adjustments for:</b>			
Depreciation of property and equipment		15,555	28,870
Depreciation of right-of-use assets		47,518	-
Share of results of associates		(1,294)	(1,500)
Finance costs	14	24,438	12,277
Gain on sale of property and equipment		-	(5)
Provision for slow moving items		150	-
Provision for voluntary termination	13	-	1,439
Interest income		(1,501)	(2,171)
Amortization of deferred revenue – Jordan Flight Catering Company Ltd		(225)	(225)
<b>Working capital changes:</b>			
Accounts receivable		(26,583)	(14,926)
Spare parts and other supplies		(2,354)	941
Other current assets		1,661	(6,544)
Deferred revenues		4,059	11,437
Accounts payable and other current liabilities		15,266	(23,071)
Accrued expenses		12,573	19,063
End of service indemnity paid		(18)	(37)
Voluntary termination program payments		-	(1,439)
Income tax paid		-	(33)
<b>Net cash flows from operating activities</b>		<b>113,639</b>	<b>34,280</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment	4	(16,606)	(11,097)
Proceeds from sale of property and equipment		-	12
Proceeds from sale of assets held for sale		-	426
Recoveries on purchase and modification of aircrafts		-	29,902
Interest income received		1,741	2,191
Change in restricted cash against lease contracts		(3,516)	(4,142)
Short term deposits		22,767	12,193
Dividends received from associates		1,250	638
<b>Net cash flows from investing activities</b>		<b>5,636</b>	<b>30,123</b>
<b>FINANCING ACTIVITIES</b>			
Payments in respect of capital increase		3,000	-
Repayment of term loans		(16,814)	(29,388)
Lease obligations		(57,687)	(8,592)
Interest paid		(9,660)	(10,984)
Capital increase		-	15,997
<b>Net cash flows used in financing activities</b>		<b>(81,161)</b>	<b>(32,967)</b>
Net increase in cash and cash equivalents		38,114	31,436
Cash and cash equivalents, beginning of the period		67,193	72,919
<b>Cash and cash equivalents, end of the period</b>	5	<b>105,307</b>	<b>104,355</b>

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

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)  
Public Shareholding Company  
Notes to the Interim Condensed Consolidated Financial Statements  
30 September 2019 (unaudited)  
(In Thousands of Jordanian Dinars except for amounts in US Dollars)**

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**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 aircraft that land in and take off from the airports of the Kingdom.

The interim condensed consolidated financial statements were authorized for issue by the Board of Directors in their meeting held on 23 October 2019.

**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 consolidated financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the Group's annual consolidated financial statements as of 31 December 2018. In addition, results of the nine months period ended 30 September 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

**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 2018, except for the adoption of the following new standards and interpretation starting from 1 January 2019:

**IFRS (16) Leases**

IFRS (16) supersedes IAS (17) Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Public Shareholding Company**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**30 September 2019 (unaudited)**  
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Lessor accounting under IFRS (16) is substantially unchanged from IAS (17). Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS (17). Therefore, IFRS (16) did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS (16) at the date of initial application on 1 January 2019 using the expedient modified approach. Accordingly, prior year financial statements were not restated and opening balances were not adjusted. Also, the Group calculated right of use assets on lease contracts from the date of application. The Group elected to use the transitional practical expedient approach. Accordingly, the standard's scope included contracts that were previously identified as leases applying IAS (17) and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adoption IFRS (16) is as follows:

Impact on the interim consolidated statement of financial position (increase/(decrease)) as of 1 January 2019 is as follows:

**Non-current assets**

Right of use assets	535,903
Property and equipment, net	(164,746)
Prepaid expenses	(4,174)
<b>Total assets</b>	<b><u>366,983</u></b>

**Liabilities**

Lease obligations	366,983
<b>Total liabilities</b>	<b><u>366,983</u></b>

*a) Nature of the effect of IFRS (16) adoption*

The Group has lease contracts for various items including aircrafts and aircraft's engines and outstations' offices rent contracts. Before the adoption of IFRS (16), the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalized at the commencement of the lease at the inception date at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.



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Notes to the Interim Condensed Consolidated Financial Statements  
30 September 2019 (unaudited)  
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Lease payments were apportioned between interest (recognized as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalized and the lease payments were recognized as rent expense in the interim consolidated statement of comprehensive income on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under Prepayments and Trade and other payables, respectively.

Upon adoption of IFRS (16), the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

• ***Leases previously classified as finance leases***

The Group did not change the initial carrying amounts of recognized assets and liabilities at the date of initial application for leases previously classified as finance leases (the right-of-use assets and lease liabilities equal the lease assets and liabilities recognized under IAS (17)). The requirements of IFRS (16) was applied to these leases from 1 January 2019.

• ***Leases previously accounted for as operating leases***

The Group recognized right-of-use assets and lease obligations for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. In some leases, the right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)  
Public Shareholding Company  
Notes to the Interim Condensed Consolidated Financial Statements  
30 September 2019 (unaudited)  
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The reconciliation between lease obligations recognized at the date of adoption and the operating lease obligations as of 31 December 2018 is as follows:

<b>Total operating lease obligation as of 31 December 2018</b>	427,270
Weighted average incremental borrowing rate as at 1 January 2019	5,08%
<b>Discounted total operating lease obligations at 1 January 2019</b>	370,251
Less: Obligations related to short-term leases exempted from the adoption of the standard	(3,268)
Add: Obligations associated with finance leases (previously)	114,534
<b>Lease obligations as of 1 January 2019</b>	<u><u>481,517</u></u>

*b) Amounts recognized in the interim consolidated statement of financial position and interim consolidated statement of comprehensive income:*

The schedule bellow illustrates the book value of the Group's right-of-use assets and lease obligations along with the movement during the period ended 30 September 2019:

	<u>Right-of-use assets</u>			<u>Lease obligations*</u>
	<u>Aircrafts</u>	<u>Aircraft's engines</u>	<u>Total</u>	
<b>At 1 January 2019</b>	493,534	42,369	535,903	481,517
Additions	4,511	-	4,511	-
Depreciation	(45,567)	(1,950)	(47,517)	-
Finance costs	-	-	-	18,256
Payments	-	-	-	(57,687)
<b>At 30 September 2019</b>	<u><b>452,478</b></u>	<u><b>40,419</b></u>	<u><b>492,897</b></u>	<u><b>442,086</b></u>

\* Lease obligations details as at 30 September 2019 are as follows:

<u>Short term</u>	<u>Long term</u>	<u>Total</u>
<u>60,406</u>	<u>381,680</u>	<u>442,086</u>

Rent expense from short-term leases and lease of low-value assets which were recognized in the interim consolidated statement of comprehensive income for the period ended 30 September 2019 amounted to 7,606.

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Notes to the Interim Condensed Consolidated Financial Statements  
30 September 2019 (unaudited)  
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*c) The following are the new accounting policies of the Group upon adoption of IFRS (16), which have been applied from the date of initial application:*

**Right-of-use assets**

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease obligations.

The cost of right-of-use assets includes the amount of lease obligations recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right-of-use assets are subject to impairment.

**Lease obligations**

At the commencement date of the lease, the Group recognizes lease obligations measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease obligations is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

**Short-term leases and leases of low-value assets**

The Group applies the short-term lease recognition exemption to some of its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value (less than 5,000 US dollars annually). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

### **Significant judgement in determining the lease term of contracts with renewal options**

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew.

That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group included the renewal period as part of the lease term for leases of property and equipment due to the significance of these assets to its operations. These leases have a short non-cancellable period and there will be a significant negative effect on production if a replacement is not readily available.

### **IFRIC Interpretation (23) Uncertainty over Income Tax Treatment**

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS (12) and does not apply to taxes or levies outside the scope of IAS (12), nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments.

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

### **Amendments to IFRS (9): Prepayment Features with Negative Compensation**

Under IFRS (9), a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS (9) clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

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

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

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

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

**Amendments to IAS 19: Plan Amendment, Curtailment or Settlement**

The amendments to IAS 19 clarify the accounting when a plan amendment, curtailment or settlement occurs during a fiscal year. The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in the interim consolidated statement of comprehensive income.

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

No significant impact resulted on the interim condensed consolidated financial statement for the group.

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

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

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

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 2019 (unaudited)  
(In Thousands of Jordanian Dinars except for amounts in US Dollars)**

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**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 2019:

	<u>Ownership Interest</u>	<u>Country</u>
Royal Wings Company (Under liquidation)	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 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.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies 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)  
Public Shareholding Company  
Notes to the Interim Condensed Consolidated Financial Statements  
30 September 2019 (unaudited)  
(In Thousands of Jordanian Dinars except for amounts in US Dollars)**

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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 82.03%, 4.99% and 5.33%, respectively from the Company's shares as at 30 September 2019 (31 December 2018: 76.4%, 9.1% and 5.94% respectively).

**4. PROPERTY AND EQUIPMENT**

During the nine months ended 30 September 2019, the Group acquired property and equipment with a cost of JD 16,606 (30 September 2018: JD 11,097). An amount of JD 164,746 was reclassified from property and equipment to right of use assets as a result of the adoption of IFRS (16). This amount related to aircrafts owned under finance lease contracts in accordance with International Accounting Standard IAS (17) (Note 2).

**5. CASH AND CASH EQUIVALENTS**

	<b>30 September 2019 (Unaudited)</b>	<b>31 December 2018 (Audited)</b>
Cash and bank balances	<b>39,866</b>	23,129
Short term deposits*	<b>40,925</b>	19,804
Cash in transit **	<b>24,490</b>	23,253
Cash and cash equivalents	<b>105,281</b>	66,186
Short term deposits mature after 3 months ***	<b>3,059</b>	25,826
	<b>108,340</b>	92,012

\* This item represents deposits in Jordanian Dinar in Jordanian Banks as of 30 September 2019 with an interest rate ranging between 4.4% - 5.5% (31 December 2018: 4.35%- 5.75%).

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

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Public Shareholding Company**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**30 September 2019 (unaudited)**  
**(In Thousands of Jordanian Dinars except for amounts in US Dollars)**

\*\*\* This item represents deposit in Banks in Sudanese Pound (204,138 thousand Sudanese Pound which is equivalent to JD 1,875), in addition to Libyan Dinar and Syrian Lira equivalent to JD 1,184 as at 30 September 2019 (31 December 2018: deposits in Jordanian Dinar of 21,780 and 201,994 Thousand Sudanese pound which is equivalent to JD 2,858 in addition to Libyan Dinar and Syrian Lira equivalent to JD 1,188) with an average interest rate of 5.5% (31 December 2018: 5.5%) and mature after three months.

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

	<b>30 September 2019</b>	<b>31 December 2018</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Cash and cash equivalents	<b>105,281</b>	66,186
Add: discontinued operations	<b>26</b>	1,007
	<b>105,307</b>	67,193

**6. LOANS**

	<b>30 September 2019</b>		<b>31 December 2018</b>	
	<b>(Unaudited)</b>		<b>(Audited)</b>	
	<b>Loans' installments</b>		<b>Loans' installments</b>	
	<b>Short term</b>	<b>Long term</b>	<b>Short term</b>	<b>Long term</b>
Syndicated loan*	<b>23,400</b>	<b>80,096</b>	47,839	72,471
Less: directly attributable transaction costs	<b>(535)</b>	<b>(1,782)</b>	(780)	(845)
	<b>22,865</b>	<b>78,314</b>	47,059	71,626

\* 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 December 2021.

On 5 February 2019, the Company signed a restructuring agreement for the syndicated loan. The loan installments were extended until 2024. The first installment amounted to JD 1,9 million fell due on 5 March 2019 with an annual interest rate of one month LIBOR plus 2.65%.

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.



**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Public Shareholding Company**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**30 September 2019 (unaudited)**  
**(In Thousands of Jordanian Dinars except for amounts in US Dollars)**

---

Principal installments payable for the period ended 30 September 2019 and after are as follows:

	<u>Amount</u>
1 October 2019– 30 September 2020	23,400
1 October 2020– 30 September 2021	23,400
1 October 2021– 30 September 2022	23,431
1 October 2022– 30 September 2023	23,489
1 October 2023 and after	9,776

**7. SHAREHOLDER'S EQUITY**

	<u>30 September 2019 (Unaudited)</u>	<u>31 December 2018 (Audited)</u>
<b>Paid in capital -</b>		
Authorized capital	<u>274,610</u>	<u>274,610</u>
Paid in capital	<u>274,610</u>	<u>246,405</u>

**- Share discount**

Share discount amounted to JD 78,205 million as at 30 September 2019. 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.

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Public Shareholding Company**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**30 September 2019 (unaudited)**  
**(In Thousands of Jordanian Dinars except for amounts in US Dollars)**

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Part of the second tranche was subscribed during February 2018. Accordingly, paid in capital amounted to JD 246,405, resulting in a share discount of JD 61 million as at 31 December 2018. The General Assembly 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.

Subscription was completed during January 2019, whereas, the Company's authorized and paid in capital became JD 274,610 along with a share discount of JD 78,205 as at 30 September 2019.

**- 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.

**8. REVENUES**

	<b>For the three months ended 30 September</b>		<b>For the nine months ended 30 September</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Scheduled Services</b>				
Passengers	164,002	165,290	417,588	417,814
Cargo	7,288	9,038	23,821	28,158
Excess baggage	1,906	1,439	5,255	3,739
Airmail	1,738	1,979	5,477	5,644
<b>Total scheduled services (note 11)</b>	<b>174,934</b>	<b>177,746</b>	<b>452,141</b>	<b>455,355</b>
Chartered flights (note 11)	2,924	2,202	7,712	6,294
Commercial revenues from arriving and departing aircrafts of other companies	2,830	2,914	7,900	8,508
Revenues from technical and maintenance services provided to other companies	1,185	1,300	3,561	3,160
Cargo warehouse revenues	4,464	4,310	12,583	12,381
First class services revenues	1,862	2,010	5,178	4,502
Change and cancellation of reservation revenues	2,946	2,872	8,080	8,010
Revenues from National Distribution Center (Galileo)	914	1,041	2,600	2,790
Other revenues	5,981	3,773	14,573	9,317
	<b>198,040</b>	<b>198,168</b>	<b>514,328</b>	<b>510,317</b>

## **9. INCOME TAX**

No provision for income tax was calculated by the Company for the nine months periods ended 30 September 2019 and 2018 due to the existence of prior years' tax losses in accordance with the Income Tax Law No. (38) of 2018 and the Income Tax Law No. (34) of 2014 respectively.

The Company filed its tax return for the years from 2015 - 2018. The Income Tax Department has not reviewed the Company's accounting records up to the date of the interim condensed consolidated financial statements.

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 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. On 26 September 2019, the Tax Appeal Court / Al-Aqaba appointed an auditor as an expert with duties to be determined by the next session on 17 October 2019.

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

Royal Wings Company filed its tax return for the years of 2018 and 2017, the Income Tax Department has not reviewed the Company's accounting records up to the date of the interim condensed consolidated financial statements. Royal Wings reached a final settlement with the Income and Sales Tax Department up to 2016.

Royal Tours Company filed its tax return for the years of 2018 and 2017. The Income Tax Department has not reviewed the Company's accounting records up to the date of the interim condensed consolidated financial statements. Royal Tours for Travel and Tourism Company reached a final settlement with the income tax department up to the year 2016.

Al Mashriq for Aviation Services Company filed its tax return for the years 2016, 2017 and 2018. 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 2015.

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)  
Public Shareholding Company  
Notes to the Interim Condensed Consolidated Financial Statements  
30 September 2019 (unaudited)  
(In Thousands of Jordanian Dinars except for amounts in US Dollars)**

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**10. COMMITMENTS AND CONTINGENCIES**

**- Bank guarantees**

As at 30 September 2019, the Group has letters of guarantee amounting to JD 6,998 (31 December 2018: JD 12,132).

**- Claims against the Group**

The Group is a defendant in a number of lawsuits amounting to JD 12,294 as at 30 September 2019 (31 December 2018: JD 12,866) 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 2019, the Group had capital commitments of USD 423,714,932 (31 December 2018: USD 423,714,932) equivalent to JD 300,507 (31 December 2018: JD 300,507) 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.

**11. 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)**

	2019				2018			
	Scheduled services	Chartered Flights			Scheduled services	Chartered Flights		
		Passengers	Cargo	Total		Passengers	Cargo	Total
Levant	18,538	19	516	19,073	19,110	215	493	19,818
Europe	47,312	1,018	550	48,880	50,822	63	335	51,220
Arab Gulf	44,320	-	-	44,320	43,277	-	-	43,277
America	49,655	-	702	50,357	47,848	-	1,096	48,944
Asia	12,136	-	-	12,136	12,661	-	-	12,661
Africa	2,973	119	-	3,092	4,028	-	-	4,028
Total revenues	174,934	1,156	1,768	177,858	177,746	278	1,924	179,948

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Public Shareholding Company**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**30 September 2019 (unaudited)**  
**(In Thousands of Jordanian Dinars except for amounts in US Dollars)**

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

	2019				2018			
	Scheduled services	Chartered Flights			Scheduled services	Chartered Flights		
		Passengers	Cargo	Total		Passengers	Cargo	Total
Levant	55,302	35	2,667	58,004	53,075	590	1,046	54,711
Europe	122,385	1,365	1,462	125,212	126,937	265	1,091	128,293
Arab Gulf	112,158	-	-	112,158	112,593	-	81	112,674
America	115,729	-	2,064	117,793	109,646	-	2,966	112,612
Asia	37,834	-	-	37,834	39,038	255	-	39,293
Africa	8,733	119	-	8,852	14,066	-	-	14,066
<b>Total revenues</b>	<b>452,141</b>	<b>1,519</b>	<b>6,193</b>	<b>459,853</b>	<b>455,355</b>	<b>1,110</b>	<b>5,184</b>	<b>461,649</b>

**12. 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 2019 (Unaudited)		31 December 2018 (Audited)	
	Accounts Receivable	Accounts payable	Accounts receivable	Accounts payable
Government of Jordan	4,932	1,597	3,910	1,707
Employees' Provident Fund	-	3,522	-	4,144
Jordan Aircraft Maintenance Company	1,214	-	1,177	-
Jordan Flight Catering Company	-	3,677	-	3,190
Jordan Aircraft Training and Simulation Company	10	-	-	60
	<b>6,156</b>	<b>8,796</b>	<b>5,087</b>	<b>9,101</b>

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Public Shareholding Company**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**30 September 2019 (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>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Jordan Aircraft Maintenance Company:</b>				
Scheduled services revenues	48	45	178	117
Repair and maintenance expenses	492	347	3,325	3,211
<b>Jordan Flight Catering Company:</b>				
Passenger services expenses	4,284	4,281	11,469	11,396
<b>Jordan Aircraft Training and Simulation Company (JATS):</b>				
Other income	-	6	10	22
Pilot training expenses	144	208	434	606

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>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Scheduled services revenues – passengers	1,214	914	3,168	3,036
Scheduled services revenues – cargo	242	301	811	1,158
Chartered flights	425	354	1,984	992
	1,881	1,569	5,963	5,186

**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>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Salaries and other benefits	127	112	411	440
Bonus / transportation of board members	11	13	30	40

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Public Shareholding Company**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**30 September 2019 (unaudited)**  
**(In Thousands of Jordanian Dinars except for amounts in US Dollars)**

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**13. PROVISION FOR VOLUNTARY TERMINATION**

During January 2018, the Company signed a Labor collective contract with the Union of Workers in Air Transport and Tourism as requested from some of the staff who decided to terminate their services voluntarily. The agreement covered the period from 1 February 2018 to 31 March 2018. Accordingly, the Company 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.

**14. FINANCE COSTS**

	For the three months ended 30 September		For the nine months ended 30 September	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Interest on lease contracts	6,149	1,701	18,256	4,902
Interest on loans and bank charges	1,816	2,402	6,182	7,375
	<u>7,965</u>	<u>4,103</u>	<u>24,438</u>	<u>12,277</u>

**15. COMPARATIVE FIGURES**

Some of the comparative figures for the period ended 30 September 2018 have been reclassified to correspond with 30 September 2019 presentation with no effect on equity or profit for the period ended 30 September 2018.