

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

A PUBLIC SHAREHOLDING COMPANY

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

31 March 2019

**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 (together referred to as “the Group”) as at 31 March 2019, comprising the interim consolidated statement of financial position as at 31 March 2019 and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the three month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard IAS 34 Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

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

Amman – Jordan
29 April 2019



**Alia - The Royal Jordanian Airlines Company (Royal Jordanian) –
Public Shareholding Company
Interim Consolidated Statement of Financial Position
At 31 March 2019
(In Thousands of Jordanian Dinars)**

	Notes	31 March 2019 (Unaudited)	31 December 2018 (Audited)
ASSETS			
Non- current assets			
Right of use assets	2	476,094	-
Property and equipment	4	134,560	266,852
Advances on purchase and modification of aircrafts		5,048	5,254
Financial assets at fair value through other comprehensive income		5,967	5,967
Investments in associates		17,878	17,680
Restricted cash against lease contracts		33,278	32,881
Deferred tax assets		14,920	14,920
		687,745	343,554
Current assets			
Other current assets		22,834	25,575
Spare parts and supplies, net		6,780	6,256
Accounts receivable, net		56,880	41,339
Cash and bank balances	5	105,915	92,012
		192,409	165,182
Assets classified as held for sale		7,459	8,631
TOTAL ASSETS		887,613	517,367
EQUITY AND LIABILITIES			
Shareholders' equity			
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		(142)	-
Accumulated losses		(99,679)	(94,483)
		113,864	116,202
Non-controlling interests		274	276
Total shareholders' equity		114,138	116,478
LIABILITIES			
Non- current liabilities			
Long term loans	6	89,747	71,626
Long term lease obligation	2	396,960	105,281
Other long term liabilities		372	404
		487,079	177,311
Current liabilities			
Current portion of long term loans	6	22,865	47,059
Accrued expenses		78,494	66,115
Accounts payable and other current liabilities		55,952	50,735
Income tax provision		6	-
Deferred revenues		68,639	46,713
Short term lease obligations	2	58,984	9,253
		284,940	219,875
Liabilities associated with assets classified as held for sale		1,456	3,703
Total liabilities		773,475	400,889
TOTAL EQUITY AND LIABILITIES		887,613	517,367

The attached notes from 1 to 14 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 Months Ended 31 March 2019 (Unaudited)
(In Thousands of Jordanian Dinars)**

	Notes	For the three months ended 31 March	
		2019	2018
Revenues	8	145,536	141,320
Cost of revenues		(123,252)	(131,172)
Gross profit		22,284	10,148
Administrative expenses		(4,957)	(5,135)
Selling and marketing expenses		(11,988)	(11,659)
Other provisions		(194)	(107)
Net operating profit (loss)		5,145	(6,753)
Share of results of associates		690	698
Other expenses, net		(1,258)	(2,754)
Provision for voluntary termination	13	-	(1,308)
Loss on foreign currency exchange		(641)	(31)
Finance costs		(8,542)	(3,878)
Interest income		497	578
Loss before tax from continuing operations		(4,109)	(13,448)
Income tax expense	9	(6)	-
Loss for the period from continuing operations		(4,115)	(13,448)
Discontinued operations			
Loss after tax for the period from discontinued operations		(1,083)	(404)
Loss for the period		(5,198)	(13,852)
Add: Other comprehensive income items after tax:			
Losses from cash flow hedges		(142)	-
Total comprehensive income for the period		(5,340)	(13,852)
Attributable to:			
Equity holders of the parent		(5,338)	(31,851)
Non-controlling interests		(2)	(1)
		(5,340)	(13,852)
Basic and diluted losses per share attributable to equity holders of the parent		JD (0.0194)	JD (0.0697)
Basic and diluted losses per share from continuing operations after tax attributable to equity holders of the parent		JD (0.0154)	JD (0.0677)

The attached notes from 1 to 14 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 Three Months Ended 31 March 2019 (Unaudited)
(In Thousands of Jordanian Dinars)

	Attributable to equity holders of the parent							Non – controlling interests	Total equity	
	Paid in capital	Share discount	Payments in respect of capital increase	Statutory reserve	Fair value reserve	Cash flow hedges	Accumulated losses			Total
For the three months ended 31 March 2019										
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	-	-	-	-	-	(142)	(5,196)	(5,338)	(2)	(5,340)
Payments in respect of capital increase (note 7)	-	-	3,000	-	-	-	-	3,000	-	3,000
Capital increase	28,205	(17,205)	(11,000)	-	-	-	-	-	-	-
Balance as of 31 March 2019	274,610	(78,205)	-	13,509	3,771	(142)	(99,679)	113,864	274	114,138
For the three months ended 31 March 2018										
Balance as of 1 January 2018	146,405	-	25,000	13,509	3,771	-	(88,607)	100,078	257	100,335
Total comprehensive income for the period	-	-	-	-	-	-	(13,851)	(13,851)	(1)	(13,852)
Payments in respect of capital increase (note 7)	-	-	14,000	-	-	-	-	14,000	-	14,000
Capital increase	100,000	(61,000)	(39,000)	-	-	-	-	-	-	-
Balance as of 31 March 2018	246,405	(61,000)	-	13,509	3,771	-	(102,458)	100,227	256	100,483

The attached notes from 1 to 14 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 Three Months Ended 31 March 2019 (Unaudited)
(In Thousands of Jordanian Dinars)**

	Notes	For the three months ended 31	
		March	
		2019	2018
OPERATING ACTIVITIES			
Loss before tax from continuing operations		(4,109)	(13,448)
Loss before tax from discounted operations		(1,083)	(404)
Loss for the period before income tax		(5,192)	(13,852)
Adjustments for:			
Provision for slow moving inventory		194	107
Depreciation of property and equipment		5,314	10,061
Depreciation of right of use assets		16,176	-
Share of results of associates		(690)	(698)
Interest income		(497)	(578)
Finance costs		8,542	3,878
Gain on sale of property and equipment		-	(5)
Other provisions		-	75
Provision for voluntary termination	13	-	1,308
Amortization of deferred revenue – Jordan Flight Catering Company Ltd		(75)	(75)
Working capital changes:			
Accounts receivable		(15,541)	(1,358)
Spare parts and supplies		(718)	260
Other current assets		2,162	(1,595)
Deferred revenues		22,001	17,456
Accounts payable and other current liabilities		2,970	899
Accrued expenses		11,585	6,876
Voluntary termination program payments		(32)	(161)
Net cash flows from operating activities		46,199	22,598
INVESTING ACTIVITIES			
Purchase of property and equipment	4	(5,508)	(4,925)
Proceeds from sale of property and equipment		-	12
Proceeds from sale of assets held for sale		-	426
Interest income received		679	107
Advances on purchase and modification of aircrafts		-	(87)
Change in restricted cash against lease contracts		(397)	(840)
Short term deposits		847	1,411
Dividends received from associates		492	457
Net cash flows used in investing activities		(3,887)	(3,439)
FINANCING ACTIVITIES			
Repayment of term loans		(5,114)	(10,405)
Payments of lease obligations		(18,374)	(3,162)
Interest paid		(7,748)	(2,619)
Capital increase		3,000	14,000
Net cash flows used in financing activities		(28,236)	(2,186)
Net increase in cash and cash equivalents		14,076	16,973
Cash and cash equivalents at the beginning of the period		67,193	72,919
Cash and cash equivalents at the end of the period	5	81,269	89,892

The attached notes from 1 to 14 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
31 March 2019 (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 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 28 April 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 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 2018. In addition, results of the three months period ended 31 March 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

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

Changes in accounting polices

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 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.

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. Accordingly, prior year financial statements were not restated. 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	492,270
Property and equipment, net	(132,486)
Prepaid expenses	(4,174)
Total assets	355,610

Liabilities

Lease obligations	355,610
Total liabilities	355,610

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)-
Public Shareholding Company
Notes to The Interim Condensed Consolidated Financial Statements
31 March 2019 (unaudited)
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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.

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 (i.e., 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.

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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.

The reconciliation between lease obligations recognized at the date of adoption and the operating lease obligations as of 31 December 2018 is as follows:

Total operating lease obligation as of 31 December 2018	427,270
Weighted average incremental borrowing rate as at 1 January 2019	5,08%
Discounted total operating lease obligations at 1 January 2019	358,878
Less: Obligations related to short-term leases exempted from the adoption of the standard	(3,268)
Add: Obligations associated with finance lease (previously)	114,534
Lease obligations as of 1 January 2019	<u><u>470,144</u></u>

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

The schedule below illustrates the book value of the Group's right-of-use assets and lease obligations along with the movement during the period ended 31 March 2019:

	<u>Right-of-use assets</u>			<u>Lease obligations*</u>
	<u>Aircrafts</u>	<u>Aircraft's engine</u>	<u>Total</u>	
At 1 January 2019	485,058	7,212	492,270	470,144
Depreciation	(15,936)	(240)	(16,176)	-
Finance costs	-	-	-	4,174
Payments	-	-	-	(18,374)
At 31 March 2019	<u><u>469,122</u></u>	<u><u>6,972</u></u>	<u><u>476,094</u></u>	<u><u>455,944</u></u>

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* Lease obligations details as at 31 March 2019 are as follows:

<u>Short term</u>	<u>Long term</u>	<u>Total</u>
<u>58,984</u>	<u>396,960</u>	<u>455,944</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 31 March 2019 amounted to 1,951.

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. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.

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

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 of 31 March 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,
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

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

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

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 78.8%, 8.2% and 5.33%, respectively from the Company's shares as at 31 March 2019 (31 December 2018: 76.4%, 9.1% and 5.94% respectively).

4. PROPERTY AND EQUIPMENT

During the three months ended 31 March 2019, the Group acquired property and equipment with a cost of JD 5,508 (31 March 2018: JD 4,925).

An amount of JD 132,486 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 Standards IAS (17) (Note 2).

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)-
Public Shareholding Company
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31 March 2019 (unaudited)
(In Thousands of Jordanian Dinars except for amounts in US Dollars)**

5. CASH AND CASH EQUIVALENTS

	31 March 2019 (unaudited)	31 December 2018 (audited)
Cash and bank balances	38,835	23,129
Short term deposits*	13,138	19,804
Cash in transit **	28,963	23,253
Cash and cash equivalents	80,936	66,186
Short term deposits mature after 3 months ***	24,979	25,826
	105,915	92,012

* This item represents deposits in Jordanian Dinar in Jordanian Banks as of 31 March 2019 with an interest rate ranging between 4.1% - 5.75% (31 December 2018: 4.35%- 5.75%).

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

*** This item represents deposit in Banks in Jordanian Dinar (JD 21,780) and Sudanese Pound (206,517 thousand Sudanese Pound which is equivalent to JD 2,003). In addition to Libyan Dinar and Syrian Lira equivalent to JD 1,196 as at 31 March 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 are due within seven months (31 December 2018: 4 months).

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

	31 March 2019 (Unaudited)	31 December 2018 (Audited)
Cash and cash equivalents	80,936	66,186
Add: discontinued operations	333	1,007
	81,269	67,193

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6. LOANS

	<u>31 March 2019</u>		<u>31 December 2018</u>	
	<u>(unaudited)</u>		<u>(audited)</u>	
	<u>Loans' installments</u>		<u>Loans' installments</u>	
	<u>Short term</u>	<u>Long term</u>	<u>Short term</u>	<u>Long term</u>
Syndicated loan*	23,400	91,796	47,839	72,471
Less: directly attributable transaction costs	(535)	(2,049)	(780)	(845)
	22,865	89,747	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 January 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%.

The loan agreement contains loan covenants, which require the Company to meet certain financial ratios. The Company obtained a waiver up to 30 June 2019 until it concludes on its needs for new short and medium range aircrafts in which these financial ratios will be adjusted in accordance with the Company's activities and to reflect the impact of the adoption of IFRS (16).

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 31 March 2019 and after are as follows:

<u>Period</u>	<u>Amount</u>
1 April 2019– 31 March 2020	23,400
1 April 2020– 31 March 2021	23,400
1 April 2021– 31 March 2022	23,400
1 April 2022– 31 March 2023	23,476
1 April 2023 and after	21,520

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7. SHAREHOLDERS' EQUITY

	31 March 2019 (unaudited)	31 December 2018 (audited)
- Paid in capital		
Authorized capital (Par value of Jordanian Dinar per share)	<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 31 March 2019 (31 December 2018: JD 61,000). 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 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.

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Subscription was completed during January 2019, whereas, the Company's authorized and paid in capital became 274,610 shares / Dinars along with a share discount of JD 78,205 as at 31 March 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

	For the three months ended 31 March	
	<u>2019</u>	<u>2018</u>
Scheduled Services		
Passengers	115,073	112,602
Cargo	8,111	9,250
Excess baggage	1,580	1,024
Airmail	1,933	1,676
Total scheduled services (note 11)	126,697	124,552
Chartered flights (note 11)	2,167	1,843
Commercial revenues from arriving and departing aircrafts of other companies	2,751	2,494
Revenues from technical and maintenance services provided to other companies	1,156	841
Cargo warehouse revenues	3,780	3,785
First class services revenues	1,551	1,166
Change and cancellation of reservation revenues	2,558	1,493
Revenues from National Distribution Center (Galileo)	846	859
Other revenues	4,030	4,287
	145,536	141,320

9. INCOME TAX

No provision for income tax was calculated by the Company for the periods ended 31 March 2019 and 2018 due to the excess of deductible expenses over taxable income in accordance with the Income Tax Law No. (38) of 2018 and the Income Tax Law No. (34) of 2014 respectively.

Provision for income tax charge during the period ended 31 March 2019 amounting to JD 6 represents the income tax expense incurred by Al Mashriq for Aviation Services (subsidiary) for the period ended 31 March 2019.

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

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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. The first instance Tax Court/ Al-Aqaba resolved on 14 March 2019 to fully repeal the claim noting that the prosecutor has the right to appeal the decision within one month from the date of the resolution.

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

Royal Wings Company filed its tax return for the year of 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 Company reached a final settlement with the Income and Sales Tax Department up to 2016.

Royal Tours Company filed its tax return for the year of 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 2017 and 2016. 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.

10. COMMITMENTS AND CONTINGENCIES

- Bank guarantees

At 31 March 2019, the Group had letters of guarantee amounting to JD 9,502 (31 December 2018: JD 12,132).

- Claims against the Group

The Group is a defendant in a number of lawsuits amounting to JD 11,187 as at 31 March 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.

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- Capital Commitments

At 31 March 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 31 March 2019				For the three months ended 31 March 2018			
	(Unaudited)				(Unaudited)			
	Scheduled services	Chartered Flights		Total	Scheduled services	Chartered Flights		Total
	Passengers	Cargo			Passengers	Cargo		
Levant	18,269	-	999	19,268	15,335	-	119	15,454
Europe	32,845	201	286	33,332	33,055	34	449	33,538
Arab Gulf	31,599	-	-	31,599	32,109	-	-	32,109
America	27,789	-	681	28,470	25,382	-	1,020	26,402
Asia	13,429	-	-	13,429	14,032	221	-	14,253
Africa	2,766	-	-	2,766	4,639	-	-	4,639
Total revenues	126,697	201	1,966	128,864	124,552	255	1,588	126,395

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12. RELATED PARTY TRANSACTIONS

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

	31 March 2019		31 December 2018	
	Accounts receivable (unaudited)	Accounts payable (unaudited)	Accounts receivable (audited)	Accounts payable (audited)
Government of Jordan	4,139	1,589	3,910	1,707
Employees Provident Fund	-	3,439	-	4,144
Jordan Aircraft Maintenance Company	-	1,012	1,177	-
Jordan Flight Catering Company	1	3,493	-	3,190
Jordan Aircraft Training and Simulation Company	3	71	-	60
	<u>4,143</u>	<u>9,604</u>	<u>5,087</u>	<u>9,101</u>

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

	For the three months ended 31 March	
	2019 (unaudited)	2018 (unaudited)
Jordan Aircraft Maintenance Company (JORAMCO):		
Scheduled services revenues	<u>78</u>	<u>68</u>
Repair and maintenance expenses	<u>(852)</u>	<u>(1,895)</u>
Jordan Flight Catering Company:		
Passenger services expenses	<u>(3,293)</u>	<u>(3,298)</u>
Jordan Aircraft Training and Simulation Company (JATS):		
Other income	<u>-</u>	<u>8</u>
Pilots training expenses	<u>(100)</u>	<u>(249)</u>

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

	For the three months ended 31 March	
	2019 (unaudited)	2018 (unaudited)
Scheduled services revenues – passengers	966	867
Scheduled services revenues – cargo	286	497
	1,252	1,364
 Chartered flights	 637	 312

Compensation of key management personnel:

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

	For the three months ended 31 March	
	2019 (unaudited)	2018 (unaudited)
Salaries and other benefits	129	160
Board of Directors remuneration	8	14

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 1,308 for the period ended 31 March 2018 which represents the accrued amounts for employees who applied to the plan and management approved their applications.

14. COMPARATIVE FIGURES

Some of the comparative figures for the period ended 31 March 2018 have been reclassified to correspond with 31 March 2019 presentation with no effect on equity or loss for the period ended 31 March 2018.