

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

A PUBLIC SHAREHOLDING COMPANY

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 June 2019



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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 (together referred to as "the Group") as at 30 June 2019, comprising the interim consolidated statement of financial position as at 30 June 2019 and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the six 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 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
30 July 2019

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

	Notes	30 June 2019 (Unaudited)	31 December 2018 (Audited)
ASSETS			
Non- current assets			
Right of use assets	2	491,889	-
Property and equipment	4	102,845	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		17,957	17,680
Restricted cash against lease contracts		34,958	32,881
Deferred tax assets		14,920	14,920
		673,584	343,554
Current assets			
Other current assets		22,948	25,575
Spare parts and supplies, net		7,651	6,256
Accounts receivable, net		67,309	41,339
Cash and bank balances	5	119,995	92,012
		217,903	165,182
Assets classified as held for sale		5,487	8,631
TOTAL ASSETS		896,974	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		(91)	-
Accumulated losses		(93,001)	(94,483)
		120,593	116,202
Non-controlling interests		262	276
Total shareholders' equity		120,855	116,478
LIABILITIES			
Non- current liabilities			
Long term loans	6	84,030	71,626
Long term leases obligation	2	394,681	105,281
Other long-term liabilities		372	404
		479,083	177,311
Current liabilities			
Current portion of long term loans	6	22,865	47,059
Accrued expenses		77,867	66,115
Accounts payable and other current liabilities		68,118	50,735
Deferred revenues		77,892	46,713
Short term lease obligation	2	46,396	9,253
		293,138	219,875
Liabilities associated with assets classified as held for sale		3,898	3,703
Total liabilities		776,119	400,889
TOTAL EQUITY AND LIABILITIES		896,974	517,367

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 Six Months Period Ended 30 June 2019 (Unaudited)
(In Thousands of Jordanian Dinars)

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2019	2018	2019	2018
Revenues	8	170,752	170,829	316,288	312,149
Cost of revenues		(140,791)	(146,091)	(264,043)	(277,370)
Gross profit		29,961	24,738	52,245	34,779
Administrative expenses		(5,500)	(4,941)	(10,457)	(10,076)
Selling and marketing expenses		(9,924)	(11,831)	(21,912)	(23,490)
Other provisions		(29)	-	(223)	-
Net operating profit		14,508	7,966	19,653	1,213
Share of results of associates		346	488	1,036	1,186
Other income (expense), net		305	(270)	(953)	(3,024)
Provision for voluntary termination	13	-	(151)	-	(1,459)
Loss on foreign currency exchange		(184)	(2,074)	(825)	(2,105)
Finance costs	14	(7,931)	(4,296)	(16,473)	(8,174)
Interest income		465	733	962	1,311
Profit (Loss) before tax from continuing operations		7,509	2,396	3,400	(11,052)
Income tax expense	9	(9)	-	(15)	-
Profit (Loss) for the period from continuing operations		7,500	2,396	3,385	(11,052)
Discontinued operations					
Loss after tax for the period from discontinued operations		(834)	(1,199)	(1,917)	(1,603)
Profit (Loss) for the period		6,666	1,197	1,468	(12,655)
Add: Other comprehensive income items after tax					
Gains (losses) from cash flow hedges		51	-	(91)	-
Total comprehensive income for the period		6,717	1,197	1,377	(12,655)
Attributable to:					
Equity holders of the parent		6,729	1,185	1,391	(12,666)
Non-controlling interests		(12)	12	(14)	11
		6,717	1,197	1,377	(12,655)
Basic and diluted earnings (losses) per share attributable to equity holders of the parent		JD 0,028	JD 0,011	JD 0,013	JD (0,050)
Basic and diluted earnings (losses) per share from continuing operations after tax attributable to equity holders of the parent		JD 0,024	JD 0,005	JD 0,005	JD (0,057)

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 Six Months Period Ended 30 June 2019 (Unaudited)
(In Thousands of Jordanian Dinars)

	Attributable to equity holders of the parent									
	Paid in capital	Share discount	Payments in respect of capital increase	Statutory reserve	Fair value reserve	Cash flow hedges	Accumulated losses	Total	Non – controlling interests	Total equity
For the six months period ended 30 June 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	-	-	-	-	-	(91)	1,482	1,391	(14)	1,377
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 30 June 2019	274,610	(78,205)	-	13,509	3,771	(91)	(93,001)	120,593	262	120,855
For the six months period ended 30 June 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	-	-	-	-	-	-	(12,666)	(12,666)	11	(12,655)
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 30 June 2018	246,405	(61,000)	-	13,509	3,771	-	(101,273)	101,412	268	101,680

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 Six Months Period Ended 30 June 2019 (Unaudited)
(In Thousands of Jordanian Dinars)

	Notes	For the six months ended 30 June	
		2019	2018
OPERATING ACTIVITIES			
Profit (Loss) before tax from continuing operations		3,400	(11,052)
Loss before tax from discounted operations		(1,917)	(1,590)
Loss for the period before income tax		1,483	(12,642)
Adjustments for:			
Depreciation of property and equipment		10,512	20,000
Depreciation of right of use assets		32,476	-
Share of results of associates		(1,036)	(1,186)
Finance costs	14	16,473	8,174
Gain on sale of property and equipment		-	(5)
Provision for slow moving inventory		223	150
Provision for voluntary termination	13	-	1,459
Interest income		(962)	(1,311)
Amortization of deferred revenue – Jordan Flight Catering Company Ltd		(150)	(150)
Working capital changes:			
Accounts receivable		(25,970)	(14,170)
Spare parts and supplies		(1,618)	888
Other current assets		357	(5,514)
Deferred revenues		31,329	31,447
Accounts payable and other current liabilities		17,578	(11,234)
Accrued expenses		9,993	21,317
Voluntary termination program payments		(32)	-
End of service payments		-	(1,439)
Income tax paid		-	(33)
Net cash flows from operating activities		90,656	35,751
INVESTING ACTIVITIES			
Purchase of property and equipment	4	(11,086)	(9,975)
Proceeds from sale of property and equipment		-	12
Proceeds from sale of assets held for sale		-	426
Recoveries of advances on purchase and modification of aircrafts		-	29,902
Interest income received		737	726
Change in restricted cash against lease contracts		(2,077)	(2,854)
Short term deposits		928	1,784
Dividends received from associates		759	638
Net cash flows (used in) from investing activities		(10,739)	20,659
FINANCING ACTIVITIES			
Repayment of term loans		(10,964)	(19,897)
Payments of lease obligations		(37,519)	(6,363)
Interest paid		(6,262)	(6,905)
Capital increase		3,000	14,000
Net cash flows used in financing activities		(51,745)	(19,165)
Net increase in cash and cash equivalents		28,172	37,245
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	95,365	110,164

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 June 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 29 July 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 six months period ended 30 June 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.

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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	524,365
Property and equipment, net	(164,581)
Prepaid expenses	(4,174)
Total assets	<u>355,610</u>

Liabilities

Lease obligations	<u>355,610</u>
Total liabilities	<u>355,610</u>

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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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.

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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:

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 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 June 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	482,696	41,669	524,365	470,144
Depreciation	(31,165)	(1,311)	(32,476)	-
Finance costs	-	-	-	8,452
Payments	-	-	-	(37,519)
At 30 June 2019	<u><u>451,531</u></u>	<u><u>40,358</u></u>	<u><u>491,889</u></u>	<u><u>441,077</u></u>

* Lease obligations details as at 30 June 2019 are as follows:

<u>Short term</u>	<u>Long term</u>	<u>Total</u>
<u>46,396</u>	<u>394,681</u>	<u>441,077</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 June 2019 amounted to 4,568.

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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.

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 June 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.

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

A change in the ownership interest of a subsidiary without a loss of control is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary.
- Derecognizes the carrying amount of any non- controlling interests.
- Derecognizes the cumulative translation differences, recorded in equity.
- Recognizes the fair value of the consideration received.
- Recognizes the fair value of any investment retained.
- Recognizes the gain or loss resulted from loss of control.
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss.

Shareholders who have a significant influence over the Group

The Government of the Hashemite Kingdom of Jordan 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 June 2019 (31 December 2018: 76,4%, 9,1% and 5,94% respectively).

4. PROPERTY AND EQUIPMENT

During the six months ended 30 June 2019, The Group acquired property and equipment with a cost of JD 11,086 (30 June 2018: JD 9,975).

An amount of JD 164,581 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).

5. CASH AND CASH EQUIVALENTS

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Cash and bank balances	48,824	23,129
Short term deposits*	17,235	19,804
Cash in transit **	29,038	23,253
Cash and cash equivalents	95,097	66,186
Short term deposits mature after 3 months ***	24,898	25,826
	119,995	92,012

* This item represents deposits in Jordanian Dinar in Jordanian Banks as of 30 June 2019 with an interest rate ranging between 4.25% - 6% (31 December 2018: 4.35%- 5.75%).

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

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*** 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 1,908). In addition to Libyan Dinar and Syrian Lira equivalent to JD 1,210 as at 30 June 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:

	30 June 2019	31 December 2018
	(Unaudited)	(Audited)
Cash and cash equivalents	95,097	66,186
Add: discontinued operations	268	1,007
	95,365	67,193

6. LOANS

	30 June 2019		31 December 2018	
	(Unaudited)		(Audited)	
	Loans' installments		Loans' installments	
	Short term	Long term	Short term	Long term
Syndicated loan*	23,400	85,946	47,839	72,471
Less: directly attributable transaction costs	(535)	(1,916)	(780)	(845)
	22,865	84,030	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%.

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).

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According to the loan agreement, the Company is obliged to transfer the proceeds from its sales from travel agents (GSA) in 23 stations that are collected through IATA to the Company's account at Al-Mashreq Bank as a collateral.

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

	<u>Amount</u>
1 July 2019– 30 June 2020	23,400
1 July 2020– 30 June 2021	23,400
1 July 2021– 30 June 2022	23,400
1 July 2022– 30 June 2023	23,489
1 July 2023 and after	15,657

7. SHAREHOLDER'S EQUITY

	<u>30 June</u> <u>2019</u> <u>(unaudited)</u>	<u>31 December</u> <u>2018</u> <u>(audited)</u>
- Paid in capital		
Authorized 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 amounted to JD 78,205 as at 30 June 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.

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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.

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 June 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.

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8. REVENUES

	For the three months ended 30 June		For the six months ended 30 June	
	2019	2018	2019	2018
Scheduled Services				
Passengers	138,047	139,523	253,120	252,125
Cargo	8,422	9,870	16,533	19,120
Excess baggage	1,769	1,276	3,349	2,300
Airmail	1,806	1,989	3,739	3,665
Total scheduled services (note 11)	150,044	152,658	276,741	277,210
Chartered flights (note 11)	2,621	2,661	4,788	4,504
Commercial revenues from arriving and departing aircrafts of other companies	2,319	3,100	5,070	5,594
Revenues from technical and maintenance services provided to other companies	1,220	1,019	2,376	1,860
Cargo warehouse revenues	4,339	4,286	8,119	8,071
First class services revenues	1,765	1,326	3,316	2,492
Change and cancellation of reservation revenues	3,042	4,045	5,600	5,538
Revenues from National Distribution Center (Galileo)	840	890	1,686	1,749
Other revenues	4,562	844	8,592	5,131
	170,752	170,829	316,288	312,149

9. INCOME TAX

No provision for income tax was calculated by the Company for the periods ended 30 June 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 30 June 2019 amounting to JD 15 represents the income tax expense incurred by Al Mashriq for Aviation Services (subsidiary) for the period ended 30 June 2019.

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.

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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 first instance Tax Court /Al-Aqaba resolved on 14 March 2019 to cancel the claim, the case has been appealed by the prosecutor and it is now under the perspective of Tax Appeal Court/ Al-Aqaba.

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 Company 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 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.

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10. COMMITMENTS AND CONTINGENCIES

- Bank guarantees

At 30 June 2019, the Group has letters of guarantee amounting to JD 9,180 (31 December 2018: JD 12,132).

- Claims against the Group

The Group is a defendant in a number of lawsuits amounting to JD 11,195 as at 30 June 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

At 30 June 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 June (unaudited):

	2019				2018			
	Scheduled services	Chartered Flights		Total	Scheduled services	Chartered Flights		Total
	Passengers	Cargo	Passengers		Cargo			
Levant	18,445	17	1,152	19,614	18,653	494	583	19,730
Europe	42,102	145	626	42,873	42,777	223	307	43,307
Arab Gulf	36,117	-	-	36,117	36,927	-	-	36,927
America	38,155	-	681	38,836	36,227	-	851	37,078
Asia	12,238	-	-	12,238	12,452	203	-	12,655
Africa	2,987	-	-	2,987	5,622	-	-	5,622
Total revenues	150,044	162	2,459	152,665	152,658	920	1,741	155,319

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For the six months ended 30 June (unaudited):

	2019				2018			
	Scheduled services	Chartered Flights		Total	Scheduled services	Chartered Flights		Total
		Passengers	Cargo			Passengers	Cargo	
Levant	36,714	16	2,152	38,882	33,989	563	553	35,105
Europe	74,947	346	912	76,205	75,833	257	756	76,846
Arab Gulf	67,716	-	-	67,716	69,035	-	81	69,116
America	65,944	-	1,362	67,306	61,610	-	1,870	63,480
Asia	25,667	-	-	25,667	26,483	424	-	26,907
Africa	5,753	-	-	5,753	10,260	-	-	10,260
Total revenues	276,741	362	4,426	281,529	277,210	1,244	3,260	281,714

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:

	30 June 2019 (Unaudited)		31 December 2018 (Audited)	
	Accounts receivable	Accounts payable	Accounts receivable	Accounts payable
Government of Jordan	4,723	1,577	3,910	1,707
Employees Provident Fund	-	3,633	-	4,144
Jordan Aircraft Maintenance Company	1,271	-	1,177	-
Jordan Flight Catering Company	-	3,038	-	3,190
Jordan Aircraft Training and Simulation Company	13	4	-	60
	6,007	8,252	5,087	9,101

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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 30 June		For the six months ended 30 June	
	2019	2018	2019	2018
Jordan Aircraft Maintenance Company (JORAMCO):				
Scheduled services revenues	78	64	130	132
Repair and maintenance expenses	1,608	969	2,833	2,864
Jordan Flight Catering Company:				
Passenger services expenses	3,293	3,817	7,185	7,115
Jordan Aircraft Training and Simulation Company (JATS):				
Other income	-	7	10	16
Pilot training expenses	100	149	290	398

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 30 June		For the six months ended 30 June	
	2019	2018	2019	2018
Scheduled services revenues – passengers	988	1,255	1,953	2,122
Scheduled services revenues – cargo	283	360	569	857
	1,271	1,615	2,522	2,979
Chartered flights	922	326	1,559	638

Compensation of key management personnel:

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

	For the three months ended 30 June		For the six months ended 30 June	
	2019	2018	2019	2018
Salaries and other benefits	155	288	283	448
Board of Directors remuneration	11	14	19	27
	166	302	302	475

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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 1,459 for the period ended 30 June 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 June		For the six months ended 30 June	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Interest on lease contracts	6,029	1,664	12,107	3,201
Interest on loans and bank charges	1,902	2,632	4,366	4,973
	<u>7,931</u>	<u>4,296</u>	<u>16,473</u>	<u>8,174</u>

15. COMPARATIVE FIGURES

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