



الملكية الأردنية
ROYAL JORDANIAN

Ref : FIN/CFO/68/2018
Date : Apr. 30th 2018

**Messrs. Jordan Securities Commission
Amman - Jordan**

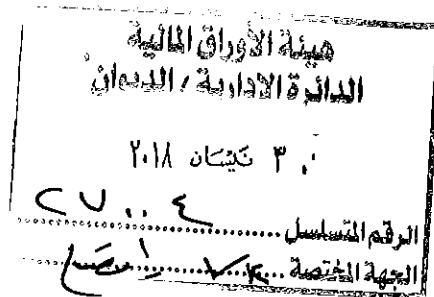
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Please find attached, copy of the Unaudited Interim Condensed Consolidated Financial Statements for Alia – The Royal Jordanian Airlines Plc. as at 31 March 2018.

Best Regards,


Alia – The Royal Jordanian Airlines



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

A PUBLIC SHAREHOLDING COMPANY

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

31 March 2018

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

Introduction

We have reviewed the accompanying Interim condensed consolidated financial statements of Alia- The Royal Jordanian Airlines Company and its subsidiaries (the Group) as at 31 March 2018, comprising the Interim condensed consolidated statement of financial position as at 31 March 2018 and the related Interim condensed 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.

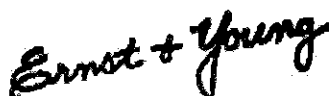
Scope of Review

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 2018



**Alia - The Royal Jordanian Airlines Company (Royal Jordanian) –
Public Shareholding Company
Interim Condensed Consolidated Statement of Financial Position
At 31 March 2018
(In Thousands of Jordanian Dinars)**

	Notes	31 March 2018 (Unaudited)	31 December 2017 (Audited)
ASSETS			
Non- current assets			
Property and equipment	4	288,740	292,250
Advances on purchase and modification of aircrafts		36,080	35,993
Financial assets at fair value through other comprehensive income		5,992	5,992
Investments in associates		16,956	16,715
Restricted cash against operating lease contracts		29,309	28,469
Deferred tax assets		14,920	14,920
		<u>391,997</u>	<u>394,339</u>
Current assets			
Other current assets		27,536	27,048
Spare parts and supplies, net		12,141	12,508
Accounts receivable, net		36,549	35,617
Cash and bank balances	5	116,955	101,393
		<u>193,181</u>	<u>176,566</u>
TOTAL ASSETS		<u>585,178</u>	<u>570,905</u>
EQUITY AND LIABILITIES			
Shareholders' equity			
Paid in capital	8	246,405	146,405
Share discount	8	(61,000)	-
Payments in respect of capital increase	8	-	25,000
Statutory reserve	8	13,509	13,509
Fair value reserve		3,771	3,771
Accumulated losses		(102,458)	(88,607)
		<u>100,227</u>	<u>100,078</u>
Non-controlling interests		256	257
Total shareholders' equity		<u>100,483</u>	<u>100,335</u>
LIABILITIES			
Non- current liabilities			
Long term loans	6	107,528	118,685
Long term obligations under finance leases	7	112,257	114,534
Accounts payable		17,145	16,764
Other long term liabilities		433	433
		<u>237,363</u>	<u>250,416</u>
Current liabilities			
Current portion of long term loans	6	38,981	38,099
Accrued expenses		72,029	62,747
Accounts payable and other current liabilities		62,441	61,923
Income tax provision		34	34
Deferred revenues		63,888	46,507
Short term obligations under finance leases	7	9,959	10,844
		<u>247,332</u>	<u>220,154</u>
Total liabilities		<u>484,695</u>	<u>470,570</u>
TOTAL EQUITY AND LIABILITIES		<u>585,178</u>	<u>570,905</u>

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

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian) –
Public Shareholding Company
Interim Condensed Consolidated Statement of Comprehensive Income
For The Three Months Ended 31 March 2018 (Unaudited)
(In Thousands of Jordanian Dinars)**

		For the three months ended 31 March	
	Notes	2018	2017
Revenues	9	143,484	126,569
Cost of revenues		(133,733)	(133,140)
Gross profit (loss)		9,751	(6,571)
Administrative expenses		(5,249)	(4,880)
Selling and marketing expenses		(11,659)	(10,468)
Other provisions		-	(110)
Net operating loss		(7,157)	(22,029)
Share of profit of associates		698	642
Other (expenses) income, net		(2,174)	340
Provision for voluntary termination	14	(1,308)	(857)
(Loss) gain on foreign currency exchange		(31)	326
Finance costs		(3,880)	(4,689)
Loss for the period		(13,852)	(26,267)
Add: Other comprehensive income items after tax		-	-
Total loss and comprehensive income for the period		(13,852)	(26,267)
Attributable to:			
Equity holders of the parent		(31,851)	(26,267)
Non-controlling interests		(1)	-
		(13,852)	(26,267)
Basic and diluted losses per share attributable to equity holders of the parent		(JD 0.07)	(JD 0.13)

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 Condensed Consolidated Statement of Changes in Equity
For The Three Months Ended 31 March 2018 (Unaudited)
(In Thousands of Jordanian Dinars)

	Attributable to equity holders of the parent							
		Share discount	Payments in respect of capital increase	Statutory reserve	Fair value reserve	Accumulated losses	Non – controlling interests	Total equity
For the three months ended 31 March 2018								
Balance as of 1 January 2018	146,405	-	25,000	13,509	3,771	(88,607)	257	100,335
Total loss and comprehensive income for the period	-	-	-	-	-	(13,851)	(1)	(13,852)
Payments in respect of capital increase (note 8)	-	-	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)	256	100,483
For the three months ended 31 March 2017								
Balance as of 1 January 2017	146,405	-	-	13,455	3,771	(88,749)	229	75,111
Total loss and comprehensive income for the period	-	-	-	-	-	(26,267)	-	(26,267)
Balance as of 31 March 2017	146,405	-	-	13,455	3,771	(115,016)	229	48,844

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 Condensed Consolidated Statement of Cash Flows
For The Three Months Ended 31 March 2018 (Unaudited)
(In Thousands of Jordanian Dinars)**

	Notes	For the three months ended 31 March	
		2018	2017
OPERATING ACTIVITIES			
Loss for the period before income tax		(13,852)	(26,267)
Adjustments for:			
Provision for slow moving inventory		107	110
Depreciation of property and equipment		10,061	8,242
Share of profit of associates		(698)	(642)
Finance costs		3,880	4,689
(Gain) loss on sale of property and equipment		(5)	489
Other provisions		75	-
Provision for voluntary termination	14	1,308	857
Amortization of deferred revenue - Jordan Flight Catering Company Ltd		(75)	(75)
Working capital changes:			
Accounts receivable		(1,358)	(9,527)
Spare parts and other supplies		260	970
Other current assets		(2,066)	268
Deferred revenues		17,456	16,071
Accounts payable and other current liabilities		899	(9,647)
Accrued expenses		6,874	4,333
End of service indemnity paid		-	(26)
Voluntary termination program payments		(161)	(41)
Net cash flows from (used in) operating activities		22,705	(10,196)
INVESTING ACTIVITIES			
Purchase of property and equipment		(4,925)	(617)
Proceeds of sale of property and equipment		12	-
Proceeds from sale of property and equipment held for sale		426	-
Advances on purchase and modification of aircrafts		(87)	-
Restricted bank accounts		(840)	(585)
Sale of financial assets at fair value through OCI		-	2
Short term deposits		1,411	(7)
Dividends received from associates		457	554
Net cash flows used in investing activities		(3,546)	(653)
FINANCING ACTIVITIES			
Repayment of term loans		(10,405)	(8,767)
Finance lease obligations		(3,162)	(2,986)
Interest paid		(2,619)	(3,801)
Capital increase		14,000	-
Net cash flows used in financing activities		(2,186)	(15,554)
Net increase (decrease) in cash and cash equivalents		16,973	(26,403)
Cash and cash equivalents, beginning of the period		72,919	92,874
Cash and cash equivalents, end of the period	5	89,892	66,471

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 2018 (unaudited)
(In Thousands of Jordanian Dinars except for amounts in US Dollars)**

1. GENERAL

Alia - The Royal Jordanian Airlines Company (Royal Jordanian), the "Company", was registered as a Jordanian public shareholding company on 5 February 2001. The Company's head office is located in Amman - Jordan.

The Company's objectives are to undertake scheduled air-transport activities from and to the Kingdom and to carry out the handling for aircraft that land in and take off from the airports of the Kingdom.

The Jordanian Civil Aviation Authority granted the Company the exclusive right to utilise the Jordanian Traffic Rights for International Routes, from Amman, for the operation of scheduled flights. The initial contract started on 5 February 2002 for the term of four years, which was renewed for another 4 years on 5 February 2006 which ended on 2 February 2010.

The interim condensed consolidated financial statements were authorized for issue by the Board of Directors in their meeting held on 26 April 2018.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting.

The interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Group's annual financial statements as of 31 December 2017. In addition, results of the three month period ended 31 March 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018:

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

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group had previously implemented the first phase of IFRS 9 as issued during 2009. The date of initial implementation of the first phase of IFRS 9 was 1 January 2011. The standard has been applied retrospectively and, in line with IFRS 9, comparative amounts have not been restated.

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

The impact of the adoption of IFRS 9 as at 1st January 2018 has been recognised in retained earnings. The standard eliminates the use of the IAS 39 incurred loss impairment model approach, uses the revised hedge accounting framework, and the revised guidance on the classification and measurement requirements.

Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

For all debt instruments, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. It is the Group's policy to measure such instruments on a 12-month ECL basis.

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

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the modified retrospective approach. The effect of adopting IFRS 15 was not material on the Group's interim condensed consolidated financial statements.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

This Interpretation does not have any impact on the Group's interim condensed consolidated financial statements.

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

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

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Group's accounting policy for cash-settled share based payments is consistent with the approach clarified in the amendments.

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

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

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

Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

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

3. BASIS OF CONSOLIDATION

The 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 31 March 2018:

	<u>Ownership Interest</u>	<u>Country</u>
Royal Wings Company	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

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

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

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

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

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

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

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

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

Shareholders who have a significant influence over the Group

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

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

4. PROPERTY AND EQUIPMENT

During the three months ended 31 March 2018, the Group acquired property and equipment with a cost of JD 4,925 (31 March 2017: JD 89,159).

5. CASH AND CASH EQUIVALENTS

	31 March 2018 (unaudited)	31 December 2017 (audited)
Cash and bank balances	37,599	27,514
Short term deposits*	25,775	28,709
Cash in transit **	26,518	16,696
Cash and cash equivalents	89,892	72,919
Short term deposits mature after 3 months ***	27,063	28,474
	116,955	101,393

* This item represents deposits in Jordanian Dinar in Jordanian Banks as of 31 March 2018 with an interest rate ranging between 4.5% - 5.25% (31 December 2017: 4.5%- 5%).

** 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 21,218) and Sudanese Pound (206,622 thousand Sudanese Pound which is equivalent to JD 5,845) (31 December 2017: deposits in Jordanian Dinars 20,752 and Thousand Sudanese pound 215,302 which is equivalent to JD 7,722), with an average interest rate of 5.13% (31 December 2017: 5.13%) and are due within Five months (31 December 2017: four months).

6. Loans

	31 March 2018 (unaudited)		31 December 2017 (audited)	
	Loans' installments		Loans' installments	
	Short term	Long term	Short term	Long term
Syndicated loan*	39,761	109,023	38,879	120,310
Less: directly attributable transaction costs	(780)	(1,495)	(780)	(1,625)
	38,981	107,528	38,099	118,685

* On 20 December 2015, the Company signed a new syndicated loan agreement amounted to JD 195 million (USD 275 million), the loan bears annual interest rate of one month LIBOR plus 3%. The loan is repayable in 49 installments. The first installment amounting to JD 3 million fell due on 20 January 2017 and the last installment will fall due on 20 January 2021.

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

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

Principal installments payable for the period ended 31 March 2018 and after are as follows:

Period	Amount
1 April 2018– 31 March 2019	39,761
1 April 2019– 31 March 2020	52,002
1 April 2020– 31 March 2021	57,021

(7) OBLIGATIONS UNDER FINANCE LEASES

	31 March 2018			31 December 2017		
	E-175	B-787	Total	E-175	B-787	Total
Long term obligations	-	112,257	112,257	-	114,534	114,534
Short term obligations	995	8,964	9,959	1,975	8,869	10,844
	<u>995</u>	<u>121,221</u>	<u>122,216</u>	<u>1,975</u>	<u>123,403</u>	<u>125,378</u>

- E-175 Lease Agreement - Aircraft Number 223

The lease agreement was signed on 17 September 2007 with a total amount of USD 21,000,000 (JD 14,894). The term of the agreement is for 10 years. Interest on the lease was computed based on LIBOR plus 0.75%. The lease provides for 40 quarterly installments commencing on 15 August 2008. As of 31 March 2018, the outstanding balance was JD 497 (31 December 2017: JD 987).

- E-175 Lease Agreement - Aircraft Number 232

The lease agreement was signed on 17 September 2007 with a total amount of USD 21,000,000 (JD 14,894). The term of the agreement is for 10 years. Interest on the lease was computed based on LIBOR plus 0.75%. The lease provides for 40 quarterly installments commencing on 15 September 2008. As of 31 March 2018, the outstanding balance was JD 498 (31 December 2017: JD 988).

- B-787 Lease Agreement - Aircraft Number 37984

The lease agreement was signed on 15 November 2016 with a total amount of USD 92,500,000 (JD 65,602). The term of the agreement is for 12 years. Interest on the lease was computed based on LIBOR plus 3.25%. The lease provides for 48 quarterly installments commencing on 15 February 2017. As of 31 March 2018, the outstanding balance was JD 60,185 (31 December 2017: JD 61,291).

- B-787 Lease Agreement - Aircraft Number 37985

The lease agreement was signed on 15 January 2017 with a total amount of USD 92,031,250 (JD 65,270). The term of the agreement is for 12 years. Interest on the lease was computed based on LIBOR plus 3.25%. The lease provides for 48 quarterly installments commencing on 15 April 2017. As of 31 March 2018, the outstanding balance was JD 61,036 (31 December 2017: 62,112).

The Company has mortgaged the Embraer aircrafts E-175 and Boeing B787 aircrafts for the finance lease agreements, related to those aircrafts.

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

Principal installments payable for the period ended 31 March 2018 and after relating to aircrafts delivered are as follow:

<u>Period</u>	<u>Amount</u>
1 April 2018 – 31 March 2019	9,959
1 April 2019 – 31 March 2020	9,351
1 April 2020 – 31 March 2021	9,756
1 April 2021 – 31 March 2022	10,178
1 April 2022 and after	82,972
	<u>122,216</u>

8. SHAREHOLDERS' EQUITY

	31 March 2018	31 December 2017
	(unaudited)	(audited)
- Paid in capital		
Authorized capital (246,405,342 shares of 1JD each)	<u>246,405</u>	<u>246,405</u>
Paid in capital	<u>246,405</u>	<u>146,405</u>

- Share discount

Share discount amounted to JD 61 million as at 31 March 2018. The accumulated balance in this account represents the difference between the issuing price and the par value of the shares issued.

- Payments in respect of capital increase

The General Assembly approved in its extraordinary meeting held on 2 May 2015 to restructure the Company's Capital by reducing it through writing off part of the Company's accumulated losses and increasing the Company's capital by 200 million shares with a par value of JD 1 per share. Capital increase procedures were completed for the first tranche of JD 100 million of the Company's capital increase process during 2016.

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

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 March 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.

- 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.

9. REVENUES

	For the three months ended 31 March	
	2018	2017
Scheduled Services		
Passengers	112,602	99,660
Cargo	9,250	7,864
Excess baggage	1,024	954
Airmail	1,676	1,323
Total scheduled services (note 12)	124,552	109,801
Chartered flights (note 12)	3,755	3,895
Commercial revenues from arriving and departing aircrafts of other companies	2,494	2,384
Revenues from technical and maintenance services provided to other companies	841	925
Cargo warehouse revenues	3,785	2,582
Revenues from services provided to other aviation companies	245	417
First class services revenues	1,166	1,015
Change reservation revenues	1,493	1,411
Revenues from National Distribution Center (Galileo)	859	850
Other revenues	4,294	3,289
	143,484	126,569

10. INCOME TAX

No provision for income tax was calculated by the Company for the periods ended 31 March 2018 and 2017 due to the excess of deductible expenses over taxable income in accordance with the Income Tax Law No. (34) of 2014.

The Company filed its tax return for the years 2017, the Income Tax Department has not reviewed the Company's accounting records up to the date of the interim condensed consolidated financial statements

The Income and Sales Tax Department raised a claim to RJ by an amount of JD 701 which represents sales tax differences for the years 2012, 2013 and 2014. The Company appealed the case at the Tax Court. The case is still outstanding up to date of the interim condensed consolidated financial statement. Although results of the case can not be determined accurately, management believes that no material liability is likely to result.

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

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

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

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

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

11. COMMITMENTS AND CONTINGENCIES

- Bank guarantees

At 31 March 2018, the Group had letters of guarantee amounting to JD 12,955 (31 December 2017: JD 15,034).

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- Claims against the Group

The Group is a defendant in a number of lawsuits amounting to JD 15,628 as at 31 March 2018 (31 December 2017: JD 17,038) representing legal actions and claims related to its ordinary course of business. Related risks have been analyzed as to the likelihood of occurrence, although the outcome of these matters cannot always be ascertained with precision, the management and their legal advisors believe that no material liabilities are likely to result.

- Capital Commitments

At 31 March 2018, the Group had capital commitments of USD 508,539,929 (31 December 2017: USD 508,539,929) equivalent to JD 360,667 (31 December 2017: JD 360,667) relating to agreements signed for the purchase of new aircrafts. The Group has the option not to purchase three 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. Capital commitments for these three aircrafts amounted to USD 423,714,932 which is equivalent to JD 300,414 as at 31 March 2018 and 31 December 2017.

- Operating lease commitments

As of the date of these interim condensed consolidated financial statements, Allia - The Royal Jordanian Airlines Company has future commitments, which represent operating lease agreements in respect of six Airbus A-320 aircraft, two Airbus A-321 aircraft, four Airbus A-319 aircraft, one Embraer E-175 aircraft, and five Boeing B-787 aircrafts.

Future minimum lease payments under the operating leases are detailed as follows:

<u>Period</u>	<u>JD</u>
1 April 2018 – 31 March 2019	50,286
1 April 2019– 31 March 2020	56,564
1 April 2020 – 31 March 2021	48,472
1 April 2021 – 31 March 2022	47,521
1 April 2022 and after	183,759

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12. GEOGRAPHICAL DISTRIBUTION OF REVENUES

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

	For the three months ended 31 March 2018				For the three months ended 31 March 2017			
	(Unaudited)				(Unaudited)			
	Scheduled services	Chartered Flights Passengers	Cargo	Total	Scheduled services	Chartered Flights Passengers	Cargo	Total
Levant	15,335	1,445	119	16,899	16,553	667	887	18,107
Europe	33,055	421	449	33,925	27,022	1,040	260	28,322
Arab Gulf	32,109	-	80	32,189	27,772	177	-	27,949
America	25,382	-	1,020	26,402	21,332	-	677	22,009
Asia	14,032	221	-	14,253	13,610	187	-	13,797
Africa	4,639	-	-	4,639	3,512	-	-	3,512
Total revenues	124,552	2,087	1,668	128,307	109,801	2,071	1,824	113,696

13. RELATED PARTY TRANSACTIONS

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

	31 March 2018		31 December 2017	
	Accounts receivable (unaudited)	Accounts payable (unaudited)	Accounts receivable (audited)	Accounts payable (audited)
Government of Jordan	4,139	8,497	3,830	11,287
Employees Provident Fund	-	3,635	-	4,423
Jordan Aircraft Maintenance Company	-	820	3	14
Jordan Flight Catering Company	-	2,267	-	2,294
Jordan Aircraft Training and Simulation Company	3	261	-	269
	4,142	15,480	3,833	18,287

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

	For the three months ended 31 March	
	2018 (unaudited)	2017 (unaudited)
Jordan Aircraft Maintenance Company (JORAMCO):		
Scheduled services revenues	68	51
Repair and maintenance expenses	(1,895)	(1,729)
Jordan Flight Catering Company:		
Passenger services expenses	(3,298)	(3,528)
Jordan Aircraft Training and Simulation Company (JATS):		
Other income	8	4
Pilots training expenses	(249)	(253)

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

	For the three months ended 31 March	
	2018 (unaudited)	2017 (unaudited)
Scheduled services revenues – passengers	867	870
Scheduled services revenues – cargo	497	340
	1,364	1,210
Chartered flights	312	678

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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	
	2018	2017
	(unaudited)	(unaudited)
Salaries and other benefits	160	105
Bonus/ transportation of board members	14	10

14. 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 covering the period from 1 February 2018 to 31 March 2018. Accordingly, the Company has recorded a provision amounted to JD 1,308 as of 31 March 2018 which represents the accrued amounts for employees who applied to the plan and management approved their applications (31 March 2017: the Company recorded a provision with an amount of JD 857 against the labor collective contract covering the period from 15 March 2017 to 30 April 2017).