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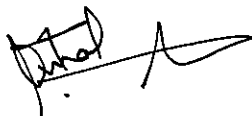

الملكية الأردنية
ROYAL JORDANIAN

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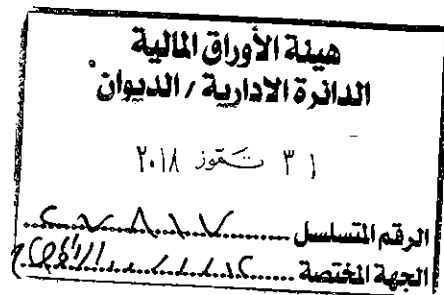
**Messrs. Jordan Securities Commission
Amman - Jordan**

Please find attached, copy of the Unaudited Interim Condensed Consolidated Financial Statements for Alia – The Royal Jordanian Airlines Plc. as at 30 June 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**

30 June 2018



Building a better
working world

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Alia- The Royal Jordanian Airlines Company and its subsidiaries (the Group) as at 30 June 2018, comprising the interim consolidated statement of financial position as at 30 June 2018 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
29 July 2018

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

	Notes	30 June 2018 (Unaudited)	31 December 2017 (Audited)
ASSETS			
Non- current assets			
Property and equipment	4	284,861	292,250
Advances on purchase and modification of aircrafts		5,081	35,993
Financial assets at fair value through other comprehensive income		5,992	5,992
Investments in associates		17,263	16,715
Restricted cash against operating lease contracts		31,323	28,469
Deferred tax assets		14,920	14,920
		359,440	394,339
Current assets			
Other current assets		31,760	27,048
Spare parts and supplies, net		11,620	12,508
Accounts receivable, net		49,361	35,617
Cash and bank balances	5	136,854	101,393
		229,595	176,566
TOTAL ASSETS		589,035	570,905
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		(101,273)	(88,607)
		101,412	100,078
Non-controlling interests		268	257
Total shareholders' equity		101,680	100,335
LIABILITIES			
Non- current liabilities			
Long term loans	6	95,604	118,685
Long term obligations under finance leases	7	109,956	114,534
Accounts payable		6,972	16,764
Other long term liabilities		433	433
		212,965	250,416
Current liabilities			
Current portion of long term loans	6	41,673	38,099
Accrued expenses		85,359	62,747
Accounts payable and other current liabilities		60,481	61,923
Income tax provision		14	34
Deferred revenues		77,804	46,507
Short term obligations under finance leases	7	9,059	10,844
		274,390	220,154
Total liabilities		487,355	470,570
TOTAL EQUITY AND LIABILITIES		589,035	570,905

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 and Six Months Period Ended 30 June 2018 (Unaudited)
(In Thousands of Jordanian Dinars)

		For the three months ended 30 June		For the six months ended 30 June	
	Notes	2018	2017	2018	2017
Revenues	9	173,445	157,683	316,929	284,252
Cost of revenues		(149,673)	(138,263)	(283,406)	(271,403)
Gross profit		23,772	19,420	33,523	12,849
Administrative expenses		(5,157)	(4,767)	(10,406)	(9,757)
Selling and marketing expenses		(11,831)	(10,871)	(23,490)	(21,339)
Net operating gain (loss)		6,784	3,782	(373)	(18,247)
Share of profit of associates		488	301	1,186	943
Other income (expense), net		463	(42)	(1,711)	298
Provision for voluntary termination	14	(151)	(386)	(1,459)	(1,243)
(Loss) gain on foreign currency exchange		(2,074)	545	(2,105)	871
Finance costs		(4,300)	(4,272)	(8,180)	(8,961)
Profit (loss) for the period before income tax		1,210	(72)	(12,642)	(26,339)
Income tax expense	10	(13)	(10)	(13)	(10)
Profit (loss) for the period		1,197	(82)	(12,655)	(26,349)
Add: Other comprehensive income items after tax		-	-	-	-
Total comprehensive income for the period		1,197	(82)	(12,655)	(26,349)
Attributable to:					
Equity holders of the parent		1,185	(108)	(12,666)	(26,375)
Non-controlling interests		12	26	11	26
		1,197	(82)	(12,655)	(26,349)
Basic and diluted profit (losses) per share attributable to equity holders of the parent		JD 0.01	(JD 0.00)	(JD 0.06)	(JD 0.18)

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

Allia - 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 2018 (Unaudited)
(In Thousands of Jordanian Dinars)

	<i>Attributable to equity holders of the parent</i>						<i>Non – controlling interests</i>	<i>Total equity</i>
	<i>Paid in capital</i>	<i>Share discount</i>	<i>Payments in respect of capital increase</i>	<i>Statutory reserve</i>	<i>Fair value reserve</i>	<i>Accumulated losses</i>		
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)	257	100,335
Total loss and comprehensive income for the period	-	-	-	-	-	(12,666)	11	(12,655)
Payments in respect of capital increase (note 8)	-	-	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)	268	101,680
For the six months period ended 30 June 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	-	-	-	-	-	(26,375)	26	(26,349)
Balance as of 30 June 2017	146,405	-	-	13,455	3,771	(115,124)	255	48,762

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 Six Months Period Ended 30 June 2018 (Unaudited)
(In Thousands of Jordanian Dinars)**

	Notes	For the six months ended 30 June	
		2018	2017
OPERATING ACTIVITIES			
Loss for the period before income tax		(12,642)	(26,339)
Adjustments for:			
Depreciation of property and equipment		20,000	16,715
Share of profit of associates		(1,186)	(943)
Finance costs		8,180	8,961
Gain on sale of property and equipment		(5)	-
Other provisions		150	-
Provision for voluntary termination	14	1,459	1,243
Provision for end of service		-	55
Amortization of deferred revenue - Jordan Flight Catering Company Ltd		(150)	(150)
Working capital changes:			
Accounts receivable		(14,170)	(15,659)
Spare parts and other supplies		888	(1,375)
Other current assets		(6,105)	(6,991)
Deferred revenues		31,447	33,927
Accounts payable and other current liabilities		(11,234)	(22,161)
Accrued expenses		21,317	10,383
End of service indemnity paid		-	(185)
Voluntary termination program payments		(1,439)	(1,174)
Income tax paid		(33)	(73)
Net cash flows from (used in) operating activities		36,477	(3,766)
INVESTING ACTIVITIES			
Purchase of property and equipment		(9,975)	(953)
Proceeds of sale of property and equipment		12	-
Proceeds from sale of property and equipment held for sale		426	-
Recoveries (advances) on purchase and modification of aircrafts		29,902	(7,890)
Sale of financial assets at fair value through OCI		-	2
Change in restricted cash against lease contracts		(2,854)	(1,146)
Short term deposits		1,784	19,792
Dividends received from associates		638	690
Net cash flows from investing activities		19,933	10,495
FINANCING ACTIVITIES			
Repayment of term loans		(19,897)	(17,533)
Finance lease obligations		(6,363)	(7,097)
Interest paid		(6,905)	(7,060)
Capital increase		14,000	-
Net cash flows used in financing activities		(19,165)	(31,690)
Net increase (decrease) in cash and cash equivalents		37,245	(24,961)
Cash and cash equivalents, beginning of the period		72,919	92,874
Cash and cash equivalents, end of the period	5	110,164	67,913

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
30 June 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 29 July 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 six months period ended 30 June 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

Changes in accounting policies

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

IFRS 9 Financial Instruments

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

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

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

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

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

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

3. BASIS OF CONSOLIDATION

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

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

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

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

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

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

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

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

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

Shareholders who have a significant influence over the Group

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

4. PROPERTY AND EQUIPMENT

During the six months ended 30 June 2018, The Group acquired property and equipment with a cost of JD 9,975 (30 June 2017: JD 89,963).

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

5. CASH AND CASH EQUIVALENTS

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Cash and bank balances	31,168	27,514
Short term deposits*	51,698	28,709
Cash in transit **	27,298	16,696
Cash and cash equivalents	110,164	72,919
Short term deposits mature after 3 months ***	26,690	28,474
	136,854	101,393

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

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

*** This item represents deposit in Banks in Jordanian Dinar (JD 21,255) and Sudanese Pound (201,523 thousands Sudanese Pound which is equivalent to JD 5,435) (31 December 2017: deposits in Jordanian Dinars 20,752 and Sudanese Pound 215,302 thousands which is equivalent to JD 7,722), with an average interest rate of 4.5% (31 December 2017: 5.13%) and are due within Five months (31 December 2017: four months).

6. LOANS

	30 June 2018 (Unaudited)	31 December 2017 (Audited)		
	Loans' installments		Loans' installments	
	Short term	Long term	Short term	Long term
Syndicated loan*	42,453	96,839	38,879	120,310
Less: directly attributable transaction costs	(780)	(1,235)	(780)	(1,625)
	41,673	95,604	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 December 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
30 June 2018 (unaudited)
(In Thousands of Jordanian Dinars except for amounts in US Dollars)

Principal installments payable for the period ended 30 June 2018 and after are as follows:

	Amount
1 July 2018– 30 June 2019	42,453
1 July 2019– 30 June 2020	56,901
1 July 2020– 30 June 2021	39,938

7. OBLIGATIONS UNDER FINANCE LEASES

	30 June 2018			31 December 2017		
	Unaudited			Audited		
	E-175	B-787	Total	E-175	B-787	Total
Long term obligations	-	109,956	109,956	-	114,534	114,534
Short term obligations	-	9,059	9,059	1,975	8,869	10,844
	-	119,015	119,015	1,975	123,403	125,378

- 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. The Group has settled all lease balance during June 2018 (31 December 2017: JD 987).

- E-175 Lease Agreement - Aircraft Number 232

The lease agreement were 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. The group has settled all lease balance during June 2018 (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 30 June 2018, the outstanding balance was JD 59,067 (31 December 2017: JD 61,291).

- B-787 Lease Agreement - Aircraft Number 37985

The lease agreement was signed on 15 January 2017 with a total amount of USD 92,031,250 (JD 65,270). The term of the agreement is for 12 years. Interest on the lease was computed based on LIBOR plus 3.35%. The lease provides for 48 quarterly installments commencing on 15 April 2017. As of 30 June 2018, the outstanding balance was JD 59,948 (31 December 2017: JD 62,112).

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

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

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

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

Period	Amount
1 July 2018– 30 June 2019	9,059
1 July 2019– 30 June 2020	9,451
1 July 2020– 30 June 2021	9,860
1 July 2021– 30 June 2022	10,287
1 July 2022 and after	80,358
	<u>119,015</u>

Minimum lease payments under all finance leases are as follows:

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Total minimum lease payments	149,488	165,361
Interest	(30,473)	(39,983)
	<u>119,015</u>	<u>125,378</u>

8. SHAREHOLDER'S EQUITY

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
- Paid in capital		
Authorized capital (274,610,470 shares of 1JD each)	<u>274,610</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 30 June 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.

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

- 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 30 June		For the six months ended 30 June	
	2018	2017	2018	2017
Scheduled Services				
Passengers	137,676	124,005	250,278	223,665
Cargo	9,870	8,933	19,120	16,797
Excess baggage	1,276	959	2,300	1,913
Airmail	1,989	1,732	3,665	3,134
Total scheduled services (note 12)	150,811	135,629	275,363	245,509
Chartered flights (note 12)	4,615	7,004	8,370	10,899
Commercial revenues from arriving and departing aircrafts of other companies	3,100	1,946	5,594	5,157
Revenues from technical and maintenance services provided to other companies	1,019	1,013	1,860	1,938
Cargo warehouse revenues	4,286	3,441	8,071	5,909
First class services revenues	1,326	1,285	2,492	2,123
Revenues from services provided to other aviation companies	244	405	489	822
Change reservation fees	1,607	1,516	3,100	2,927
Revenues from National Distribution Center (Galileo)	890	890	1,749	1,740
Other revenues	5,547	4,554	9,841	7,228
	173,445	157,683	316,929	284,252

10. INCOME TAX

No provision for income tax was calculated by the Company for the period ended 30 June 2018 and 2017 due to the excess of deductible expenses over taxable income and the existence of prior years' tax losses in accordance with the Income Tax Law No. (34) of 2014.

Provision for income tax charge during the period ended 30 June 2018 and 2017 with an amount of JD 13 and JD 10 represent the income tax expense incurred by Royal Wings Company – Limited Liability Company (Subsidiary) for the period ended 30 June 2018 and 2017 respectively.

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

Royal Wings Company reached a final settlement with the Income and Sales Tax Department up to 2015.

Royal tours Company reached a final settlement with the income tax department up to 2014.

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

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

11. COMMITMENTS AND CONTINGENCIES

- Bank guarantees

At 30 June 2018, the Group has letters of guarantee amounting to JD 13,521 (31 December 2017: JD 15,034).

- Claims against the Group

The Group is a defendant in a number of lawsuits amounting to JD 15,889 as at 30 June 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 30 June 2018, the Group had capital commitments of USD 423,714,932 (31 December 2017: USD 508,539,929) equivalent to JD 300,507 (31 December 2017: JD 360,667) relating to agreements signed for the purchase of three new aircrafts. The Group has the option not to purchase these aircrafts given that it informs the aircrafts producer during a maximum period of these seven months prior to the date of delivery of these aircrafts. Capital commitments for these three aircrafts amounted to USD 423,714,932.

- Operating lease commitments

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

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

<u>Period</u>	<u>JD</u>
1 July 2018 – 30 June 2019	63,395
1 July 2019 – 30 June 2020	54,511
1 July 2020 – 30 June 2021	47,521
1 July 2021 – 30 June 2022	47,521
1 July 2022 and after	173,358

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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 30 June (unaudited):

	2018				2017			
	Scheduled services	Chartered Flights Passengers	Cargo	Total	Scheduled services	Chartered Flights Passengers	Cargo	Total
Levant	18,346	2,376	434	21,156	18,055	3,087	737	21,879
Europe	42,270	444	307	43,021	34,124	693	595	35,412
Arab Gulf	36,618	-	1	36,619	34,250	481	390	35,121
America	35,920	-	850	36,770	31,916	-	1,021	32,937
Asia	12,143	203	-	12,346	12,470	-	-	12,470
Africa	5,514	-	-	5,514	4,814	-	-	4,814
Total revenues	150,811	3,023	1,592	155,426	135,629	4,261	2,743	142,633

For the six months ended 30 June (unaudited):

	2018				2017			
	Scheduled services	Chartered Flights Passengers	Cargo	Total	Scheduled services	Chartered Flights Passengers	Cargo	Total
Levant	33,681	3,821	553	38,055	34,621	3,754	1,623	39,998
Europe	75,525	865	756	77,146	61,164	1,733	855	63,752
Arab Gulf	68,727	-	81	68,808	62,043	658	390	63,091
America	61,302	-	1,870	63,172	53,263	-	1,699	54,962
Asia	26,175	424	-	26,599	26,089	187	-	26,276
Africa	9,953	-	-	9,953	8,329	-	-	8,329
Total revenues	275,363	5,110	3,260	283,733	245,509	6,332	4,567	256,408

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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:

	30 June 2018		31 December 2017	
	(Unaudited)		(Audited)	
	Accounts receivable	Accounts payable	Accounts receivable	Accounts payable
Government of Jordan	4,580	3,774	3,830	11,287
Employees' Provident Fund	-	3,807	-	4,423
Jordan Aircraft Maintenance Company	64	681	3	14
Jordan Flight Catering Company	-	3,668	-	2,294
Jordan Aircraft Training and Simulation Company	-	52	-	269
	4,644	11,982	3,833	18,287

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

	For the three months ended 30 June		For the six months ended 30 June	
	2018	2017	2018	2017
Jordan Aircraft Maintenance Company (Joramco):				
Scheduled services revenues	64	40	132	91
Repair and maintenance expenses	969	1,682	2,864	3,411
Jordan Flight Catering Company:				
Passenger services expenses	3,817	3,929	7,115	7,457
Jordan Aircraft Training and Simulation Company (JATS):				
Other income	7	-	16	4
Pilot training expenses	149	205	398	458

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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 condensed consolidated income statement:

	For the three months ended 30 June		For the six months ended 30 June	
	2018	2017	2018	2017
Scheduled services revenues – passengers	1,255	1,067	2,122	1,937
Scheduled services revenues – cargo	360	309	857	649
Chartered flights	326	567	638	1,245
	<u>1,941</u>	<u>1,943</u>	<u>3,617</u>	<u>3,831</u>

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	
	2018	2017	2018	2017
Salaries and other benefits	288	110	448	215
Bonus / transportation of board members	14	14	27	24
	<u>302</u>	<u>124</u>	<u>475</u>	<u>239</u>

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 1,459 as of 30 June 2018 which represents the accrued amounts for employees who applied to the plan and management approved their applications (30 June 2017: the Company recorded a provision with an amount of JD 1,243 against the labor collective contract covering the period from 15 March 2017 to 30 April 2017).