

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

**A PUBLIC SHAREHOLDING COMPANY**

**UNAUDITED INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**30 June 2016**

**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 2016, comprising the interim consolidated statement of financial position as at 30 June 2016 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the six 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 Financial Reporting 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.

***Emphasis of Matters***

- Without qualifying our conclusion, the Group's accumulated losses of JD 79.8 million as at 30 June 2016 exceeded 55% of the Company's capital. According to article 266 of the Jordanian Company's Law No. 22 for the year 1997 and its amendments, if the accumulated losses of the public shareholding company exceeds 75% of its capital, the Company shall be liquidated unless the General Assembly of the Company decides in its extraordinary meeting to increase the paid up capital of the Company to cover the accumulated losses. The General Assembly of the Company resolved in its extraordinary meeting held on 2 May 2015 to increase the Company's capital by JD 200 million over multiple phases. The Company's paid in capital was increased during January 2016 by 60.1 million to become JD 106.5 million. Furthermore, the Company's paid in capital was increased during April 2016 by JD 39.9 million to become JD 146.4 million. The Company's capital will be increased by the second tranche of JD 100 million during 2017 and 2018.

Amman – Jordan  
27 July 2016

*Ernst + Young*

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Interim Consolidated Statement of Financial Position**  
**At 30 June 2016**  
**(In Thousands of Jordanian Dinars)**

	Notes	30 June 2016 (unaudited)	31 December 2015 (audited)
<b>ASSETS</b>			
<b>Non- current assets</b>			
Property and equipment	4	122,542	122,689
Projects under construction		443	256
Advances on purchase and modification of aircrafts		69,829	49,948
Financial assets at fair value through other comprehensive income		6,022	6,020
Investments in associates		16,773	16,849
Restricted cash against operating lease contracts		22,490	20,321
Deferred tax assets		15,080	15,080
		<u>253,179</u>	<u>231,163</u>
<b>Current assets</b>			
Restricted cash		-	50,000
Other current assets		38,834	46,904
Spare parts and other supplies, net		12,131	11,474
Accounts receivable, net		45,390	36,620
Cash and bank balances	6	207,607	71,985
		<u>303,962</u>	<u>216,983</u>
Property and equipment held for sale	5	1,700	-
<b>TOTAL ASSETS</b>		<u>558,841</u>	<u>448,146</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Paid in capital	8	146,405	46,405
Payments in respect of capital increase	8	-	50,154
Statutory reserve	8	13,455	13,455
Fair value reserve		3,771	3,771
Cash flow hedges		(101)	(178)
Accumulated losses		(79,811)	(64,094)
		<u>83,719</u>	<u>49,513</u>
Non-controlling interests		243	195
<b>Net shareholders' equity</b>		<u>83,962</u>	<u>49,708</u>
<b>LIABILITIES</b>			
<b>Non- current liabilities</b>			
Long term loans	7	130,345	12,672
Long term obligations under finance leases		5,481	9,403
Accounts payable		105,473	-
Other long term liabilities		904	1,065
		<u>242,203</u>	<u>23,140</u>
<b>Current liabilities</b>			
Bank overdrafts	6	-	17,896
Current portion of long term loans	7	17,143	46,233
Accrued expenses		74,992	68,418
Accounts payable and other current liabilities		77,475	206,707
Income tax provision		-	232
Deferred revenues		55,343	28,328
Short term obligations under finance leases		7,723	7,484
		<u>232,676</u>	<u>375,298</u>
<b>Total liabilities</b>		<u>474,879</u>	<u>398,438</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>558,841</u>	<u>448,146</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)**  
**Interim Consolidated Income Statement**  
**For The Three and Six Months Period Ended 30 June 2016 (Unaudited)**  
**(In Thousands of Jordanian Dinars)**

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2016	2015	2016	2015
<b>Revenues</b>	9	<b>146,709</b>	163,294	<b>287,088</b>	311,730
<b>Cost of revenues</b>		<b>(135,754)</b>	(140,904)	<b>(263,576)</b>	(279,862)
		<b>10,955</b>	22,390	<b>23,512</b>	31,868
Share of profit of associates		600	656	1,385	1,086
Other income, net		1,361	74	2,143	1,400
Ineffective portion of fuel option contracts		-	-	-	(3)
Ineffective portion of interest rate swap contracts		-	(13)	-	(11)
Administrative expenses		(4,588)	(5,315)	(10,286)	(10,448)
Provision for end of service	14	(691)	-	(2,091)	-
Selling and marketing expenses		(12,038)	(12,039)	(22,313)	(23,315)
Loss on sale of property and equipment		(1)	-	(11)	-
Loss on foreign exchange differences		666	(1,522)	(9)	(2,907)
Finance costs		(4,552)	(2,053)	(7,932)	(3,859)
<b>(Loss) profit for the period before income tax</b>		<b>(8,288)</b>	2,178	<b>(15,602)</b>	(6,189)
Income tax provision	10	(17)	(57)	(17)	(57)
<b>(Loss) profit for the period</b>		<b>(8,305)</b>	2,121	<b>(15,619)</b>	(6,246)
<b>Attributable to:</b>					
Equity holders of the parent		(8,354)	2,118	(15,667)	(6,268)
Non-controlling interests		49	3	48	22
		<b>(8,305)</b>	2,121	<b>(15,619)</b>	(6,246)
		JD	JD	JD	JD
Basic and diluted (losses) earnings per share attributable to equity holders of the parent		<b>(0,01)</b>	0,025	<b>(0,16)</b>	(0,074)

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

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Interim Consolidated Statement of Comprehensive Income**  
**For The Three and Six Months Period Ended 30 June 2016 (Unaudited)**  
**(In Thousands of Jordanian Dinars)**

	For the three months ended 30 June		For the six months ended 30 June	
	2016	2015	2016	2015
<b>(Loss) profit for the period</b>	<b>(8,305)</b>	<b>2,121</b>	<b>(15,619)</b>	<b>(6,246)</b>
<b>Add: other comprehensive income after tax</b>				
Net gain from cash flow hedges	77	127	77	188
<b>Total loss and comprehensive income for the period</b>	<b>(8,228)</b>	<b>2,248</b>	<b>(15,542)</b>	<b>(6,058)</b>
Attributable to:				
Equity holders of the parent	(8,277)	2,245	(15,590)	(6,080)
Non-controlling interests	49	3	48	22
	<b>(8,228)</b>	<b>2,248</b>	<b>(15,542)</b>	<b>(6,058)</b>

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

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Interim Consolidated Statement of Changes in Equity**  
**For The Six Months Period Ended 30 June 2016 (Unaudited)**  
**(In Thousands of Jordanian Dinars)**

	Attributable to equity holders of the parent							Non – controlling interests	Total equity
	Paid in capital	Payments in respect of capital increase	Statutory reserve	Fair value reserve	Cash flow hedges	Accumulated losses	Total		
<b>For the six months ended 30 June 2016</b>									
Balance as of 1 January 2016	46,405	50,154	13,455	3,771	(178)	(64,094)	49,513	195	49,708
Total loss and comprehensive income for the period	-	-	-	-	77	(15,667)	(15,590)	48	(15,542)
Payments in respect of capital increase	-	13,702	-	-	-	-	13,702	-	13,702
Capital increase	100,000	(63,856)	-	-	-	-	36,144	-	36,144
Capital increase costs	-	-	-	-	-	(50)	(50)	-	(50)
<b>Balance as of 30 June 2016</b>	<b>146,405</b>	<b>-</b>	<b>13,455</b>	<b>3,771</b>	<b>(101)</b>	<b>(79,811)</b>	<b>83,719</b>	<b>243</b>	<b>83,962</b>
<b>For the six months ended 30 June 2015</b>									
Balance as of 1 January 2015	84,373	-	11,380	3,771	(534)	(114,995)	(16,005)	170	(15,835)
Total loss and comprehensive income for the period	-	-	-	-	188	(6,268)	(6,080)	22	(6,058)
<b>Balance as of 30 June 2015</b>	<b>84,373</b>	<b>-</b>	<b>11,380</b>	<b>3,771</b>	<b>(346)</b>	<b>(121,263)</b>	<b>(22,085)</b>	<b>192</b>	<b>(21,893)</b>

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

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Interim Consolidated Statement of Cash Flows**  
**For The Six Months Period Ended 30 June 2016 (Unaudited)**  
**(In Thousands of Jordanian Dinars)**

	Notes	For the six months ended	
		2016	2015
<b>OPERATING ACTIVITIES</b>			
Loss for the period		(15,602)	(6,189)
<b>Adjustments for:</b>			
Depreciation of property and equipment		12,950	13,725
Share of profit of associates		(1,385)	(1,086)
Finance costs		7,932	3,859
Loss on sale of property and equipment		11	-
Provision for end of service		2,091	-
Provision for end of service indemnity		7	36
Amortization of deferred revenue - Jordan Flight Catering Company Ltd		(150)	(150)
Ineffective portion of fuel option contracts		-	3
Ineffective portion of interest rate swap contracts		-	11
<b>Working capital changes:</b>			
Accounts receivable		(8,770)	1,368
Spare parts and other supplies		(657)	886
Other current assets		8,070	(9,966)
Purchase of derivative financial assets		-	1
Deferred revenues		27,165	23,260
Accounts payable and other current liabilities		(23,682)	26,861
Accrued expenses		1,463	7,833
End of service indemnity paid		(168)	(134)
Paid income tax		(249)	-
<b>Net cash flows from operating activities</b>		<b>9,026</b>	<b>60,318</b>
<b>INVESTING ACTIVITIES</b>			
Dividends received from associates		1,461	466
Purchase of property and equipment	4	(14,514)	(4,984)
Proceeds from sale of property and equipment		(2)	-
Projects under construction		(187)	(48)
Change in restricted cash against lease contracts		(2,169)	1,133
Advances on purchase and modification of aircrafts		(19,881)	(9,441)
Restricted bank accounts		(2,806)	-
<b>Net cash flows used in investing activities</b>		<b>(38,098)</b>	<b>(12,874)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from loans		151,063	-
Capital increase		99,846	-
Capital increase cost		(50)	-
Repayment of term loans		(62,480)	(23,274)
Finance lease obligations		(3,683)	(3,459)
Interest paid		(4,912)	(3,859)
<b>Net cash flows from (used in) financing activities</b>		<b>179,784</b>	<b>(30,592)</b>
Net increase in cash and cash equivalents		150,712	16,852
Cash and cash equivalents, beginning of the period		34,571	50,027
<b>Cash and cash equivalents, end of the period</b>	6	<b>185,283</b>	<b>66,879</b>

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



**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 is the legal successor of Alia-Royal Jordanian Corporation. 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 of civil 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 19 July 2016.

**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 2015. In addition, results of the six month period ended 30 June 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

**Changes in accounting policies:**

The accounting policies used in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2015, except for the followings:

**Amendments to IFRS 11 *Joint Arrangements: Accounting for Acquisitions of Interests***

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation.

**Amendments to IAS 16 and IAS 38: *Clarification of Acceptable Methods of Depreciation and Amortization***

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

**Equity Method in Separate Financial Statements (Amendments to IAS 27 and IFRS 1)**

In August 2014, the IASB amended IAS 27 Separate Financial Statements which restore the option for entities, in the separate financial statements, to account for investments in subsidiaries, associates and joint ventures using the equity method as described in IAS 28 Investments in Associates and Joint Ventures. A consequential amendment was also made to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 allows a first-time adopter accounting for investments in the separate financial statements using the equity method, to apply the IFRS 1 exemption for past business combinations to the acquisition of the investment.

**IAS 1 *Presentation of Financial Statements* – Amendments to IAS 1**

The amendments to IAS 1 include narrow-focus improvements related to:

- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income (OCI) arising from equity accounted investments

**Investment entities (Amendments to IFRS 10 and IAS 28)**

The amendments address the issues arising in practice in the application of the investment entities consolidation exception and clarify that:

- The exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.
- Subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.
- Application of the equity method by a non-investment entity that has an interest in an associate or joint venture that is an investment entity: The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

The application of the new amendments did not have significant impact on the financial position, financial performance or disclosures of the Group.

**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 30 June 2016:

	<u>Ownership Interest</u>	<u>Country</u>
Royal Wings Company	100%	Jordan
Royal Tours for Travel and Tourism Company	80%	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.

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, Mint Trading Middle East Ltd. and Social Security Corporation own 60%, 15% and 10% of the Company's shares respectively.

**4. PROPERTY AND EQUIPMENT**

During the six months ended 30 June 2016, The Group acquired property and equipment with a cost of JD 14,514 (30 June 2015: JD 4,984).

**5. PROPERTY AND EQUIPMENT HELD FOR SALE**

During the six months ended 30 June 2016, The Board of Directors resolved to sell an Airbus aircraft A-310. Accordingly, the Aircraft was classified as property and equipment held for sale as at 30 June 2016 in the consolidated statement of financial position at JD 1,700, which represents the lower of aircraft's carrying value or fair value less costs to sell.

**6. CASH AND CASH EQUIVALENTS**

	<u>30 June</u> <u>2016</u> (Unaudited)	<u>31 December</u> <u>2015</u> (Audited)
Cash and bank balances*	185,015	53,017
Cash in transit **	22,592	18,968
Less: bank overdrafts	-	(17,896)
Less: restricted bank accounts	<u>(22,324)</u>	<u>(19,518)</u>
	<u>185,283</u>	<u>34,571</u>

\* Included in cash at banks are deposits amounting to JD 154,301 (31 December 2015: JD 22,208) bearing average annual interest rate of 3.5% - 5% yearly (2015: 3.5% - 5% yearly) and is due during the period from a month to three months from the date of the consolidated financial statements.

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

**7. LOANS**

	2016		2015	
	Loans' installments		Loans' installments	
	Short term	Long term	Short term	Long term
Syndicated loan*	17,923	133,141	-	-
Arab Bank Loan**	-	-	8,247	-
Jordan Kuwaiti Bank Loan**	-	-	5,109	7,095
Arab Jordan Investment Bank Loan**	-	-	1,773	1,041
Standard Chartered Bank Loan**	-	-	31,300	5,217
Less: direct attributable transaction cost	(780)	(2,796)	(196)	(681)
	<u>17,143</u>	<u>130,345</u>	<u>46,233</u>	<u>12,672</u>

\* On 20 December 2015, the Company signed a new syndicated loan agreement amounted to USD 275 million which is equivalent to JD 195 million, the loan bears annual interest rate of 3 months LIBOR plus 3%. The loan is repayable in 60 monthly installments. The first installment amounting to JD 3 million will fall due on 20 December 2017 and the last installment will fall due on 20 December 2021.

According to the loan agreement, the Company is liable to transfer collections of general sales agents "GSA" sales in twenty three stations that are collected through IATA Billing and Settlement Plan as a collateral.

\*\* On 28 January 2016, the Group has settled all these loans and overdrafts outstanding balances.

Principal installments payable for the period ended 30 June 2016 and after are as follows:

	Amount
1 July 2016– 31 June 2017	17,923
1 July 2017– 31 June 2018	32,754
1 July 2018– 31 June 2019	30,827
1 July 2019– 31 June 2020	40,873
1 July 2020 and thereafter	28,686

**8. SHAREHOLDER'S EQUITY**

	<b>30 June 2016</b>	<b>31 December 2015</b>
	<b>(unaudited)</b>	<b>(audited)</b>
<b>- Paid in capital</b>		
Authorized capital (246,405 shares of 1JD each)	<b>246,405</b>	<b>246,405</b>
Paid in capital	<b>146,405</b>	<b>46,405</b>

**Payments in respect of capital increase**

The General Assembly approved in its extraordinary meeting held on 2 May 2015 to reduce the Company's capital in an amount of JD 37,968 to become JD 46,405 through writing off part of the accumulated losses. Those procedures were completed at the Ministry of Industry and Trade on 26 July 2015. The General assembly also approved the Government's private and / or general subscriptions in 50% of the first tranche of the suggested capital increase of JD 100 million (JD 50 million). The Government shall subscribe in 100% of the amount of capital increase (JD 100 million) in the event that the other shareholders do not subscribe in the remaining 50%.

On 4 August 2015, the Ministry of Finance (MOF) requested the Central Bank of Jordan (CBJ) to open an escrow account and transfer an amount of JD 50 million to this account from the MOF account. On 22 October 2015, the amount was deposited by the CBJ in a special account "The Government's share of Royal Jordanian capital increase". This amount was recorded as restricted cash within the current assets and the corresponding amount was recorded as payments in respect of capital increase within the equity. This amount will be released once there is a notification from the Securities Depository Center that the 50 million shares are registered in the name of the Government. The Company's paid in capital has increased during January 2016 by JD 60.1 million to become JD 106.5 million. Furthermore, the Company's paid in capital was increased during April 2016 by JD 39.9 million to become JD 146.4 million. The Company's capital will be increased by the second tranche of JD 100 million during 2017 and 2018.

**- 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.

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Notes to The Interim Consolidated Financial Statements**  
**30 June 2016 (unaudited)**  
**(In Thousands of Jordanian Dinars except for amounts in US Dollars)**

**9. REVENUES**

	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2016	2015	2016	2015
<b>Scheduled Services</b>				
Passengers	117,615	130,154	225,835	246,454
Cargo	9,113	11,497	18,315	21,932
Excess baggage	1,164	1,153	2,278	2,206
Airmail	1,755	1,535	3,439	2,952
<b>Total scheduled services (note 12)</b>	<b>129,647</b>	<b>144,339</b>	<b>249,867</b>	<b>273,544</b>
Chartered flights (note 12)	2,446	3,191	8,234	6,207
Commercial revenues from arriving and departing aircrafts of other companies	2,711	2,057	5,179	5,454
Revenues from technical and maintenance services provided to other companies	1,180	1,304	2,287	2,939
Cargo warehouse revenues	2,893	2,835	5,526	5,339
First class services revenues	1,081	1,171	2,075	2,238
Services provided to other aviation companies	363	414	1,185	839
Change reservation fees	1,805	2,014	3,520	3,830
Revenues from NDC (Galileo)	858	1,246	1,595	2,369
Other revenues	3,725	4,723	7,620	8,971
	<b>146,709</b>	<b>163,294</b>	<b>287,088</b>	<b>311,730</b>

**10. INCOME TAX**

No provision for income tax was calculated by the Company for the period ended 30 June 2016 and 2015 due to the excess of deductible expenses over taxable income in accordance with the Income Tax Law No. (34) of 2014.

The income tax recorded as of 30 June 2016 and 2015 by an amount of JD 17 and JD 57 represent the income tax of Royal Wings Company – Limited Liability (Subsidiary) for the profit of the period ended on 30 June 2016 and 2015.

The Company filed its tax returns with the Income and Sales Tax Department for the years 2015, 2014 and 2013. Income Tax Department has not reviewed the accounting records up to the date of the financial statements.

The company reached a final settlement with the income and sales tax department up to 2012.

Royal Wings Company filed its tax returns for the years 2015 and 2014 and the Income Tax Department did not review the accounting records up to the date of the financial statements.

Royal Wings Company reached a final settlement with the Income and Sales Tax Department up to 2013.

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



## **11. COMMITMENTS AND CONTINGENCIES**

### **- Bank guarantees**

As at 30 June 2016, the Group has letters of guarantee amounting to JD 23,143 (31 December 2015: JD 22,647).

### **- Claims against the Group**

The Group is a defendant in a number of lawsuits amounting to JD 13,574 as at 30 June 2016 (31 December 2015: JD 13,522) representing legal actions and claims related to its ordinary course of business. Related risks have been analyzed as to the likelihood of occurrence, although the outcome of these matters cannot always be ascertained with precision, the management and their legal advisors believe that no material liabilities are likely to result.

### **- Capital Commitments**

As of 30 June 2016, the Group had capital commitments of USD 710,597,337 (31 December 2015: USD 737,190,177) equivalent to JD 503,970 (31 December 2015: JD 552,668) relating to purchase agreements signed for new aircrafts.

### **- Operating lease commitments**

As of the date of these interim 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, two Airbus A-330 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 2016 – 30 June 2017	40,230
1 July 2017 – 30 June 2018	69,991
1 July 2018 – 30 June 2019	64,132
1 July 2019 – 30 June 2020	51,238
1 July 2020 and after	287,443

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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:**

	2016				2015			
	Scheduled services	Chartered Flights		Total	Scheduled services	Chartered Flights		Total
		Passengers	Cargo			Passengers	Cargo	
Levant	18,152	975	235	19,362	21,388	2,048	89	23,525
Europe	31,853	171	306	32,330	35,770	76	228	36,074
Arab Gulf	29,842	-	43	29,885	37,059	484	48	37,591
America	29,616	-	681	30,297	31,725	-	191	31,916
Asia	14,540	-	-	14,540	12,820	-	-	12,820
Africa	5,644	35	-	5,679	5,577	27	-	5,604
<b>Total revenues</b>	<b>129,647</b>	<b>1,181</b>	<b>1,265</b>	<b>132,093</b>	<b>144,339</b>	<b>2,635</b>	<b>556</b>	<b>147,530</b>

**For the six months ended 30 June:**

	2016				2015			
	Scheduled services	Chartered Flights		Total	Scheduled services	Chartered Flights		Total
		Passengers	Cargo			Passengers	Cargo	
Levant	35,713	1,419	709	37,841	39,930	2,430	1,083	43,443
Europe	61,215	309	377	61,901	65,874	178	390	66,442
Arab Gulf	62,991	24	93	63,108	75,949	1,786	122	77,857
America	50,957	3,805	1,362	56,124	53,569	-	191	53,760
Asia	28,374	-	-	28,374	27,176	-	-	27,176
Africa	10,617	34	102	10,753	11,046	27	-	11,073
<b>Total revenues</b>	<b>249,867</b>	<b>5,591</b>	<b>2,643</b>	<b>258,101</b>	<b>273,544</b>	<b>4,421</b>	<b>1,786</b>	<b>279,751</b>

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**13. RELATED PARTY TRANSACTIONS**

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

	30 June 2016 (Unaudited)		31 December 2015 (Audited)	
	Accounts receivable	Accounts payable	Accounts receivable	Accounts payable
Government of Jordan	3,851	1,937	3,749	2,207
Government of Jordan (long term payables)	-	44,588	-	-
Employees Provident Fund	-	6,194	-	6,626
Jordan Aircraft Maintenance Company	20	118	10	1,179
Jordan Flight Catering Company	-	2,411	-	4,204
Al-Mashreq for Aircraft Services Company	740	-	733	-
Jordan Aircraft Training and Simulation Company	2	488	2	443
	<u>4,613</u>	<u>55,736</u>	<u>4,494</u>	<u>14,659</u>

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

	For the three months ended 30 June (Unaudited)		For the six months ended 30 June (Unaudited)	
	2016	2015	2016	2015
<b>Jordan Aircraft Maintenance Company (JORAMCO):</b>				
Scheduled services revenues	<u>24</u>	<u>39</u>	<u>55</u>	<u>67</u>
Repair and maintenance expenses	<u>1,594</u>	<u>1,208</u>	<u>3,204</u>	<u>2,928</u>
<b>Jordan Flight Catering Company:</b>				
Passenger services expenses	<u>3,717</u>	<u>3,766</u>	<u>7,425</u>	<u>7,407</u>
<b>Jordan Aircraft Training and Simulation Company (JATS):</b>				
Other income	<u>19</u>	<u>9</u>	<u>36</u>	<u>38</u>
Pilot training expenses	<u>346</u>	<u>431</u>	<u>647</u>	<u>803</u>

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

	For the three months ended 30 June (Unaudited)		For the six months ended 30 June (Unaudited)	
	2016	2015	2016	2015
Scheduled services revenues – passengers	1,415	1,727	2,517	3,989
Scheduled services revenues – cargo	473	271	820	327
Renting private aircrafts	-	-	71	780
	<u>1,888</u>	<u>1,998</u>	<u>3,408</u>	<u>5,096</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 (Unaudited)		For the six months ended 30 June (Unaudited)	
	2016	2015	2016	2015
Salaries and other benefits	105	134	193	259
Bonus / transportation of board members	24	27	49	51
	<u>129</u>	<u>161</u>	<u>242</u>	<u>310</u>

**14. PROVISION FOR LABOR COLLECTIVE CONTRACT**

On 27 March 2016, 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 April 2016 to 30 October 2016. Accordingly, the Company has recorded a provision amounted to JD 2,091 as of 30 June 2016 which represents the best estimate as at the date of the interim consolidated financial statements. The Company will review the provision during the third quarter and will make any adjustments if needed.