

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

A PUBLIC SHAREHOLDING COMPANY

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 September 2016



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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 September 2016, comprising the interim consolidated statement of financial position as at 30 September 2016 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine 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 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 October 2016

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

	Notes	30 September 2016 (Unaudited)	31 December 2015 (Audited)
ASSETS			
Non- current assets			
Property and equipment	4	122,590	122,689
Projects under construction		566	256
Advances on purchase and modification of aircrafts		88,207	49,948
Financial assets at fair value through other comprehensive income		6,022	6,020
Investments in associates		17,459	16,849
Restricted cash against operating lease contracts		24,009	20,321
Deferred tax assets		15,080	15,080
		273,933	231,163
Current assets			
Restricted cash		-	50,000
Other current assets		39,019	46,904
Spare parts and other supplies, net		11,698	11,474
Accounts receivable, net		41,503	36,620
Cash and bank balances	6	180,032	71,985
		272,252	216,983
Property and equipment held for sale	5	1,064	-
TOTAL ASSETS		547,249	448,146
EQUITY AND LIABILITIES			
Shareholders' equity			
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		-	(178)
Accumulated losses		(66,904)	(64,094)
		96,727	49,513
Non-controlling interests		244	195
Total shareholders' equity		96,971	49,708
LIABILITIES			
Non- current liabilities			
Long term loans	7	121,579	12,672
Long term obligations under finance leases		3,473	9,403
Accounts payable		97,435	-
Other long term liabilities		874	1,065
		223,361	23,140
Current liabilities			
Bank overdrafts	6	-	17,896
Current portion of long term loans	7	26,105	46,233
Accrued expenses		88,727	68,418
Accounts payable and other current liabilities		74,647	206,707
Income tax provision		-	232
Deferred revenues		29,593	28,328
Short term obligations under finance leases		7,845	7,484
		226,917	375,298
Total liabilities		450,278	398,438
TOTAL EQUITY AND LIABILITIES		547,249	448,146

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 Nine Months Ended 30 September 2016 (Unaudited)
(In Thousands of Jordanian Dinars)

		For the three months ended 30 September		For the nine months ended 30 September	
	Notes	2016	2015	2016	2015
Revenues	9	187,000	207,010	474,088	518,740
Cost of revenues		(152,307)	(154,107)	(415,883)	(433,969)
		34,693	52,903	58,205	84,771
Loss on property and equipment held for sale	5	(395)	-	(395)	-
Share of profit of associates		684	562	2,069	1,648
Other income, net		1,639	587	3,782	1,987
Ineffective portion of fuel option contracts		-	-	-	(3)
Ineffective portion of interest rate swap contracts		-	(7)	-	(18)
Administrative expenses		(5,321)	(5,644)	(15,607)	(16,092)
Provision for end of service	14	(896)	-	(2,987)	-
Selling and marketing expenses		(12,594)	(12,639)	(34,907)	(35,954)
(Loss) gain on sale of property and equipment		(35)	4	(46)	4
Loss on foreign exchange differences		(844)	(872)	(853)	(3,779)
Finance costs		(4,023)	(1,669)	(11,955)	(5,528)
Gain (loss) for the period before income tax		12,908	33,225	(2,694)	27,036
Income tax provision	10	-	(5,563)	(17)	(5,620)
Profit (loss) for the period		12,908	27,662	(2,711)	21,416
Attributable to:					
Equity holders of the Parent		12,907	27,667	(2,760)	21,399
Non-controlling interests		1	(5)	49	17
		12,908	27,662	(2,711)	21,416
		JD	JD	JD	JD
Basic and diluted earnings (losses) per share attributable to equity holders of the Parent		0,088	0,596	(0,019)	0,462

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 Nine Months Ended 30 September 2016 (Unaudited)
(In Thousands of Jordanian Dinars)

	For the three months ended 30 September		For the nine months ended 30 September	
	2016	2015	2016	2015
Profit (loss) for the period	12,908	27,662	(2,711)	21,416
Add: other comprehensive income after tax				
Net gain on cash flow hedges	101	77	178	265
Total comprehensive income for the period	13,009	27,739	(2,533)	21,681
Attributable to:				
Equity holders of the Parent	13,008	27,744	(2,582)	21,664
Non-controlling interests	1	(5)	49	17
	13,009	27,739	(2,533)	21,681

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 Nine Months Ended 30 September 2016 (Unaudited)
(In Thousands of Jordanian Dinars)

	<i>Atributable to equity holders of the Parent</i>							<i>Non – controlling interests</i>	<i>Total equity</i>
	<i>Paid in capital</i>	<i>Payments on capital increase</i>	<i>Statutory reserve</i>	<i>Fair value reserve</i>	<i>Cash flow hedges</i>	<i>Accumulated losses</i>	<i>Total</i>		
For the nine months ended 30 September 2016									
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	-	-	-	-	178	(2,760)	(2,582)	49	(2,533)
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)
Balance as of 30 September 2016	146,405	-	13,455	3,771	-	(66,904)	96,727	244	96,971
For the nine months ended 30 September 2015									
Balance as of 1 January 2015	84,373	-	11,380	3,771	(534)	(114,995)	(16,005)	170	(15,835)
Total comprehensive income for the period	-	-	-	-	265	21,399	21,664	17	21,681
Capital reduction	(37,968)	-	-	-	-	37,968	-	-	-
Payments in respect of capital increase	-	50,000	-	-	-	-	50,000	-	50,000
Balance as of 30 September 2015	46,405	50,000	11,380	3,771	(269)	(55,628)	55,659	187	55,846

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 Nine Months Ended 30 September 2016 (Unaudited)
(In Thousands of Jordanian Dinars)

	Notes	For the nine months ended 30 September	
		2016	2015
OPERATING ACTIVITIES			
(Loss) profit for the period before tax		(2,694)	27,036
Adjustments for:			
Depreciation of property and equipment		18,874	20,030
Share of profit of associates		(2,069)	(1,648)
Finance costs		11,955	5,528
Provision for doubtful accounts		-	877
Loss (gain) on sale of property and equipment		46	(4)
Loss on property and equipment held for sale	5	395	-
Provision for end of service	14	2,987	-
Provision for end of service indemnity		12	53
Amortization of deferred revenue – Jordan Flight Catering Company Ltd		(225)	(225)
Ineffective portion of fuel options contracts		-	3
Ineffective portion of interest rate swap contracts		-	18
Working capital changes:			
Accounts receivable		(4,883)	2,664
Spare parts and other supplies		(224)	1,300
Other current assets		7,885	(14,986)
Purchase of derivative financial assets		-	3
Deferred revenues		1,490	(4,970)
Accounts payable and other current liabilities		(34,447)	50,883
Accrued expenses		15,535	10,765
End of service indemnity paid		(203)	(175)
Income tax paid		(249)	-
Net cash flows from operating activities		14,185	97,152
INVESTING ACTIVITIES			
Dividends received from associates		1,459	928
Purchase of property and equipment	4	(20,280)	(7,606)
Purchase of financial assets at fair value through OCI		(2)	-
Projects under construction		(310)	(131)
Change in restricted cash against lease contracts		(3,688)	16
Advances on purchase and modification of aircrafts		(38,259)	(22,575)
Restricted banks accounts		(5,043)	-
Net cash flows used in investing activities		(66,123)	(29,368)
FINANCING ACTIVITIES			
Proceeds from loans		151,064	-
Repayment of term loans		(62,285)	(35,060)
Capital increase		99,846	-
Capital increase costs		(50)	-
Finance lease obligations		(5,569)	(5,229)
Interest paid		(10,168)	(5,528)
Net cash flows from (used in) financing activities		172,838	(45,817)
Net increase in cash and cash equivalents		120,900	21,967
Cash and cash equivalents, beginning of the period		34,571	50,027
Cash and cash equivalents, end of the period	6	155,471	71,994

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 29 October 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 nine month period ended 30 September 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 consolidated financial statements are consistent with those used in the preparation of the annual consolidated 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 September 2016:

	<u>Ownership</u>	
	<u>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 nine months ended 30 September 2016, the Group acquired property and equipment at a cost of JD 20,280 (30 September 2015: JD 7,606).

5. PROPERTY AND EQUIPMENT HELD FOR SALE

During the nine months ended 30 September 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 September 2016 in the consolidated statement of financial position at JD 1,064, which represents the aircraft's fair value less cost to sell. Impairment loss of JD 395 was recorded in the interim consolidated income statement being the difference between the aircraft's carrying value and fair value less cost to sell as at 30 September 2016 .

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

6. CASH AND CASH EQUIVALENTS

	30 September 2016	31 December 2015
	(Unaudited)	(Audited)
Cash and bank balances*	160,167	53,017
Cash in transit **	19,865	18,968
Less: bank overdrafts	-	(17,896)
Less: restricted bank accounts	(24,561)	(19,518)
	155,471	34,571

* Included in cash at banks are deposits amounting to JD 125,764 (31 December 2015: JD 22,208) bearing average annual interest rate of 2.875% - 4% yearly (2015: 3.5% - 5% yearly) and is due during the period from one month to six months from the date of the interim consolidated financial statements.

** This item represents cash received on ticket sales and other sales during September that were deposited in the Group's bank accounts during October.

7. LOANS

	30 September 2016		31 December 2015	
	Loans' installments		Loans' installments	
	Short term	Long term	Short term	Long term
Syndicated loan*	26,885	124,179	-	-
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 costs	(780)	(2,600)	(196)	(681)
	26,105	121,579	46,233	12,672

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

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

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

	<u>Amount</u>
1 October 2016– 30 September 2017	26,885
1 October 2017– 30 September 2018	30,751
1 October 2018– 30 September 2019	32,623
1 October 2019– 30 September 2020	44,387
1 October 2020 and thereafter	16,418

8. SHAREHOLDER'S EQUITY

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

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 was 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.

Alia - The Royal Jordanian Airlines Company (Royal Jordanian)
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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 September (unaudited)		For the nine months ended 30 September (unaudited)	
	2016	2015	2016	2015
Scheduled Services				
Passengers	155,943	171,414	381,778	417,868
Cargo	7,053	10,225	25,368	32,157
Excess baggage	1,247	1,353	3,525	3,559
Airmail	1,473	1,183	4,912	4,135
Total scheduled services (note 12)	165,716	184,175	415,583	457,719
Chartered flights (note 12)	5,154	6,940	13,390	13,147
Commercial revenues from arriving and departing aircrafts of other companies	3,369	3,312	8,547	8,766
Revenues from technical and maintenance services provided to other companies	1,180	949	3,467	3,888
Cargo warehouse revenues	2,759	2,626	8,285	7,965
Services provided to other aviation companies	359	357	1,543	1,196
First class services revenues	1,240	1,449	3,316	3,687
Change reservation fees	1,953	1,997	5,472	5,827
Revenues from NDC (Galileo)	969	1,230	2,564	3,599
Other revenues	4,301	3,975	11,921	12,946
	187,000	207,010	474,088	518,740

10. INCOME TAX

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

Income tax was calculated by the Company for the period ended 30 September 2015 in accordance with the Income Tax Law No.(34) of 2014.

Income tax recorded as of 30 September 2016 by an amount of JD 17 represents the income tax of Royal Wings Company – Limited Liability (Subsidiary) for the profit of the period ended 30 September 2016.

The Company filed its tax returns with the Income and Sales Tax Department for the years 2015, 2014 and 2013. The Income Tax Department has not reviewed the accounting records up to the date of the interim consolidated 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 September 2016, the Group has letters of guarantee amounting to JD 23,050 (31 December 2015: JD 22,106).

Claims against the Group -

The Group is a defendant in a number of lawsuits amounting to JD 12,428 as at 30 September 2016 (31 December 2015: JD 14,585) 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 September 2016, the Group had capital commitments of USD 690,273,787 (31 December 2015: USD 737,190,177) equivalent to JD 489,556 (31 December 2015: JD 522,830) 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.

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

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

<u>Period</u>	<u>JD</u>
1 October 2016 – 30 September 2017	73,141
1 October 2017 – 30 September 2018	65,991
1 October 2018 – 30 September 2019	54,177
1 October 2019 – 30 September 2020	45,796
1 October 2020 and after	247,210

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 September:

	<u>2016</u>				<u>2015</u>			
	<u>Scheduled</u>	<u>Chartered Flights</u>		<u>Total</u>	<u>Scheduled</u>	<u>Chartered Flights</u>		<u>Total</u>
	<u>services</u>	<u>Passengers</u>	<u>Cargo</u>		<u>services</u>	<u>Passengers</u>	<u>Cargo</u>	
Levant	20,274	2,874	605	23,753	21,916	4,049	270	26,235
Europe	42,879	921	141	43,941	50,736	576	597	51,909
Arab Gulf	41,713	-	28	41,741	49,843	399	-	50,242
America	40,787	-	312	41,099	43,366	-	1,021	44,387
Asia	15,674	-	-	15,674	13,414	28	-	13,442
Africa	4,389	210	63	4,662	4,900	-	-	4,900
Total revenues	165,716	4,005	1,149	170,870	184,175	5,052	1,888	191,115

For the nine months ended 30 September:

	<u>2016</u>				<u>2015</u>			
	<u>Scheduled</u>	<u>Chartered Flights</u>		<u>Total</u>	<u>Scheduled</u>	<u>Chartered Flights</u>		<u>Total</u>
	<u>services</u>	<u>Passengers</u>	<u>Cargo</u>		<u>services</u>	<u>Passengers</u>	<u>Cargo</u>	
Levant	55,987	4,293	1,314	61,594	61,846	6,479	1,353	69,678
Europe	104,094	1,230	518	105,842	116,609	754	986	118,349
Arab Gulf	104,704	24	121	104,849	125,791	2,185	122	128,098
America	91,744	3,805	1,674	97,223	96,935	-	1,212	98,147
Asia	44,048	-	-	44,048	40,590	28	-	40,618
Africa	15,006	246	165	15,417	15,948	28	-	15,976
Total revenues	415,583	9,598	3,792	428,973	457,719	9,474	3,673	470,866

Alia - The Royal Jordanian Airlines Company (Royal Jordanian)
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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 September 2016 (Unaudited)		31 December 2015 (Audited)	
	Accounts receivable	Accounts payable	Accounts receivable	Accounts payable
Government of Jordan	4,353	1,937	3,749	2,207
Government of Jordan (long term payables)	-	41,680	-	-
Employees Provident Fund	-	6,168	-	6,626
Jordan Aircraft Maintenance Company	485	-	10	1,179
Jordan Flight Catering Company	-	3,121	-	4,204
Al-Mashreq for Aircraft Services Company	105	-	733	-
Jordan Aircraft Training and Simulation Company	1	612	2	443
	<u>4,944</u>	<u>53,518</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 September (Unaudited)		For the nine months ended 30 September (Unaudited)	
	2016	2015	2016	2015
Jordan Aircraft Maintenance Company (JORAMCO):				
Scheduled services revenues	<u>42</u>	<u>161</u>	<u>119</u>	<u>385</u>
Repair and maintenance expenses	<u>890</u>	<u>2,190</u>	<u>4,095</u>	<u>4,161</u>
Jordan Flight Catering Company:				
Passenger services expenses	<u>4,744</u>	<u>4,779</u>	<u>12,168</u>	<u>12,268</u>
Jordan Aircraft Training and Simulation Company (JATS):				
Other income	<u>10</u>	<u>26</u>	<u>46</u>	<u>64</u>
Pilot training expenses	<u>647</u>	<u>287</u>	<u>915</u>	<u>1,048</u>

The following is a summary of transactions with key management personnel of the group:

Chartered flights revenue – Board member	<u>-</u>	<u>-</u>	<u>-</u>	<u>493</u>
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Alia - The Royal Jordanian Airlines Company (Royal Jordanian)
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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 September (Unaudited)		For the nine months ended 30 September (Unaudited)	
	2016	2015	2016	2015
Scheduled services revenues – passengers	1,312	1,431	3,830	4,280
Scheduled services revenues – cargo	297	534	1,117	1,223
Chartered flights	284	-	355	780
	<u>1,893</u>	<u>1,965</u>	<u>5,302</u>	<u>6,283</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 September (Unaudited)		For the nine months ended 30 September (Unaudited)	
	2016	2015	2016	2015
Salaries and other benefits	104	107	297	366
Bonus / transportation of board members	11	26	60	78

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 2,987 as of 30 September 2016 which represents the best estimate as at the date of the interim consolidated financial statements. The Company will review the provision during the fourth quarter and will make any adjustments if needed.