

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

A PUBLIC SHAREHOLDING COMPANY

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

31 March 2016



Building a better
working world

Ernst & Young Jordan
P.O.Box 1140
Amman 11118
Jordan

Tel : 00 962 6580 0777/00 962 6552 6111
Fax: 00 962 6553 8300
www.ey.com/me

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Alia- The Royal Jordanian Airlines Company and its subsidiaries (the Group) as at 31 March 2016, comprising of the interim consolidated statement of financial position as at 31 March 2016 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the three month 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.



Building a better
working world

Emphasis of a Matter

- Without qualifying our opinion, the Group's accumulated losses of JD 71.5 million as at 31 March 2016 exceeded 67% of the Company's capital. According to article No. 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 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.

Amman – Jordan
26 April 2016

Ernst + Young

Alia - The Royal Jordanian Airlines Company (Royal Jordanian)
Interim Consolidated Statement of Financial Position
At 31 March 2016
(In Thousands of Jordanian Dinars)

	Notes	31 March 2016 (Unaudited)	31 December 2015 (Audited)
ASSETS			
Non- current assets			
Property and equipment			
Projects under construction	4	126,383	122,689
Advances on purchase and modification of aircrafts		275	256
Financial assets at fair value through other comprehensive income		63,703	49,948
Investments in associates		6,022	6,020
Restricted cash against operating lease contracts		17,634	16,849
Deferred tax assets		21,453	20,321
		15,080	15,080
		<u>250,550</u>	<u>231,163</u>
Current assets			
Restricted cash		-	50,000
Other current assets		33,047	46,904
Spare parts and other supplies, net		11,963	11,474
Accounts receivable, net		47,750	36,620
Cash and bank balances	5	190,298	71,985
		<u>283,058</u>	<u>216,983</u>
TOTAL ASSETS		<u>533,608</u>	<u>448,146</u>
EQUITY AND LIABILITIES			
Shareholders' equity			
Paid in capital			
Payments in respect of capital increase	7	106,526	46,405
Statutory reserve	7	13,702	50,154
Fair value reserve	7	13,455	13,455
Cash flow hedges		3,771	3,771
Accumulated losses		(178)	(178)
		(71,457)	(64,094)
Non-controlling interests		65,819	49,513
		194	195
Total shareholders' equity		<u>66,013</u>	<u>49,708</u>
LIABILITIES			
Non- current liabilities			
Long term loans			
Long term obligations under finance leases	6	122,258	12,672
Accounts payable		7,458	9,403
Other long term liabilities		64,057	-
		911	1,065
		<u>194,684</u>	<u>23,140</u>
Current liabilities			
Bank overdrafts			
Current portion of long-term loans	5	-	17,896
Accrued expenses	6	7,014	46,233
Accounts payable and other current liabilities		75,712	68,418
Income tax provision		146,535	206,707
Deferred revenues		232	232
Short term obligations under finance leases		35,815	28,328
		7,603	7,484
		<u>272,911</u>	<u>375,298</u>
Total liabilities		<u>467,595</u>	<u>398,438</u>
TOTAL EQUITY AND LIABILITIES		<u>533,608</u>	<u>448,146</u>

The attached notes from 1 to 13 form part of these interim condensed consolidated financial statements

Alia - The Royal Jordanian Airlines Company (Royal Jordanian)
Interim Consolidated Income Statement
For The Three Months Ended 31 March 2016 (Unaudited)
(In Thousands of Jordanian Dinars)

		For the three months ended 31 March	
	Notes	2016	2015
Revenues			
Cost of revenues	8	140,379	148,436
		(127,822)	(138,958)
		12,557	9,478
Share of profit of associates		785	430
Other income, net		782	1,326
Ineffective portion of fuel option contracts		-	(3)
Ineffective portion of interest rate swap contracts		-	2
Administrative expenses		(5,698)	(5,133)
Provision for end of service	13	(1,400)	-
Selling and marketing expenses		(10,275)	(11,276)
Loss on sale of property and equipment		(10)	-
Loss on foreign currency exchange		(675)	(1,385)
Finance costs		(3,380)	(1,806)
Loss for the period		(7,314)	(8,367)
Attributable to:			
Equity holders of the parent		(7,313)	(8,386)
Non-controlling interests		(1)	19
		(7,314)	(8,367)
Basic and diluted earnings per share attributable to equity holders of the parent		JD (0.13)	JD (0.18)

The attached notes from 1 to 13 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 Months Ended 31 March 2016 (Unaudited)
(In Thousands of Jordanian Dinars)

	For the three months ended 31 March	
	2016	2015
Loss for the period	(7,314)	(8,367)
Add: other comprehensive income items, net of tax :		
Gain on cash flow hedges - net	-	61
Total loss and comprehensive income for the period	(7,314)	(8,306)
Attributable to:		
Equity holders of the parent	(7,313)	(8,325)
Non – controlling interests	(1)	19
	(7,314)	(8,306)

The attached notes from 1 to 13 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 Three Months Ended 31 March 2016 (Unaudited)
(In Thousands of Jordanian Dinars)

	Attributable to equity holders of the parent						
	Paid in capital	Payments in respect of capital increase	Statutory reserve	Fair value reserve	Cash flow hedges	Accumulated losses	Non – controlling interests
For the three months ended 31 March 2016							
Balance as of 1 January 2016	46,405	50,154	13,455	3,771	(178)	(64,094)	49,513
Total loss and comprehensive income for the period	-	-	-	-	-	(7,313)	195
Payments in respect of capital increase	-	23,669	-	-	-	-	(1)
Capital increase	60,121	(60,121)	-	-	-	-	23,669
Capital increase costs	-	-	-	-	-	(50)	-
Balance as of 31 March 2016	106,526	13,702	13,455	3,771	(178)	(71,457)	194
For the three months ended 31 March 2015							
Balance as of 1 January 2015	84,373	-	11,380	3,771	(534)	(114,995)	170
Loss for the period	-	-	-	-	(0)	(8,386)	19
Other comprehensive income items	-	-	-	-	61	-	-
Total loss and comprehensive income for the period	-	-	-	-	61	(8,386)	61
Balance as of 31 March 2015	84,373	-	11,380	3,771	(473)	(123,381)	189

The attached notes from 1 to 13 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 Three Months Ended 31 March 2016 (Unaudited)
(In Thousands of Jordanian Dinars)

	Notes	For the three months ended 31 March	
		2016	2015
OPERATING ACTIVITIES			
Loss for the period before income tax		(7,314)	(8,367)
Adjustments for:			
Depreciation of property and equipment		5,958	7,296
Share of profit of associates		(785)	(430)
Finance costs		3,380	1,806
Loss on sale of property and equipment		10	-
Provision for end of service	13	1,400	-
Provision for end of service indemnity		-	17
Amortization of deferred revenue - Jordan Flight Catering Company Ltd		(75)	(75)
Ineffective portion of fuel options contracts		-	3
Ineffective portion of interest rate swap contracts		-	(2)
Working capital changes:			
Accounts receivable		(11,130)	(5,646)
Spare parts and other supplies		(489)	784
Other current assets		13,857	(5,331)
Purchase of derivative financial assets		-	1
Deferred revenues		7,562	7,778
Accounts payable and other current liabilities		1,327	3,456
Accrued expenses		5,894	12,554
End of service indemnity paid		(154)	(110)
Net cash flows from operating activities		19,441	13,734
INVESTING ACTIVITIES			
Dividends received from associates		-	466
Purchase of property and equipment	4	(9,662)	(2,036)
Projects under construction		(19)	(5)
Change in restricted cash against lease contracts		(1,132)	(395)
Advances on purchase and modification of aircrafts		(13,755)	(297)
Restricted bank accounts		(726)	-
Purchase of financial assets at fair value through OCI		(2)	-
Net cash flows used in investing activities		(25,296)	(2,267)
FINANCING ACTIVITIES			
Proceeds from loans		129,272	-
Repayment of term loans		(58,905)	(11,493)
Finance lease obligations		(1,826)	(1,716)
Interest paid		(822)	(1,806)
Payments in respect of capital increase		13,702	-
Capital increase		59,967	-
Capital increase costs		(50)	-
Net cash flows from (used in) financing activities		141,338	(15,015)
Net increase (decrease) in cash and cash equivalents		135,483	(3,548)
Cash and cash equivalents, beginning of the period		34,571	50,027
Cash and cash equivalents, end of the period	5	170,054	46,479

The attached notes from 1 to 13 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'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 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 12 April 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 three month period ended 31 March 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 31 March 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

Alia - The Royal Jordanian Airlines Company (Royal Jordanian)

Notes to The Interim Consolidated Financial Statements

31 March 2016 (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, Mint Trading Middle East Ltd. and Social Security Corporation own 58%, 8% and 14% respectively from the Company's shares.

4. PROPERTY AND EQUIPMENT

During the three months ended 31 March 2016, the Group acquired property and equipment with a cost of JD 9,662 (31 March 2015: JD 2,036).

Alia - The Royal Jordanian Airlines Company (Royal Jordanian)

Notes to The Interim Consolidated Financial Statements

31 March 2016 (unaudited)

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

5. CASH AND CASH EQUIVALENTS

	31 March 2016 (unaudited)	31 December 2015 (audited)
Cash and bank balances*	167,387	53,017
Cash in transit **	22,911	18,968
Less: bank overdrafts	-	(17,896)
Restricted bank accounts	(20,244)	(19,518)
	170,054	34,571

* This item includes deposits in banks amounting to JD 103,288 (2015: JD 22,208) with an annual interest rate that ranges between 3.5% - 5% (2015: 3.5% - 5%) and are due within a period of one to three months from the date of the interim consolidated financial statements.

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

6. Loans

	2016		2015	
	Loans' installments		Loans' installments	
	Short term	Long term	Short term	Long term
Syndicated loan*	7,794	125,249	-	-
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)	(2,991)	(196)	(681)
	7,014	122,258	46,233	12,672

* 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 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.

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

Principal installments payable for the period ended 31 March 2016 and after are as follows:

	Amount
1 April 2016– 31 March 2017	7,794
1 April 2017– 31 March 2018	30,323
1 April 2018– 31 March 2019	25,655
1 April 2019– 31 March 2020	33,045
1 April 2020 and thereafter	36,226

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

7. SHAREHOLDERS' EQUITY

	31 March 2016 (unaudited)	31 December 2015 (audited)
- Paid in capital		
Authorized capital (246,405 shares of 1JD each)	246,405	246,405
Paid in capital	106,526	46,405

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
31 March 2016 (unaudited)
(In Thousands of Jordanian Dinars except for amounts in US Dollars)

8. REVENUES

	For the three months ended 31 March	
	2016	2015
Scheduled Services		
Passengers	108,220	116,300
Cargo	9,202	10,435
Excess baggage	1,114	1,053
Airmail	1,684	1,417
Total scheduled services (note 11)	120,220	129,205
Chartered flights (note 11)	5,788	3,015
Commercial revenues from arriving and departing aircrafts of other companies	2,468	3,397
Revenues from technical and maintenance services provided to other companies	1,107	1,635
Cargo warehouse revenues	2,633	2,504
Revenues from services provided to other aviation companies	822	425
First class services revenues	994	1,067
Change reservation revenues	1,715	1,816
Revenues from National Distribution Center (Galileo)	737	1,123
Other revenues	3,895	4,249
	140,379	148,436

9. INCOME TAX

No provision for income tax was calculated by the Group for the periods ended 31 March 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 Company filed its tax return for the years 2014 and 2013, the Income Tax Department has not reviewed the Company's accounting records up to the date of the consolidated financial statements

The Company reached a final settlement with the Income and Sales Tax Department up to 2012.

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 and Sales Tax Department up to 2014.

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

10. COMMITMENTS AND CONTINGENCIES

- Bank guarantees

At 31 March 2016, the Group had letters of guarantee amounting to JD 18,719 (31 December 2015: JD 22,647).

- Claims against the Group

The Group is a defendant in a number of lawsuits amounting to JD 13,516 as at 31 March 2016 (31 December 2015: JD 14,522) 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 31 March 2016, the Group had capital commitments of USD 718,735,377 (31 December 2015: USD 737,190,177) equivalent to JD 509,741 (31 December 2015: JD 522,668) relating to finance lease agreements signed for new aircrafts.

- Operating lease commitments

As of the date of these consolidated financial statements, Alia - The Royal Jordanian Airlines Company has future commitments, which represent operating lease agreements in respect of six Airbus A-320 aircraft, two Airbus A-321 aircraft, four Airbus A-319 aircraft, two Airbus A-330 aircraft, one Embraer E-175 aircraft, and five Boeing B-787 aircrafts.

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

<u>Period</u>	<u>JD</u>
1 April 2016– 31 March 2017	60,395
1 April 2017 – 31 March 2018	69,691
1 April 2018– 31 March 2019	63,894
1 April 2019 – 31 March 2020	51,170
1 April 2020 and after	287,375

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

11. GEOGRAPHICAL DISTRIBUTION OF REVENUES

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

	For the three months ended 31 March 2016				For the three months ended 31 March 2015			
	(Unaudited)				(Unaudited)			
	Scheduled services	Chartered Flights Passengers	Cargo	Total	Scheduled services	Chartered Flights Passengers	Cargo	Total
Levant	17,561	444	474	18,479	18,541	382	994	19,917
Europe	29,362	138	71	29,571	30,104	101	162	30,367
Arab Gulf	33,149	24	49	33,222	38,890	1,302	74	40,266
America	21,341	3,805	681	25,827	21,844	-	-	21,844
Asia	13,834	-	-	13,834	14,356	-	-	14,356
Africa	4,973	-	102	5,075	5,470	-	-	5,470
Total	120,220	4,411	1,377	126,008	129,205	1,785	1,230	132,220

12. RELATED PARTY TRANSACTIONS

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

	31 March 2016		31 December 2015	
	Accounts receivable (unaudited)	Accounts payable (unaudited)	Accounts receivable (audited)	Accounts payable (audited)
Government of Jordan	3,644	2,207	3,749	2,207
Employees Provident Fund	-	4,721	-	6,626
Jordan Aircraft Maintenance Company	12	261	10	1,179
Jordan Flight Catering Company	-	1,195	-	4,204
Jordan Aircraft Training and Simulation Company	3	611	2	443
Al-Mashreq for Aircraft Services Company	736	-	733	-
	4,395	8,995	4,494	14,659

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

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

	For the three months ended 31 March	
	2016	2015
	(unaudited)	(unaudited)
Jordan Aircraft Maintenance Company (JORAMCO):		
Scheduled services revenues	42	-
Repair and maintenance expenses	1,610	1,719
Jordan Flight Catering Company:		
Passenger services expenses	3,709	3,614
Jordan Aircraft Training and Simulation Company (JATS):		
Other income	17	-
Pilots training expenses	304	325

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 31 March	
	2016	2015
	(unaudited)	(unaudited)
Scheduled services revenues – passengers	1,102	1,122
Scheduled services revenues – cargo	347	418
	1,449	1,540
Chartered flights	71	780

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

Compensation of key management personnel:

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

	For the three months ended 31 March	
	2016	2015
	(unaudited)	(unaudited)
Salaries and other benefits	88	137
Bonus\ transportation of board members	26	27

13. PROVISION FOR LABOR COLLECTIVE CONTRACT PROVISION

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 1.400 as of 31 March 2016 which represents the best estimate as at the date of the interim consolidated financial statements. The Company will review the provision during the second quarter and will make any adjustments if needed.