

ALIA/ ROYAL JORDANIAN
INITIAL PUBLIC OFFERING

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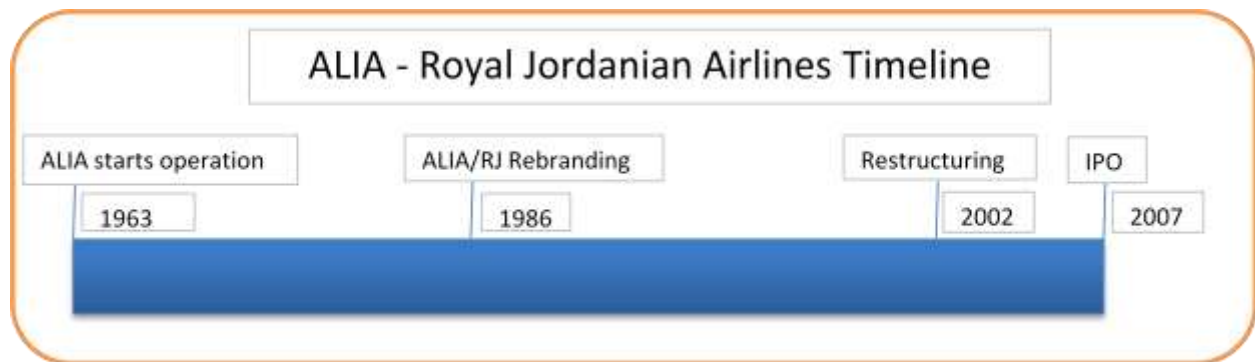
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ALIA / ROYAL JORDANIAN

History

ALIA was founded in 15 December, 1963 and started its operations from Amman/Marka Airport. After the inauguration of Queen Alia International Airport(QAIA) in 1983, ALIA made QAIA its new home. In 1986, ALIA was renamed Royal Jordanian and rebranding of the company along with the airplanes took place. This new corporate image was later followed by much anticipated restructuring plan. ALIA/Royal Jordanian Airlines (RJ) is registered with the Ministry of Industry and Trade under registry 342 Dated 5 February, 2001 as a Public Shareholding Company. Previous to that, it was a public company. The restructuring was finally initiated in 2002. The outcome of the 5 year plan, led to an Initial Public Offering of 71% of the shares of Royal Jordanian.



Current Overview

Currently Royal Jordanian operates a fleet of 22 Planes with 22 on order, and travels to over 50 destinations with Hong Kong Airport flights set to begin January 22, 2008. As of the end of 2006, Royal Jordanian crossed the 2 million passengers and should finish 2007 with a growth in passengers of over 10%. Currently, Royal Jordanian traffic is about 56% of QAIA air traffic. Revenues are a tad under JD450 million for 2006 forming a 8.20% increase over 2005. An increase in expenses in 2006 "due to fuel costs and insurance" caused a drop in profits for the year. Only 50% of the fuel surcharge which totaled over JD40 Million was passed on to consumers. The company is expected recover in 2007. The bottom line for 2007 should be in line with their profit margin of 2005.

Currently Royal Jordan serves more than 561 combinations of destinations. Royal Jordanian would like to get to a point where any Middle East travel means the choice of one airline: Royal Jordanian. To do this, RJ has concentrated its efforts on being the leading carrier in the Levant in terms of regional flights. The Levant region is home to over 80 million people and when Saudi Arabia and Egypt are included stacks up to over 140 million people. A regional supremacy and dominance in Jordan, Palestine, Israel, Lebanon, Syria, Iraq, Egypt, and Saudi Arabia and on such a scale might be quite a feat to achieve.

Royal Jordanian has performed well in the last three years. CAPA awarded Royal Jordanian the Airline Turnaround of the Year 2006" on 9 November 2006 for the hard work. In addition, Royal Jordanian won 2007 Airline Strategy Award, King Abdullah II Award for Excellence, Best Arab airline website, Air Transport World magazine-Phoenix Award and International Star Award for Quality.

Partnerships and the future

Royal Jordanian is the only Arab Airline to be part of a world alliance and the only one to be of an Alliance between Austria and Thailand. Royal Jordanian is part of OneWorld Alliance that groups it with the world's biggest airlines including American Airlines, British Airways, Cathay Pacific, Finnair, Japan Airlines (JAL), Iberia, LAN, Malev, and Qantas. Amman provides the Alliance the best hub to travel around the Middle East. It is worth mentioning that 60% of the world's air traffic is carried on the three Alliance: STAR Alliance, Sky Team, and OneWorld. With OneWorld, Royal Jordanian has access to more than 700 destinations worldwide.

QAIA, the defacto home of Jordan's flagship carrier is in need of improvement. Royal Jordanian would like to see this along with other airlines using QAIA. This is currently taking place, and by 2010, the new terminal of QAIA should be completed. Meanwhile, and with these developments, Royal Jordanian will be also in an upgrade phase as its final goal is to have three sets of planes serving its passengers: the Embraer 175 and 195 to serve the under 100 passenger routes, the Airbus 320 to serve the 100-200 passenger routes, and the newly ordered Boeing 787 to serve the over 200 passenger routes.

As far as management's opinion is concerned, low cost airlines will not form a threat for Royal Jordanian in the near future as the policy of Open Sky's is not accepted widely in the region. In addition, most low cost airlines require a second airport to fly to in the cities they fly to. Regionally, most cities only have one airport to access them. Costs wise, Royal Jordanian has an advantage over other airlines and that is labor costs. That keeps costs at bay and ticket at a competitive margin.

ROYAL JORDANIAN IPO "25th-3rd of December 2007"

Royal Jordanian is proceeding with a Initial Public Offering, the subscription period starts on December 25th and ends December 3rd, 2007. A total of 11,837,000 additional shares will be issued at 1JD/Share through a capitalization of a part of the existing share premium. These will be reserved for the Government of The Hashemite Kingdom of Jordan.

A total of 59,905,079 shares will be in the IPO. The public offering will be in Jordan and abroad and in accordance with the rules and regulations of the countries in which the company wants to offer its shares.

The subscription period for the IPO will be 8 days. Trading is expected to commence on December 17th, 2007.

A price will be set and the shares will be transferred to the buyers in one transaction by the seller at the Securities Depository Centre. If the IPO is oversubscribed, Small investors (100,000 or less shares) will be allocated their number of shares pro-rata, while large and institutional investors (over 100,000) will be allocated their number of shares in consultation with the Issuer(Royal Jordanian) and the Seller(Government of Jordan). Currently, Arab Jordan Investment Bank will act as the local Underwriter for the IPO.

Local Offer

The local offering will be through AJIB (Arab Jordanian Investment Bank) and is tended toward 1] the general public and small investors in Jordan (with a subscription of JD100,000 or less) 2] Investors of over JD100,000 Inside Jordan abiding by the regulations and conditions set forth in the Prospectus.

As part of the IPO, 8,437,335 (10%) shares will be reserved to the Social Security Corporation. These shares will be sold at regular price. The purchase of these shares will be conditional on SSC “not selling them”. The Social Security Corporation can purchase more shares at market price with the conditions set forth for regular customers. The Armed Forces will also be reserved 2,531,201 (3%) shares in the forthcoming IPO.

International Offer

Part of the shares will be allocated to international institutional investors. Subscription process will be through Citibank. The shares offered for international subscriptions have not yet been set and can be none at all. Following the local subscriptions, an allocation will be set for the institutional investors (both retail and institutional). The size will depend on both the demand from the international institutional investors and the local retail and institutional investors.

Price and Minimum Amount of Subscription

The final price of the IPO, but the price will not be more than JD3.40 and will be in the range of JD2.75- JD3.40. The price will be set in a book building process. The minimum subscription is 100 shares. There is no maximum amount for institutional investors, but should be limited to a reasonable amount.

IPO Details

	SHARES	%	VALUE MIN (JD)	VALUE MAX (JD)	ADDITIONAL NOTES
Current Shares of Royal Jordanian	72,536,350				
Increase in Paid Up Capital	11,837,000	16%			H.K.J share at 1JD/Share
Total Shares of Royal Jordanian after IPO	84,373,350				
Total Initial Public Offering (IPO) Size	59,905,079	71%			
Social Security Corporation (JORDAN)	8,437,335	10%	23,202,671	28,686,939	"Not for Sale"
Employee Stock Ownership Plan	6,749,868	8%			Free or at a Nominal Price
Jordan Armed Forces	2,531,201	3%	6,960,801	8,606,082	
IPO size open to the public	42,186,676	50%	116,013,358	143,434,697	
Range of the Per Share Price			2.75	3.4	
Total JD Value of IPO			146,176,830	180,727,717	
Total JD Value of IPO (after underwriting costs)			140,000,000	174,000,000	
Minimum Number of Shares	100			340	
Number of Shares Available for Non Jordanians	-				not yet set

Royal Jordanian – Financial Indicators:

