

CAPITAL A BERHAD
(FORMERLY KNOWN AS AIRASIA GROUP BERHAD)
201701030323 (1244493-V)
SECOND QUARTER REPORT ENDED 30 JUNE 2022

ANNOUNCEMENT

The Board of Directors of Capital A Berhad (formerly known as AirAsia Group Berhad) (“Capital A” or “the Company”) hereby announces the following unaudited consolidated results of Capital A and its subsidiaries (collectively known as “the Group”) for the second quarter ended 30 June 2022.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	INDIVIDUAL QUARTER		CUMULATIVE	
		Quarter ended	Quarter ended	Year ended	Year ended
		30/06/2022 RM'000	30/06/2021 RM'000 (Restated)	30/06/2022 RM'000	30/06/2021 RM'000 (Restated)
Revenue:	10				
- Aviation		1,291,593	208,463	1,892,971	393,072
- Logistic		98,838	154,795	245,785	247,895
- Digital and others		75,004	25,651	138,462	69,086
		1,465,435	388,909	2,277,219	710,053
Operating expenses:					
- Staff costs		(288,783)	(179,887)	(550,093)	(389,531)
- Aircraft fuel expenses		(700,804)	(70,460)	(1,049,167)	(143,237)
- Fuel swap gain/(losses)		-	-	-	(30,157)
- Maintenance and overhaul		(176,945)	(50,219)	(323,258)	(107,124)
- User charges and other related expenses		(172,698)	(121,273)	(262,663)	(193,097)
- Logistic expenses		(104,518)	(78,477)	(239,303)	(148,527)
- Technology and IT related expenses		(43,316)	(56,200)	(100,056)	(97,218)
- Other operating expenses	11	111,825	(33,065)	27,761	(67,516)
Other income	12	18,408	3,598	19,589	67,172
EBITDA		108,604	(197,074)	(199,971)	(399,182)
Depreciation and amortisation		(29,157)	(33,202)	(63,825)	(68,944)
Depreciation on right of use asset		(342,893)	(422,462)	(689,009)	(832,689)
Finance income	13	16,318	3,672	32,801	12,961
Finance costs - lease liabilities		(171,410)	(111,076)	(331,603)	(227,909)
Finance costs	13	(72,761)	(32,073)	(150,921)	(70,294)
Net operating loss		(491,299)	(792,215)	(1,402,528)	(1,586,057)
Foreign exchange (loss)/gain	13	(345,395)	81,438	(398,125)	(97,843)
Fair value gain/(loss) on derivatives		13,699	(5,905)	44,313	16,509
Share of results of associates/joint venture		(291,478)	(10,085)	(434,597)	(25,128)
Loss before taxation		(1,114,473)	(726,767)	(2,190,937)	(1,692,519)
Tax expense	14	(6,377)	(1,591)	(7,122)	(3,271)
Deferred taxation	14	-	8,790	-	-
Net loss for the financial period		(1,120,850)	(719,568)	(2,198,059)	(1,695,790)
Attributable to:					
- Owners of the company		(931,224)	(580,059)	(1,835,016)	(1,347,481)
- Non-controlling interests		(189,625)	(139,509)	(363,043)	(348,309)
		(1,120,850)	(719,568)	(2,198,059)	(1,695,790)

The Condensed Income Statement in compliance with MFRS 134.

The comparative figures have been restated due to reclassification of Revenue and Other Income.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended 30/06/2022 RM'000	Quarter ended 30/06/2021 RM'000	Year ended 30/06/2022 RM'000	Year ended 30/06/2021 RM'000
Net loss for the financial period	(1,120,850)	(719,568)	(2,198,059)	(1,695,790)
Other comprehensive income/(loss)				
Remeasurement loss on employee benefits liability, net of tax	70	(193)	3,830	15,140
Fair value reserve	(16,458)	(7,020)	(14,918)	101,898
Cash flow hedges	(1)	5,551	(3,862)	35,609
Foreign currency translation differences	(478,180)	(111,091)	(533,465)	(246,369)
Total comprehensive loss	(1,615,419)	(832,321)	(2,746,474)	(1,789,512)
Total comprehensive income attributable to:				
Owners of the Company	(1,425,890)	(527,127)	(2,383,431)	(1,445,415)
Non-controlling interests	(189,528)	(305,194)	(363,043)	(344,097)
	(1,615,418)	(832,321)	(2,746,474)	(1,789,512)

The condensed consolidated income statement and consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	AS AT 30/06/2022 RM'000	AS AT 31/12/2021 RM'000
NON CURRENT ASSETS			
Property, plant and equipment	15	915,612	933,474
Right of use assets	15	9,865,392	9,750,711
Finance lease receivables	15	299,986	266,233
Investment in associates	17	765,086	438,004
Investment in joint venture		691	878
Investment securities	16	186,421	243,323
Intangible assets		833,980	833,450
Deferred tax assets		739,023	738,760
Receivables and prepayments	18	3,150,473	3,599,414
Deposits on aircraft purchase		655,031	610,489
Derivative financial instruments	23	165,397	165,397
		17,577,092	17,580,133
CURRENT ASSETS			
Inventories		149,999	153,600
Receivables and prepayments	18	1,021,009	608,405
Finance lease receivables	15	68,783	224,144
Amounts due from associates		72,197	67,285
Amounts due from related parties		104,622	134,153
Derivative financial instruments	23	243	-
Tax recoverable		6,406	5,408
Deposits, bank and cash balances		631,696	1,256,753
		2,054,955	2,449,748
CURRENT LIABILITIES			
Trade and other payables	19	3,285,586	2,308,897
Aircraft maintenance provisions and liabilities	20	1,410,909	976,633
Sales in advance		1,194,748	930,510
Amounts due to associates		86,617	43,297
Amounts due to related parties		108,387	129,717
Borrowings	21	574,129	887,228
Lease liabilities	22	3,943,765	3,905,769
Provision of taxation		25,539	21,873
		10,629,680	9,203,924
NET CURRENT LIABILITIES		(8,574,725)	(6,754,176)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Note	AS AT 30/06/2022 RM'000	AS AT 31/12/2021 RM'000
NON CURRENT LIABILITIES		
Trade and other payables	295,095	292,691
Aircraft maintenance provisions and liabilities	4,931,250	4,860,637
Borrowings	2,198,703	1,422,661
Lease liabilities	10,284,669	10,389,525
Deferred tax liabilities	169,483	169,477
Derivative financial instruments	-	32,785
Provision for retirement benefits	86,561	81,084
	17,965,761	17,248,860
	(8,963,394)	(6,422,903)
CAPITAL AND RESERVES		
Share capital	8,654,977	8,457,172
Merger deficit	(5,507,594)	(5,507,594)
Other reserves	152,450	161,321
Foreign exchange reserve	(651,905)	(118,439)
Retained earnings	(8,123,595)	(6,374,760)
	(5,475,667)	(3,382,300)
Non-controlling interests	(3,487,727)	(3,040,603)
Total equity	(8,963,394)	(6,422,903)
Net assets per share attributable to ordinary equity holders of the Company (RM)	(1.32)	(0.87)

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company											Non-controlling interests RM'000	Total equity RM'000	
	Number of shares '000	Share Capital RM'000	Merger Deficit RM'000	Foreign exchange reserve RM'000	Share-based payments RM'000	RCUIDS - equity RM'000	Warrant reserve RM'000	Cash flow hedge reserve RM'000	Fair value and other reserves RM'000	Remeasurement loss on employee benefits liability RM'000	Retained earnings RM'000			Total RM'000
At 1 January 2022	3,898,053	8,457,172	(5,507,594)	(118,439)	5,968	154,360	112,736	(68,499)	(29,914)	(13,330)	(6,374,760)	(3,382,300)	(3,040,603)	(6,422,903)
Net profit for the financial period	-	-	-	-	-	-	-	-	-	-	(1,835,016)	(1,835,016)	(363,043)	(2,198,059)
Other comprehensive income	-	-	-	(533,466)	-	-	-	(3,862)	(14,918)	3,830	-	(548,416)	-	(548,416)
Issuance of new shares	263,740	197,805	-	-	-	-	-	-	-	-	197,805	197,805	-	197,805
Dilution of interest in subsidiary	-	-	-	-	-	-	-	-	-	-	86,181	86,181	(84,081)	2,100
Share-based payment expensed	-	-	-	-	6,079	-	-	-	-	-	-	6,079	-	6,079
At 30 June 2022	4,161,793	8,654,977	(5,507,594)	(651,905)	12,047	154,360	112,736	(72,361)	(44,832)	(9,500)	(8,123,595)	(5,475,667)	(3,487,727)	(8,963,394)
At 1 January 2021	3,341,974	8,023,268	(5,507,594)	(57,378)	-	-	-	(101,222)	(105,506)	(18,640)	(3,447,215)	(1,214,287)	(2,355,507)	(3,569,794)
Net profit for the financial period	-	-	-	-	-	-	-	-	-	-	(1,347,481)	(1,347,481)	(348,309)	(1,695,790)
Other comprehensive income	-	-	-	(247,406)	-	-	-	32,723	101,898	14,851	-	(97,934)	4,212	(93,722)
Issuance of new shares	470,214	336,464	-	-	-	-	-	-	-	-	-	336,464	-	336,464
Acquisition of non-controlling interests in a subsidiary	85,865	103,038	-	-	-	-	-	-	-	-	(108,691)	(5,653)	5,653	-
Transfer of fair value reserve of disposed investment securities to retained earnings	-	-	-	-	-	-	-	-	(5,720)	-	5,720	-	-	-
At 30 June 2021	3,898,053	8,462,770	(5,507,594)	(304,784)	-	-	-	(68,499)	(9,328)	(3,789)	(4,897,667)	(2,328,891)	(2,693,951)	(5,022,842)

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	PERIOD ENDED	PERIOD ENDED
	30/06/2022	30/06/2021
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(2,190,937)	(1,692,519)
Adjustments:		
Property, plant and equipment		
- Depreciation	62,581	68,874
- Gain on disposal	(134)	(36,833)
- Write Off	239	2,486
Rights of Use Asset		
- Depreciation	689,009	832,689
Intangible assets		
- Amortisation	1,244	70
Provision for retirement benefit	9,353	2,443
Aircraft maintenance provisions	41,903	-
Impairment of receivables, related parties, joint ventures and investment securities	44,191	-
Reversal of impairment on intercompany	-	(4,639)
Reversal of impairment loss on right of use asset	(228,970)	-
Fair value gain on derivative financial instruments	(44,313)	(16,509)
Share of results of associates and joint venture	434,597	25,128
Net unrealised foreign exchange losses	379,885	70,032
Share-based payments	6,079	-
Interest expense	150,921	70,294
Interest on lease liabilities	331,603	227,909
Interest income	(32,801)	(12,961)
	(345,551)	(463,536)
Changes in working capital		
Inventories	3,601	(12,448)
Receivables and prepayments	158,105	94,393
Trade and other payables and provisions	(212,371)	99,194
Sales in advance	264,238	(15,592)
Intercompany balances	57,910	(113,343)
Cash used in operations	(74,068)	(411,332)
Interest paid	(91,501)	(30,047)
Interest received	1,443	1,356
Tax refund/(paid)	611	(4,158)
Retirement benefit paid	(3,586)	(6,068)
Net cash used in operating activities	(167,101)	(450,249)

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UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	PERIOD ENDED	PERIOD ENDED
	30/06/2022	30/06/2021
	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment		
- Additions	(11,015)	(10,687)
- Proceeds from disposal	569	44,610
Addition in intangible assets	-	(1,784)
Net movement other investments	-	49,591
Additional investment in an associate	(176,280)	
Acquisition of other investments	(4,402)	-
Deposit paid for aircraft purchased	(11,353)	-
Net cash (used in)/generated from investing activities	(202,481)	81,730
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	-	336,464
Proceeds from borrowings	924,493	103,950
Repayment of borrowings and lease liabilities	(1,175,717)	(371,997)
Net cash (used in)/generated from financing activities	(251,224)	68,417
NET DECREASE FOR THE FINANCIAL PERIOD	(620,806)	(300,102)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	1,256,753	533,278
CURRENCY TRANSLATION DIFFERENCES	(4,251)	2,436
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	631,696	235,612

The condensed consolidated cash flow statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to the interim financial statements.

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NOTES TO THE QUARTERLY REPORT

1. Basis of preparation

The Interim Financial Report is unaudited and has been prepared in accordance with paragraph 9.22 and Appendix 9B of Bursa Malaysia Securities Berhad's ("Bursa Malaysia") Listing Requirements.

The Interim Financial Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2021. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant for understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2021.

2. Summary of significant accounting policies

The accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the Audited Financial Statements for the financial year ended 31 December 2021. Details of standards, amendments to published standards and interpretations to existing standards that are applicable to the Group with effect from 1 January 2021 or later are provided in the notes to the financial statements in the Audited Financial Statements of the Group for the financial year ended 31 December 2021. The Group did not early adopt any new standards, amendments to published standards and interpretation to existing standards.

For the beginning of the financial year 1 January 2022, the standards that become effective do not have any material impact on the financial statements of the Group and the Company for the year.

3. Auditors' report on preceding annual financial statements

The auditors have expressed an unqualified opinion on the Group and the Company's audited financial statements for the financial year ended 31 December 2021 in their report dated 29 April 2022.

4. Seasonality of operations

The Group's air transportation business is subject to the seasonal demand for air travel. This segment of the Group's business has been severely affected by travel restrictions due to the Covid-19 pandemic.

5. Unusual items due to their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter and financial period-to-date except for that from the Covid-19 outbreak.

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NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

6. Changes in composition of the Group

There are no changes in composition of the Group during the current quarter.

7. Changes in estimates

There were no changes in estimates that have had a material effect on the results of the current quarter and financial period-to-date.

8. Issues, Repurchases and Repayment of Debt and Equity Securities

During the financial period to date, the Company issued 263,740,340 new ordinary shares at a total value of RM 197,805,255 under the conversion of RCUIDS.

Apart from the above, there are no other issuances, cancellation, repurchase, resale and repayment of debt and equity securities for the period ended 30 June 2022.

9. Dividends paid and proposed

No dividend has been proposed during the period ended 30 June 2022.

10. Revenue

	Quarter ended 30/06/2022 RM million	Quarter ended 30/6/2021 RM million
<u>Aviation revenue</u>		
Passenger revenue		
- seat sales	1,091.7	146.9
- others	190.9	52.4
Aircraft operating lease income	9.0	9.2
	<hr/> 1,291.6	<hr/> 208.5
Logistic	98.9	154.8
	<hr/>	<hr/>
<u>Digital & Others revenue</u>		
- airasia Super App	44.2	13.5
- BigPay	7.2	5.9
- Others	23.5	6.2
	<hr/> 1,465.4	<hr/> 388.9

11. Other operating expenses

Included in the other operating expenses was a reversal of impairment on ROU assets previously provided, which amounted to RM229.0 million (year ended 30 June 2021: nil).

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12. Other income

Other income mainly includes commission and advertising income, forfeited revenue, insurance claims and management fee for provision of shared services to associates.

13. Finance income/(costs) and foreign exchange losses

	Quarter ended 30/06/2022 RM million	Quarter ended 30/06/2021 RM million	Year ended 30/06/2022 RM million	Year ended 30/06/2021 RM million
(a) Finance income				
Interest income from:				
- deposits with licensed banks	0.4	0.3	0.8	1.0
- from associates	1.8	-	3.0	1.1
- finance lease receivables	14.1	3.2	28.3	10.4
Discounting effect on financial instruments and others	0.1	0.1	0.7	0.4
	16.3	3.6	32.8	12.9
(b) Finance costs				
Bank borrowings	(27.8)	(13.8)	(56.2)	(26.6)
Amortisation of premiums for interest rate caps	-	(0.0)	-	(0.1)
RCUIDS profit payment	(15.5)	-	(30.7)	-
Discounting effect on financial instruments, bank facilities and other charges	(29.5)	(18.2)	(64.0)	(43.6)
	(72.8)	(32.1)	(150.9)	(70.3)
(c) Foreign exchange (loss)/gain				
- realized	(16.2)	1.5	(18.2)	(27.8)
- unrealized	(329.1)	79.9	(379.9)	(70.0)
	(345.4)	81.4	(398.1)	(97.8)

14. Income tax and Deferred tax

Income tax expense

The current taxation charge for the period to date mainly relates to the corporate income taxes for the subsidiaries in Malaysia.

Deferred taxation

No deferred tax recognised for the period ended 30 June 2022.

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15. Property, plant and equipment, ROU and Finance Lease receivables

(a) acquisition and disposals

During the period ended 30 June 2022, the Group acquired property, plant and equipment with a total cost of RM11.0 million (year ended 30 June 2021: RM10.7 million).

During the period ended 30 June 2022, proceeds from the disposal of property, plant and equipment amounted to RM0.6 million (year ended 30 June 2021: RM44.6 million).

(b) revaluation

There was no revaluation of property, plant and equipment in the quarter under review or in the same quarter of the prior year.

(c) impairment

There was no impairment of property, plant and equipment and ROU assets in the quarter under review or in the same quarter of the prior year.

During the period ended 30 June 2022, there was a reversal of impairment on ROU assets previously provided, which amounted to RM229.0 million (year ended 30 June 2021: nil).

16. Quoted investments and properties

There was no purchase or disposal of quoted securities for the quarter under review and financial period-to-date.

17. Investments in associates

	As at 30/06/2022 RM million	As at 31/12/2021 RM million
Cost		
Investment	1,849.6	1,087.9
Share of results and reserves	(1,025.3)	(590.7)
Impairment loss	(59.2)	(59.2)
	<u>765.1</u>	<u>438.0</u>

MFRS128 provides that entities discontinue recognising their share of further losses when its share of the losses equals to or exceeds its interest in the associate. As at 30 June 2022, the Group has recognised all losses in these associates.

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18. Receivables and prepayments

	As at 30/06/2022 RM million	As at 31/12/2021 RM million
<u>Non-current</u>		
Prepayments	2,,654.7	3,185.2
Deposits and other receivables	495.8	414.2
	<u>3,150.5</u>	<u>3,599.4</u>
<u>Current</u>		
Trade and other receivables	915.1	438.6
Prepayments	66.7	54.5
Deposits	39.2	115.3
	<u>1,021.0</u>	<u>608.4</u>

Prepayments include advances for the purchase of fuel as well as prepaid engine maintenance costs to the service provider.

19. Trade and other payables

	As at 30/06/2022 RM million	As at 31/12/2021 RM million
<u>Non-current</u>		
Other payables	295.1	292.7
<u>Current</u>		
Trade payables	1,943.9	1,306.4
Other payables	253.9	119.8
Accruals for fuel	144.2	77.2
Others	943.6	805.4
	<u>3,285.6</u>	<u>2,308.8</u>

Other payables and accruals include accruals for operational expenses and passenger service charges payable to airport authorities

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20. Aircraft maintenance provision/ payables

	As at 30/06/2022 RM million	As at 31/12/2021 RM million
Aircraft maintenance provision	1,567.9	1,480.2
Aircraft maintenance payables	2,387.1	2,502.0
Aircraft maintenance reserves	2,387.2	1,855.1
	<u>6,342.2</u>	<u>5,837.3</u>
Current	1,410.9	976.7
Non Current	4,931.3	4,860.6
	<u>6,342.2</u>	<u>5,837.3</u>

- (i) Aircraft maintenance provision relates to contractual obligations by the Group to maintain the aircraft during the lease period until redelivery, based on pre-agreed conditions.
- (ii) Aircraft maintenance payables relate to provision for the Group's contractual obligations, in a sales and leaseback agreement, to incur on the return of an aircraft in a pre-agreed conditions.
- (iii) Aircraft maintenance reserve relates to payments made by the lessee subscribing to the engine maintenance programme for agreed maintenance work that has yet to be carried out.

The liabilities of the aircraft provisions/ payables are covered through the Group's prepaid engine maintenance cost to a service provider as disclosed in Note 18.

21. Borrowings

	As at 30/06/2022 RM million	As at 31/12/2021 RM million
<u>Short term</u>		
Term loans	206.5	332.3
Term loans (Deferred fuel hedge settlements)	65.7	219.9
Revolving credit	37.8	85.0
Convertible loan note	264.1	250.0
	<u>574.1</u>	<u>887.2</u>
<u>Long term</u>		
Term loans	1,140.3	600.2
Other facility	433.8	-
RCUIDS	624.6	822.4
	<u>2,198.7</u>	<u>1,422.6</u>
Total	<u>2,772.8</u>	<u>2,309.8</u>

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The currency profile of borrowings are as follows:

	As at 30/06/2022 RM million	As at 31/12/2021 RM million
Ringgit Malaysia	908.5	1,063.1
US Dollar	1,563.6	1,120.2
Philippine Peso	84.0	79.7
Thai Baht	169.8	-
Indonesian Rupiah	46.9	46.8
	<u>2,772.8</u>	<u>2,309.8</u>

On 10th Jan 2022, AirAsia Aviation Group Limited, a wholly owned subsidiary of the Company secured a term loan facility of THB 1,354 million from a financial institution.

On 5th May 2022, AirAsia Berhad, a wholly owned subsidiary of the Company secured a PDP financing at a net borrowing amount of USD 102.5 million from a non-financial institution.

On 9th May 2022, AirAsia Capital Limited, a wholly owned subsidiary of the Company secured a term loan facility of USD 75 million from a non-financial institution.

As of 30 June 2022, a total of RM 197.8 million RCUIDS converted into ordinary shares. Further details of RCUIDS as disclosed in Note 24.

22. Lease liabilities

The lease liabilities amounting to RM14.2 billion includes deferred aircraft leases of approximately RM1.8 billion. The lease liabilities are supported by ROU assets of RM9.9 billion (net of impairment) and finance lease receivables of RM0.4 billion (net of impairment).

The Group had completed restructuring of total 106 aircraft leases up to date of this report including the waiver of the lease rentals in arrears as well as reducing future lease rates with a corresponding longer lease term where necessary and return of aircraft.

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23. Derivative financial instruments

(a) Forward Foreign Exchange Contracts

As at 30 June 2022, there is no outstanding amount for forward foreign exchange contracts.

(b) Interest Rate Hedging.

As at 30 June 2022, the Group has one (1) interest rate swaps with an outstanding amount of US\$26 million. These interest rate swaps are entered with one (1) counterparty and will mature in year 2029.

(c) Fuel Hedging

As at 30 June 2022, there are no outstanding fuel derivative contracts.

Type of Derivatives	Notional Value as at 30/6/2022	Fair value 30/6/2022 Assets/(Liabilities)
	RM million	RM million
<u>Interest rate contracts</u>		
- More than 3 years	115.81	0.24

The related accounting policies, cash requirements of the derivatives, risks associated with the derivatives and policies to mitigate those risks are unchanged since the last financial year.

(d) Early redemption option

The RCUIDS issued by the Group, as disclosed in Note 24 below, allows for an option of refinancing the debt at a price of 105% of the principal.

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24. Status of corporate proposals announced

Renounceable Rights Issue of Redeemable Convertible Unsecured Islamic Debt Securities (“RCUIDS”)

On 12 July 2021, the Company announced that it proposed to undertake a renounceable rights issue of up to RM1,024,058,370 in nominal value of a 7 year RCUIDS of RM0.75 on the basis of 2 RCUIDS together with 1 free detachable warrant for every 6 ordinary shares in the Company. Based on the nominal value of the RCUIDS of RM0.75 each, the Proposed Rights Issue will result in the issuance of up to 1,365,411,160 RCUIDS together with up to 682,705,580 new warrants.

The above proposal was approved by shareholders at an Extraordinary General Meeting held on 11 November 2021.

The salient features of the RCUIDS are as follows:

- (a) The profit rate of the RCUIDS is 8% per annum computed based on the nominal value of the outstanding RCUIDS and payable quarterly in arrears. Total profit payment paid in the quarter is as disclosed in Note 13.
- (b) The Company shall redeem annually 25% of the outstanding RCUIDS, which has not been converted or redeemed, commencing on the 4th anniversary from the issue date of the RCUIDS. Therefore, the RCUIDS is classified as long term liabilities as indicated in Note 21.

The proposed utilisation of the proceeds received of RM974.5 million are as follows:

Utilisation of Proceeds	Expected timeframe	Proposed Utilisation RM m	Actual Utilisation RM m	Unutilised Amounts RM m
Fuel Hedging Settlement	5 months	226.7	180.9	45.8
Aircraft lease and maintenance	Within 12 months	202.8	202.8	-
AirAsia Digital Sdn. Bhd. business units	Within 12 months	73.7	73.7	-
General working capital expenses	Within 12 months	451.0	400.0	51.0
Estimated expenses	Within 3 months	20.3	20.3	-
		974.5	856.0	108.5

25. Contingent assets

As at the date of this report, the Group does not have any contingent assets.

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26. Changes in contingent liabilities since the last annual balance sheet date

There were no material changes in contingent liabilities since the audited financial statements of the Group for the financial year ended 31 December 2021.

27. Capital commitments outstanding not provided for in the interim financial report

Capital commitments for property, plant and equipment:

	As at 30/6/2022 RM million	As at 31/12/2021 RM million
Approved and contracted for	102,361	97,123.8

28. Material related party transactions

Significant related party transactions which were entered into on agreed terms and conditions for the quarter ended 30 June 2022 are set out below:

	Quarter ended 30/6/2022 RM million	Quarter ended 30/6/2021 RM million
1. Transaction of the Group with associates of a subsidiary		
a. Purchase of cargo transportation capacity		
- Thai AirAsia	1.5	5.8
b. Commission charged		
- Thai AirAsia	10.3	4.3
c. Management fees		
- Thai AirAsia	13.0	15.5
2. Transaction of the Group with company with common directors and shareholders		
a. Purchase of cargo transportation capacity		
- AirAsia X	55.2	39.7
- Thai AirAsia X	6.1	24.8
b. Management fees		
- AirAsia X	0.2	0.5
c. Wet lease payment		
- AirAsia X	1.6	-

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29. Review of Group Performance

The segmental information for the reportable segments for the quarters ended 30 June 2022 and 30 June 2021 are as follows:

	Aviation	Engineering	Teleport	SuperApp	BigPay	Others	Total	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	Segments	adjustments	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
QTD									
30/06/2022									
Revenue	1,378,521	75,332	98,838	82,046	7,198	1,644	1,643,579	(178,144)	1,465,435
Staff costs	(186,179)	(23,769)	(13,372)	(41,170)	(15,738)	(11,426)	(291,654)	2,871	(288,783)
Fuel costs	(700,804)	-	-	-	-	-	(700,804)	-	(700,804)
Maintenance and overhaul	(234,942)	(14,865)	(8)	-	-	-	(249,815)	72,870	(176,945)
User charges and other related expenses	(217,856)	-	(104,518)	(23,716)	(1,477)	(22)	(347,589)	70,373	(277,216)
Other operating expenses	94,798	(9,785)	(6,234)	(16,233)	(22,895)	(7,713)	31,938	36,571	68,509
Other income	17,942	-	(2)	-	489	1	18,430	(22)	18,408
EBITDA	151,480	26,913	(25,296)	927	(32,423)	(17,516)	104,085	4,519	108,604
Depreciation & amortisation									(372,050)
Interest expense									(244,171)
Interest income									16,318
Derivative gain									13,699
Share of results of associates/joint venture									(291,478)
Segment results									(769,078)
Foreign exchange loss									(345,395)
Loss before taxation									(1,114,473)

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29. Review of Group Performance (cont'd.)

The segmental information for the reportable segments for the periods ended 30 June 2022 and 30 June 2021 are as follows: (cont'd.)

	Aviation RM'000	Engineering RM'000	Teleport RM'000	SuperApp RM'000	BigPay RM'000	Others RM'000	Total Segments RM'000	Elimination adjustments RM'000	Total RM'000
QTD									
30/06/2021									
Revenue	239,616	22,716	160,938	16,856	5,974	594	446,694	(57,785)	388,909
Staff costs	(115,078)	(17,816)	(7,768)	(23,709)	(6,150)	(9,637)	(180,158)	271	(179,887)
Fuel costs	(70,460)	-	-	-	-	-	(70,460)	-	(70,460)
Maintenance and overhaul	(79,517)	(18)	1,239	-	-	-	(78,296)	28,077	(50,219)
User charges and other related expenses	(40,156)	-	(171,816)	(4,624)	-	(3)	(216,599)	16,849	(199,750)
Other operating expenses	(66,951)	(656)	(2,453)	(21,538)	(20,990)	(2,840)	(115,428)	26,163	(89,265)
Other income	7,380	-	-	-	0.3	-	7,380	(3,782)	3,598
EBITDA	(125,166)	4,226	(19,860)	(33,015)	(21,166)	(11,886)	(206,867)	9,793	(197,074)
Depreciation & amortisation									(455,664)
Interest expense									(143,149)
Interest income									3,672
Derivative loss									(5,905)
Share of results of associates/ joint venture									(10,085)
Segment results									(808,205)
Foreign exchange gain									81,438
Loss before tax									(726,767)

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29. Review of Group Performance (cont'd.)

Consolidated Group Performance

Driven by the revival of air travel during the period, the Group reported a revenue of RM1,465.4 million for 2Q2022 and RM2,277.2 million for year-to-date (“YTD”) 2022, respectively. The reported revenue was more than double the revenue in the same periods of 2021. The increase was mainly attributed to the relaxation of travel restrictions, including testing, quarantine and entry requirements.

In the second quarter, 84% of the Group’s revenue was attributed to the aviation segment while 6% of revenue was derived from the logistics business, 5.5% from the digital and other businesses and the remaining 4.5% was contributed by the engineering business. Super App and Engineering revenue were more than three times higher than the 2Q2021 revenue, while Teleport saw a decrease in revenue by 39%, mainly due to lower contribution from the cargo-only flying model.

The Group reported a positive EBITDA of RM 108.6 million in 2Q2022 as compared to negative EBITDA of RM 197.1 million in 2Q2021, following the reversal of impairment on ROU of RM 229.0 million that was related to operating aircraft. The Group reported a net loss of RM 1,120.9 million in 2Q2022 as compared to RM 719.6 million in 2Q2021. The current quarter recorded a share of loss of RM 291.5 million from associates. The Group was severely affected by foreign exchange losses of RM 480.3 million, including THB 2,398.8 million recorded by our associated company, Asia Aviation Public Company Limited (“AAV”) due to the depreciation of local currencies against the USD during the quarter. Additionally, RM 533.0 million was recorded in Other Comprehensive Income due to translation losses for YTD June 2022. For YTD June 2022, the Group reported a net loss of RM 2,198.1 million, 30% higher compared to a loss of RM1,695.8 million in 2Q2021, mainly due to share of loss from associates and foreign exchange loss.

Cashflow commentary for current quarter against corresponding quarter

Net Cash Flow	Period ended 30/06/2022 RM million	Period ended 30/06/2021 RM million
Cash from/(to) Operating activities	(167.1)	(450.2)
Cash from/(to) Investing activities	(202.5)	81.7
Cash from/(to) Financing activities	(251.2)	68.4
Net cash flow for the Period	<u>(620.8)</u>	<u>(300.1)</u>

Operating Cash outflow was negative due to higher fuel cost and higher expenses for maintenance. Cash flow from investing activities included the additional investment into AAV and utilisation of the proceeds from a term loan as disclosed in Note 21. The cash flow from financing activities for the current period included proceeds of term loan and other facility, net off payment of debt and aircraft leases.

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29. Review of Group Performance (cont'd.)

(a) Aviation

Performance indicators

	Apr to Jun 2022	Apr to Jun 2021	Change %	YTD 2022	YTD 2021	Change %
Passengers Carried	5,558,125	758,746	633%	9,307,362	1,735,714	436%
Capacity	6,592,952	1,113,888	492%	11,534,084	2,577,714	347%
Seat Load Factor	84%	68%	16	81%	67%	13
RPK (million)	5,278	775	581%	8,508	1,663	412%
ASK (million)	6,380	1,149	455%	10,668	2,478	331%
Average Fare (RM)	214	194	10%	181	174	4%
Unit Passenger Revenue (RM)	252	241	5%	215	221	-3%
Revenue / ASK (sen)	21.95	15.93	38%	18.79	15.45	22%
Revenue / ASK (US cents)	5.05	3.88	30%	4.27	3.76	14%
Cost / ASK (sen)	30.42	76.51	-60%	31.44	74.50	-58%
Cost / ASK (US cents)	6.99	18.62	-62%	7.14	18.13	-61%
Cost / ASK-ex Fuel (sen)	19.44	70.37	-72%	21.61	67.47	-68%
Cost / ASK-ex Fuel (US cents)	4.47	17.12	-74%	4.91	16.42	-70%
Aircraft (end of period)	154	151	2%	154	151	2%
Average Stage Length (km)	958	1,026	-7%	919	958	-4%
Number of Flights	35,670	6,114	483%	62,586	14,150	342%
Fuel Consumed (Barrels)	1,067,792	190,797	460%	1,790,331	420,840	325%
Average Fuel Price (US\$ / Barrel)	151	90	68%	133	83	60%

**CASK excludes reversal of impairment.*

The Aviation Group reported a revenue of RM1,378.5 million for 2Q2022, up by 475% compared to the same period last year, on the back of the resumption of domestic and international travels. As a result of the relaxation of restrictions and robust travel demand, the Group carried 5.56 million passengers, up 633% from 2Q2021. Passenger load factor was 84%, up by 16 percentage points (“ppts”). ASK increased by 455% YoY with additional operational aircraft increasing by 4 times of that in 2Q2022. Average fare improved to RM 214 per passenger, an increase of 10% year-on-year (“YoY”), attributable to the rising number of international flights, collection of fuel surcharge and sales of Super+ pass. Apart from that, ancillary revenue increased 49% YoY, with the support of a strong rebound in checked baggage and food and beverage services.

Operating costs rose to RM1,245.0 million for 2Q2022, up by 243%, compared to the same period last year as fuel costs surged significantly by 68% to an average fuel price of USD 151 per barrel. Staff costs and maintenance expenses, mainly flying and ground crews, increased significantly YoY in tandem with the restoration of flights.

Overall, the Aviation Group reported a positive EBITDA of RM151.5 million for 2Q2022, as compared to negative EBITDA of RM 125.2 million in the same period last year. This was contributed by the higher yield for international flights, the implementation of fuel surcharges that partly offset the hike in fuel costs and the reversal of impairment on ROU.

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29. Review of Group Performance (cont'd.)

Malaysia reported a strong load factor at 84%, which is similar to pre-covid levels. The surge of travel demand had resulted in passengers carried to increase by 12 folds with strong demands on Singapore, Indonesia and India routes.

Indonesia rebounded strongly, recorded load factor at 77%, with average fares the highest amongst the AOCs.

The Philippines posted the highest load factor amongst all the AOCs at 93%. Frequencies were added to domestic destinations which saw strong demand whilst rational pricing saw the average fare maintained at RM164.

Thailand, an associate company, AAV, reported the passenger carried 1.7 million with a load factor of 75%, up 14 pts YoY. Average fare and ancillary per pax climbed 17% and 21% YoY, respectively on the back of the rising number of international flights, the collection of fuel surcharges, and the sale of Super+ Pass.

(b) Asia Digital Engineering (ADE)

Asia Digital Engineering (“ADE”) reported a revenue of RM75.3 million in 2Q2022, an increase of 232% YoY, as travel resumption and increased flights have driven the demand for MRO services. ADE provides a comprehensive suite of aviation MRO services, including line and base maintenance services, spare parts workshop services, engineering maintenance services, component warehousing and digital and innovation services. The MRO market is expected to recover in line with the improvement in travel volumes.

ADE reported a positive EBITDA of RM26.9 million in 2Q2022, primarily driven by the increase in revenues and its lean and efficient cost structure. The revenue is expected to grow in the coming quarters as ADE secures additional aircraft hangars to support the upcoming base maintenance demand.

(c) Digital

	Apr to Jun	Apr to Jun	Change %
Super App			
Monthly Active Users (MAU) ('000)	10,627	3,163	236%
No. of Transactions ('000)	4,880	782	524%
Gross Booking Value (RM) (RM'000)	1,905,102	222,114	758%
BigPay			
Total Users (Cumulative)	3,347,255	1,781,295	88%
Carded Users (Cumulative)	1,216,902	752,227	62%
Teleport			
Tonnage (Tonnes)	22,122	30,266	-27%
Yield (RM/kg)	4.03	5.27	-24%
No. of Delivery ('000)	1,153	158	630%

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29. Review of Group Performance (cont'd.)

(i) airasia Super App (cont'd.)

Airasia Super App's revenue for the quarter was RM82.0 million, significantly increased by 387% for YoY comparison, driven by the strong revival of domestic travel demand and resumption of international travel in the Asean region, as well as breakage income contribution from airasia Rewards. Key operating expenses have also been optimised in the quarter. Accordingly, airasia Super App posted an improved EBITDA of RM0.9 million in 2Q2022.

In 2Q2022, the parcel delivery service airasia Xpress has expanded its services to include interstate deliveries, with door-to-door service between the Klang Valley and key cities across the country.

In terms of Monthly Active Users ("MAU"), airasia Super App achieved 10.6 million average MAU during the quarter, a record increase of 236% YoY. This was primarily due to the strong return of travel and increased user acquisition on the mobile app. Additionally, the number of transactions climbed five times as compared to the second quarter last year, driven primarily by a higher number of transactions from Flights, airasia ride, FlyBeyond, and SUPER+.

(ii) BigPay Group

BigPay achieved over 1.2 million carded users in 2Q2022, a 62% increase from the same period last year. Revenue grew by 20% YoY. This was driven by stronger growth in usage and volume within both the payments and remittance businesses, in line with travel recovery and the expansion of the product offerings, such as the launch of Malaysia's national instant payments and transfers (DuitNow), and additional international remittance corridors. The payments business was also boosted by an improvement in margins from a higher take rate from international payments. The lending business saw a strong uptake from the initial digital lending product launch in the last quarter, with revenue growth of over 385% quarter-on-quarter. With the continued improvement in unit economics, this offset the increase in operating expenses that kept EBITDA flat relative to the last quarter. EBITDA for 2Q2022 was a negative RM32.3 million as compared to a negative RM21.2 million a year ago. The increase was mainly due to BigPay investing heavily into building a scalable and resilient platform, while growing the business. These changes also ensure BigPay remains compliant with new regulations governing non-bank financial institutions to increase robustness in cyber security and risk management.

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29. Review of Group Performance (cont'd.)

(i) Teleport

Teleport's quarterly revenue was 39% lower YoY as Teleport moved away from cargo-only flying using passenger planes (P2C) in 2Q2022. Lockdowns in China, fuel price escalation and the return of passenger networks combined, made the economics of P2C operations unviable in the second quarter. Meanwhile, aviation authorities also started to withdraw support for P2C operations across the region.

In contrast to the wind-down of P2C operations, Teleport increased its revenue from belly cargo by 200% YoY, making it 50% of cargo revenue in 2Q2022, up from 27% in 1Q2022, as AirAsia's passenger network continued to be reintroduced.

Volume for the Delivery segment grew 630% YoY to nearly 1.2m (13k daily) deliveries in 2Q2022. Unit economics also improved QoQ as Teleport increased the proportion of deliveries utilising air cargo from 75% to 92%. Growth in this sector is expected to continue as we deepen our engagement with key marketplaces and third party logistic operators in the region.

30. Variation of results against preceding quarter

The Group recorded a positive EBITDA of RM 108.6 million for the quarter under review, against the negative EBITDA of RM 308.6 million in the preceding quarter ended 31 March 2022 primarily due to reversal of impairment loss on ROU. The Group recorded a net loss of RM1,120.9 million for the quarter under review, against the net loss of RM1,077.2 million in the immediately preceding quarter mainly due to the foreign exchange loss and higher share of loss from associates.

31. Profit forecast

No profit forecast has been issued.

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32. Commentary on prospects

The outlook of the Group is positive, supported by robust momentum in sales and the lifting of travel restrictions. Our strategy remains to strengthen our ecosystem of travel, e-commerce, logistics and fintech to achieve long-term sustainable growth.

The Covid-19 situation has improved from the previous quarter. Most of our operating markets have removed limitations on cross-border travel, quickly enabling tourist and service sectors towards normalcy. However, the continuous Zero-Covid Policy in China was a significant factor that caused flights to and from Asia Pacific to lag those of other regions globally.

The IMF projected a significant slowdown in global economic growth to only 3.2% (2021: 6.1%) and a sharp increase of inflation to 8.3% in 2022, raising fears of a potential economic recession. Nevertheless, low-cost carriers, including AirAsia, would generally be well-positioned during an economic recession, owing to our lean cost structure, and optimised operations.

For the Group's aviation business, all signs indicate a return to normalcy in domestic travel this year as well as a rapid recovery in international air traffic throughout 2022 and next year. Positively, the high yield market is likely to continue, due to strong pent up demand, rational competitive landscape and strong take-up in ancillary products from the reinstatement of international flights. Profitability outlook is showing signs of improvement, given the trend of softer fuel prices from concerns over weakening demand. However, currency depreciation in Asean and high maintenance costs to bring operational aircraft back into service remain as headwinds. Meanwhile, CASK ex-fuel will continue to decrease on the back of more capacity added. In August, the Group managed to operate 108 aircraft, accounting for more than half of the total fleet across our four operating airlines. The Group is taking all measures possible to return the grounded fleet back into service, with an estimate to have 160 operational aircraft by the end of this year, and full operations by second quarter of 2023.

Despite global travel disruptions caused by labour shortages and strikes, the Group has not experienced any manpower shortages. The Group continues to maintain pilot and engineer licence active and redeployed some groups of people to support our growing digital businesses. Hence, we were able to quickly restore them to service as we resumed more flights. On top of that, we have received assurance from our airport partners of their ability to support our service resumption.

The Group's maintenance, repair and overhaul (MRO) business, Asia Digital Engineering ("ADE") is committed to being a leading global MRO provider with best-in-class service and value for not just our aviation Group, but to other third-party airlines. ADE will continue diversifying its order book to have a more balanced mix with the goal of securing additional aircraft hangars to support the increasing base maintenance demands in the region.

With the rapid return of international lanes, the Group's logistics business, Teleport, expects belly capacity and utilisation to increase in the latter half of this year. Furthermore, delivery volume is anticipated to grow tremendously from the onboarding of Shopee, a sizable new e-commerce platform, as its client.

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32. Commentary on prospects (cont'd.)

For the Group's digital businesses, airasia Super App's performance is expected to grow significantly off the back of the continued resurgence of travel demand from border reopening and tactical campaigns, as well as anticipated across-Asean expansion from airasia Food, airasia Ride and airasia Xpress.

BigPay's performance is expected to improve as travel recovers, supported further by its expansion of product offerings, such as DuitNow payments and transfers, as well as additional remittance corridors. BigPay launched Malaysia's first 2-minute approval digital lending products. Additionally, BigPay is expanding with lending and securities licences and planning to expand regionally to boost its network effect.

Furthermore, the financial market has remained supportive of the Group and its subsidiaries through various fundraising exercises, allowing the Group to increase its liquidity and to resume sustainable growth. In all, the Group has raised more than RM 3 billion since 2020.

The Group will continue to raise sustainability and climate change awareness throughout our business operations. Besides, the Group has confirmed a 362 aircraft order of A321neo for delivery until 2035. We will begin to benefit from this emissions reduction from these aircraft when aircraft deliveries resume in 2024, while we reduce our carbon footprint and contribute to the aviation industry's goal of net zero emissions by 2050.

Based on the above, the Board is optimistic that the Group will perform better in 2022.

33. Material Litigation

On 11 December 2018, 23 January 2019, 18 July 2019, 10 September 2019, 8 March 2022 and 5 April 2022, Malaysia Airports (Sepang) Sdn. Bhd. ("MASSB"), a wholly-owned subsidiary of Malaysia Airport Holdings Berhad ("MAHB"), filed the suits against the Company's wholly-owned subsidiary, AirAsia Berhad ("AAB"), together with an affiliate of the Company, AirAsia X Berhad ("AAX"), in relation to MASSB's claim for Passenger Services Charges.

Through a series of communications between AAB, AAX and MAHB, the parties agreed to discontinue all civil suits between AirAsia and MAHB, which was effected by appropriate filings in court on 9 August 2022. Save for the mutual agreement to discontinue the legal proceedings, there was no other settlement agreement entered into by the parties.

CAPITAL A BERHAD
(FORMERLY KNOWN AS AIRASIA GROUP BERHAD)
201701030323 (1244493-V)
SECOND QUARTER REPORT ENDED 30 JUNE 2022

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

34. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to owners of the Company for the financial period by the weighted average number of ordinary shares in issue during the financial period.

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended	Quarter ended	Year ended	Year ended
	30/06/2022	30/06/2021	30/06/2022	30/06/2021
Net loss attributable to owners of the Company (RM'000)	(931,224)	(580,059)	(1,835,016)	(1,347,481)
Weighted average number of ordinary shares in issue ('000)	4,049,410	3,813,142	4,033,798	3,558,948
Basic earnings per share (sen)	(23.0)	(15.2)	(45.5)	(37.9)

35. Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors.

By order of the Board

HARMINDER SINGH A/L JAILA SINGH
(P.C Reg No: 201908001591)(LS0009855)
COMPANY SECRETARY
26 AUGUST 2022