



ASmallWORLD

HALF-YEAR REPORT 2020

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CONSOLIDATED INTERIM INCOME STATEMENT

Unaudited figures

in TCHF	1st half 2020	1st half 2019	Δ in %
Net sales	5'897.6	5'651.4	4%
Direct expenses for services rendered	-2'725.3	-1'781.1	53%
Personnel expenses	-1'223.0	-1'647.5	-26%
Research and development expenses	-147.1	-165.4	-11%
Other operating expenses	-1'408.9	-1'556.9	-10%
EBITDA¹⁾	393.3	500.5	-21%
Depreciation of tangible fixed assets	-17.3	-23.6	-27%
Amortization of intangible assets	-356.4	-355.9	0%
Operating result	19.6	121.0	-84%
Financial income	455.2	360.3	26%
Financial expenses	-77.7	-84.6	-8%
Ordinary result	397.1	396.7	0%
Income taxes	-68.4	-59.4	15%
Net result	328.7	337.3	-3%
Earnings per share (basic/diluted in CHF)	0.03	0.03	

1) Earnings before interest (including all financial income and expenses), taxes, depreciation and amortization.

CONSOLIDATED INTERIM BALANCE SHEET

Unaudited figures

in TCHF	June 30, 2020	December 31, 2019
ASSETS		
Cash	3'754.8	6'889.1
Receivables from services	304.6	650.9
Other short-term receivables	554.1	881.4
Prepayments and accrued income	918.6	669.4
Total current assets	5'532.1	9'090.7
Tangible fixed assets	63.1	80.5
Financial assets	819.5	513.7
Intangible assets	1'835.4	1'924.5
Total non-current assets	2'718.0	2'518.7
Total assets	8'250.1	11'609.3
LIABILITIES AND EQUITY		
Short-term financial liabilities	0.0	12.6
Payables from goods and services	995.8	1'058.5
Other short-term liabilities	615.7	4'589.1
Short-term provisions	1'984.7	2'128.3
Accrued liabilities and deferred income	3'998.5	3'155.4
Total current liabilities	7'594.7	10'943.8
Long-term financial liabilities	4'355.1	2'769.0
Long-term provisions	3'624.0	5'611.8
Total non-current liabilities	7'979.1	8'380.8
Total liabilities	15'573.8	19'324.6
Share capital	11'367.2	11'367.2
Capital reserves	16'785.0	16'785.0
Retained earnings	-35'475.8	-35'867.5
Total equity	-7'323.7	-7'715.3
Total liabilities and equity	8'250.1	11'609.3

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
Unaudited figures

in TCHF	Retained earnings						TOTAL
	Share capital	Capital reserves	Currency translation effects	Goodwill offset with equity	Other retained earnings	Total retained earnings	
Opening as per 1 Jan 2019	11'367.2	16'785.0	-33.4	-30'042.4	-6'621.7	-36'697.4	-8'545.2
Group result 1st half 2019	-	-	-	-	337.3	337.3	337.3
Share-based compensation	-	-	-	-	414.3	414.3	414.3
Goodwill offset with equity ¹⁾	-	-	-	-876.6	-	-876.6	-876.6
Currency translation adjustments 2019 ¹⁾	-	-	-73.5	-	-	-73.5	-73.5
Closing as per 30 Jun 2019¹⁾	11'367.2	16'785.0	-106.8	-30'919.0	-5'870.1	-36'895.9	-8'743.7
Opening as per 1 Jan 2020	11'367.2	16'785.0	-206.9	-30'919.0	-4'741.7	-35'867.5	-7'715.3
Group result 1st half 2020	-	-	-	-	328.7	328.7	328.7
Share-based compensation	-	-	-	-	215.6	215.6	215.6
Currency translation adjustments 2020	-	-	-152.7	-	-	-152.7	-152.7
Closing as per 30 Jun 2020	11'367.2	16'785.0	-359.6	-30'919.0	-4'197.4	-35'475.8	-7'323.7

1) Restated, see note 2.

CONSOLIDATED INTERIM CASH FLOW STATEMENT

Unaudited figures

in TCHF	1st half 2020	1st half 2019
OPERATING ACTIVITIES		
Net result	328.7	337.3
Depreciation of tangible fixed assets	17.3	23.6
Amortization of intangible assets	356.4	355.9
Change in provisions	-43.5	-75.9
Other income/expense that do not affect the fund	-100.0	211.0
Loss from the disposal of tangible fixed assets	0.1	0.0
Operating cash flow before change in working capital	559.0	851.8
Decrease of receivables from services	346.3	135.3
Increase of other receivables and prepayments & accrued income	-297.0	-258.7
Decrease of payables from goods and services	-62.7	-128.9
Increase/decrease of other short-term liabilities & accrued liabilities and deferred income	819.6	-675.6
Operating cash flow	1'365.2	-76.2
INVESTING ACTIVITIES		
Outflows for investment (purchase) of tangible fixed assets	-2.4	-4.0
Inflows from disposal (selling) of tangible fixed assets	0.6	0.0
Outflows for investment (purchase) of intangible assets	-269.2	-237.6
Acquisition of subsidiaries ²⁾	-5'607.8	72.2
Inflows for investment of financial assets	5.9	12.8
Cash drain from investing activities	-5'872.9	-156.5
FINANCING ACTIVITIES		
Repayment of short-term financial liabilities	0.0	-6.5
Issuance of long-term financial liabilities	1'541.7	609.3
Cash inflow from financing activities	1'541.7	602.8
Currency translation effects	-155.7	-111.0
Net change in net cash¹⁾	-3'121.7	259.1
Opening balance of net cash 1 January	6'876.5	6'055.6
Closing balance of net cash as of 30 June	3'754.8	6'314.8
Net change in net cash¹⁾	-3'121.7	259.1

1) Bank current accounts with credit balances (as of June 30, 2020 TCHF 0 / as of December 31, 2019 TCHF 12.6) will be deducted from cash in the consolidated cash flow statement in order to indicate the change in the net cash amount in the reporting period.

2) There was no acquisition in the first half-year of 2020. The cash outflow is due to outstanding earn-out payments related to the acquisition of First Class & More International GmbH in 2018.

NOTES

Unaudited figures

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

These unaudited consolidated interim financial statements comprise the unaudited half-year results of ASmallWorld AG and its subsidiaries for the reporting period ended 30 June 2020 and have been prepared in compliance with Swiss GAAP FER 31 "Additional accounting and reporting recommendations for listed companies" and the consolidation and accounting principles described in the 2019 consolidated financial statements. This half-year report does not include all the information and disclosures presented in the annual consolidated financial statements and should therefore be read in conjunction with the consolidated financial statements compiled for the financial year ending 31 December 2019 as they represent an update of the last complete set of financial statements.

ASSmallWorld AG is the Group's parent company, a limited company under Swiss law, which is registered and domiciled in Zurich, Switzerland. ASSmallWorld AG is listed on SIX Swiss Exchange.

2 RESTATEMENT

The goodwill resulting from the acquisition of ASSmallWorld TRAVEL (HOLDINGS) Ltd. in 2019 amounts to TCHF 876.6 as disclosed in the 2019 consolidated financial statements of ASSmallWorld. The goodwill for this transaction was disclosed in the amount of TCHF 860.2 in the Half-Year Report 2019 of ASSmallWorld. The adjustment resulted from cut-off corrections during the final year-end review of the accounts of ASSmallWorld (HOLDINGS) LTD. and its subsidiary ASSmallWorld Travel Ltd. The restated total equity as of June 30, 2019 amounts to TCHF -8'743.7 compared to the disclosed total equity of TCHF -8'727.5 in the Half-Year Report 2019. The restated goodwill offset with equity as of June 30, 2019 amounts to TCHF -30'919.0 compared to the disclosed goodwill offset with equity of TCHF -30'902.6 in the Half-Year Report 2019. The restated currency translation effects as of June 30, 2019 amount to TCHF -106.8 compared to the disclosed currency translation effects of TCHF -107.1 in the Half-Year Report 2019. As a result, the restated total retained earnings amount to TCHF -36'895.9 compared to the disclosed total retained earnings of TCHF -36'879.7 in the Half-Year Report 2019. Refer to page 5 for the restated consolidated interim statement of changes in equity as of June 30, 2019.

3 DEFINITION OF ALTERNATIVE PERFORMANCE MEASURES (APM)

APM are financial measures not clearly defined or specified in the applicable recognized accounting standard. Where relevant for the reader, specific subtotals were added, which can be found directly in the tables.

4 CHANGE IN SOPE OF CONSOLIDATION

There was no change in scope of consolidation in the first half-year of 2020.

Last year, in February 2019, ASW Hospitality AG was founded. On February 1st, 2019 ASSmallWorld AG acquired 100% of the shares of LuxuryBARED Holdings Ltd., London (renamed to ASSmallWorld TRAVEL (HOLDINGS) Ltd.) and its subsidiary LuxuryBARED Ltd., Chester (renamed to ASSmallWorld TRAVEL Ltd.).

5 SEGMENT INFORMATION

Top management level steers the business with two operating segments (following the legal entity structure):

- Segment "Subscriptions": Consists of legal entities ASmallWorld AG (excluding Partnership and non-event related sponsoring income), The World's Finest Clubs AG, First Class & More FZE (memberships) and First Class & More International AG (memberships)
- Segment "Services": Consists of the legal entities ASW Events AG, ASW Travel AG, ASmallWorld TRAVEL (former LuxuryBARED), ASW Hospitality, First Class & More FZE (service business) and First Class & More International AG (service business)

in TCHF	1st half 2020	1st half 2019
Net sales by segment¹⁾		
Subscriptions	3'669.6	3'592.7
Services	2'228.0	2'058.7
Net Sales	5'897.6	5'651.4

in TCHF	1st half 2020	1st half 2019
EBITDA by segment¹⁾		
Subscriptions	115.1	596.3
Services	278.2	-95.7
EBITDA²⁾	393.3	500.5

1) For internal reporting purposes, Partnership income was shifted from Subscriptions to Services segment. In order to enable an accurate comparison, TCHF 264.3 were reclassified correspondingly in the prior year figures.

2) Earnings before interest (including all financial income and expenses), taxes, depreciation and amortisation

6 SEASONALITY

In the Subscription segment, the first half-year of 2020 is expected slightly stronger than the second half-year due to the high sales volume of the Prestige Membership with a special Miles & More promotion in the first half-year of 2020. In the first half-year of 2020, the increase of revenue from the service segment of First Class & More FZE has compensated the decrease in revenue from events and travel. The service segment (events and travel) is highly affected by the coronavirus (COVID-19), on which the ecosystem of ASmallWorld is based. It impacts the subscription segment as well, as the benefits of the memberships are driven by the service segment. The impact on the business for the second half-year of 2020 depends strongly on how long and to what extent the measures to contain the new coronavirus will be sustained worldwide.

7 BALANCE SHEET

Cash

Cash decreased by TCHF 3'134 in the reporting period. This is mainly due to the partial settlement of liabilities relating to the acquisition of First Class & More International GmbH in 2018 (excess cash compensation as part of the purchase price and earn-outs). Please refer as well to the consolidated interim cash flow statement on page 6.

Other short-term receivables / Financial assets

In 2019, ASmallWorld sold part of its IP to a third party with a gain of TCHF 727 which was disclosed under other operating income in the 2019 consolidated financial statements. Due to COVID-19 the buyer had to delay the project for which the IP was bought and therefore a deferred payment agreement was issued. Payments are due in 2021. As a result, the outstanding receivable was partially shifted from "other short-term receivables" to "financial assets" (non-current assets). There is no cash-flow impact from this shift within the balance sheet. Management and the Board of Directors are of the view that the recoverability of the receivable is not impaired as of June 30, 2020 and the buyer is able to fulfil its commitments.

Intangible Assets

In the reporting period, ASmallWorld capitalized development costs of TCHF 269 (prior period: TCHF 238) for its technology platform. The amortization of intangibles was on the same level as in prior year. ASmallWorld implanted its own hotel booking platform called the ASmallWorld Collection and did not acquire any other intangible assets.

Other short-term liabilities

The significant decrease in other short-term liabilities relates to the settlement of the excess cash compensation as part of the acquisition of First Class & More International GmbH in 2018.

Accrued liabilities and deferred income

The increase in accrued liabilities and deferred income is mainly driven by increase in deferred income due to revenue recognition of subscription revenue. There was a high sales volume of First Class & More memberships in the second quarter of 2020. Sales from subscriptions are realized monthly over 12 months.

Non-current liabilities

Long-term financial liabilities mainly consist of a loan in CHF from ASW Capital AG (majority shareholder) as part of a credit line of TCHF 5'000. To secure liquidity, the ASmallWorld Group has drawn on guaranteed COVID-19 loans in Switzerland and the UK. The loans drawn in Switzerland amount to TCHF 833. The interest rate is at 0.0% for the entire amount as none of the ASmallWorld companies has drawn a loan above TCHF 500. The interest terms can be adjusted based on the requirements of the Federal Department of Finance. For the duration of the COVID-19 loans, the company can only make replacement investments in fixed assets, may not distribute dividends and royalties and may not repay capital contributions. There are also further restrictions regarding the granting and repayment of loans to group companies and owners. The loan drawn in the UK amounts to TGBP 50. The interest is 2.5% and the first 12 months interest are paid by the UK Government. Monthly repayments are required from May 2021. The maximum term of the loans (Switzerland and UK) is 5 years.

The main part of the provisions are staged purchase price payments (which are conditional on the future success of First Class & More Group) and earn-outs which relate to the acquisition of First Class & More International GmbH, Dusseldorf. Possible payouts are dependent on and will be financed by future results of First Class & More GmbH. The results from the business years 2019 to 2021 of First Class & More are the basis for the calculation of these liabilities. The reduction is due to partial settlement of these liabilities and change in maturity from long to short term.

Equity

The slight increase in equity is mainly due to the positive net result for the first half of the year 2020. Please refer as well to the consolidated interim statement of changes in equity on page 5.

8 INCOME STATEMENT

Operating result

Net sales increased by TCHF 246 (4%) compared to previous year due to an increase in revenue from sales of Prestige memberships (special Miles & More promotion). Furthermore, First Class & More has increased its service revenues especially from sales of upgrade options as well as business and first class flight packages. These positive effects were partly compensated by a decrease in revenues from events and travel.

Direct expenses increased by TCHF 944 (53%) which is mainly due the high sales volume of Prestige memberships which resulted in higher direct costs for travel benefits. The same applies for the service business of First Class & More.

Research and Development expenses decreased due to the reduction of the development team as result of the COVID-19 cost cutting measures. The capitalized development costs as part of intangible assets were slightly higher as in prior year.

Personnel expenses contain TCHF 216 (prior year TCHF 414) of share-based compensation as there is an option plan agreement in place for senior management and the Board of Directors. The short-time working compensation received in Switzerland amounted to TCHF 213 for the first half year of 2020. The compensation received in the UK from coronavirus furlough scheme amounted to TCHF 51 for the first half year of 2020.

Other operating expenses decreased by 10% (TCHF 148) as result of the COVID-19 cost cutting measures (marketing, business consulting and business travel). Furthermore, there were no M&A costs as there was no acquisition in the first half of the year 2020.

The positive **financial result** is driven by the revaluation of liabilities regarding the acquisition of First Class & More (staged purchase price payments, earn-out, excess cash compensation). These amounts are due in EURO and were revaluated at the exchange rate as of June 30, 2020. With the partial settlement of these liabilities in 2020, the gains from revaluation were partially realised. The liabilities regarding the acquisition of LuxuryBARED (renamed to ASMALLWORLD TRAVEL) are dependent on the share price of ASMALLWORLD AG. As the share price decreased since the acquisition, these liabilities decreased in value as well. The liabilities were revalued at the share price as of June 30, 2020. In accordance with the ASMALLWORLD Group Accounting Policy these changes are recognised in the financial result and not in a retrospective adjustment of purchase price and goodwill.

Income taxes

For both reporting periods income taxes are almost solely deferred income taxes resulting from valuation differences in comparison to the values relevant for tax law purposes. In accordance with Swiss GAAP FER no deferred tax assets are recognized for tax losses carried forward. The average tax rate used to calculate deferred taxes was 19% (21% in prior period).

9 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

The coronavirus (COVID-19) has a negative impact on the entire global economy. Especially affected is the service segment of ASMALLWORLD Group (events and travel), on which the ecosystem of ASMALLWORLD is based. It impacts the subscription segment as well, as the benefits of the memberships are driven by the service segment. The impact on the business depends strongly on how long and to what extent the measures to contain the new coronavirus will be sustained worldwide. To secure liquidity, the ASMALLWORLD Group has drawn on guaranteed COVID-19 loans in Switzerland and the UK. Furthermore, the ASMALLWORLD has cut costs and furloughed employees in Switzerland and the UK. In addition, there is a credit line in place granted by the majority shareholder (ASW Capital AG) of up to TCHF 5'000. The credit line was granted at the beginning of 2018 to the company to finance the 5-year growth strategy. The board of directors is of the view that ASW Capital AG is able to fulfil its commitments and the going concern assumption for the group is appropriate.

No other significant events occurred after the balance sheet date as of 30 June 2020.