



HALF-YEAR REPORT 2021



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CONSOLIDATED INTERIM INCOME STATEMENT

Unaudited figures

in TCHF	1st half 2021	1st half 2020	Δ in %
Net sales	9'548.2	5'897.6	62%
Other operating income	-351.0	0.0	100%
Direct expenses for services rendered	-5'544.5	-2'725.3	103%
Personnel expenses	-1'015.9	-1'223.0	-17%
Research and development expenses	-68.7	-147.1	-53%
Other operating expenses	-1'264.0	-1'408.9	-10%
EBITDA¹⁾	1'304.1	393.3	232%
Depreciation of tangible fixed assets	-11.1	-17.3	-36%
Amortization of intangible assets	-344.1	-356.4	-3%
Operating result	948.8	19.6	4751%
Financial income	36.7	455.2	-92%
Financial expenses	-161.9	-77.7	108%
Ordinary result	823.7	397.1	107%
Income taxes	-81.3	-68.4	19%
Net result	742.4	328.7	126%
Basic earnings per share (in CHF)	0.07	0.03	
Diluted earnings per share (in CHF)	0.06	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, 2021	December 31, 2020
ASSETS		
Cash	5'345.0	2'918.6
Receivables from services	503.8	557.9
Other short-term receivables	367.8	839.4
Prepayments and accrued income	267.3	339.8
Total current assets	6'483.8	4'655.7
Tangible fixed assets	27.4	38.5
Financial assets	523.8	401.7
Intangible assets	1'564.9	1'706.6
Total non-current assets	2'116.1	2'146.8
Total assets	8'599.9	6'802.5
LIABILITIES AND EQUITY		
Short-term financial liabilities	71.5	0.0
Payables from goods and services	1'264.2	126.9
Other short-term liabilities	391.8	302.2
Short-term provisions	3'806.2	2'003.4
Accrued liabilities and deferred income	3'601.9	2'838.6
Total current liabilities	9'135.6	5'271.1
Long-term financial liabilities	5'096.4	4'506.8
Long-term provisions	0.0	3'706.2
Total non-current liabilities	5'096.4	8'213.1
Total liabilities	14'231.9	13'484.2
Share capital	11'367.2	11'367.2
Capital reserves	16'785.0	16'785.0
Retained earnings	-33'784.2	-34'833.8
Total equity	-5'632.0	-6'681.7
Total liabilities and equity	8'599.9	6'802.5

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
Unaudited figures

in TCHF	Share capital	Capital reserves	Retained earnings				TOTAL
			Currency translation effects	Goodwill offset with equity	Other retained earnings	Total retained earnings	
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
Opening as per 1 Jan 2021	11'367.2	16'785.0	-232.3	-30'918.9	-3'682.7	-34'833.8	-6'681.7
Group result 1st half 2021	-	-	-	-	742.4	742.4	742.4
Share-based compensation	-	-	-	-	260.8	260.8	260.8
Currency translation adjustments	-	-	46.5	-	-	46.5	46.5
Closing as per 30 Jun 2021	11'367.2	16'785.0	-185.8	-30'918.9	-2'679.5	-33'784.2	-5'632.0

CONSOLIDATED INTERIM CASH FLOW STATEMENT
Unaudited figures

in TCHF	1st half 2021	1st half 2020
OPERATING ACTIVITIES		
Net result	742.4	328.7
Depreciation of tangible fixed assets	11.1	17.3
Amortization of intangible assets	344.1	356.4
Decrease of provisions that do not affect the fund	-19.8	-43.5
Other expense/income that do not affect the fund	949.2	-100.0
Loss from the disposal of tangible fixed assets	0.0	0.1
Operating cash flow before change in operating working capital	2'027.0	559.0
Decrease of receivables from services	24.6	346.3
Decrease/increase other receivables and prepayments and accrued income	44.1	-297.0
Increase/decrease of payables from goods and services	1'137.3	-62.7
Increase of other short-term liabilities and accrued liabilities and deferred income	866.9	819.6
Operating cash flow	4'099.9	1'365.2
INVESTING ACTIVITIES		
Outflows for investment (purchase) of tangible fixed assets	0.0	-2.4
Inflows from divestment (selling) of tangible fixed assets	0.0	0.6
Outflows for investment (purchase) of intangible assets	-202.2	-269.2
Outflows from acquisition of subsidiaries ²⁾	-1'966.5	-5'607.8
Outflows for investment (purchase) of financial assets	-185.3	0.0
Inflows for divestment (selling) of financial assets	2.2	5.9
Cash drain from investing activities	-2'351.7	-5'872.9
FINANCING ACTIVITIES		
Repayment of long-term financial liabilities	-60.7	0.0
Issuance of long-term financial liabilities	700.0	1'541.7
Cash inflow from financing activities	639.4	1'541.7
Currency translation effects	38.9	-155.7
Net change in net cash¹⁾	2'426.4	-3'121.7
Opening balance of net cash 1 January	2'918.6	6'876.5
Closing balance of net cash as of 30 June	5'345.0	3'754.8
Net change in net cash¹⁾	2'426.4	-3'121.7

1) Bank current accounts with credit balances (as of June 30, 2020 and June 30, 2021 TCHF 0) 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 2021. 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 2021 (HY1) 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 2020 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 2020 as they represent an update of the last complete set of financial statements.

ASmallWorld AG is the Group’s parent company, a limited company under Swiss law, which is registered and domiciled in Zurich, Switzerland. ASmallWorld AG (ASWN) is listed on SIX Swiss Exchange.

2 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.

3 CHANGE IN SCOPE OF CONSOLIDATION

There was no change in scope of consolidation, either in the first half-year of 2021, nor in the first half-year of 2020.

4 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 LTD, ASW Hospitality, First Class & More FZE (service business) and First Class & More International AG (service business)

in TCHF	1st half 2021	1st half 2020
Net sales by segment		
Subscriptions	5'819.3	3'669.6
Services	3'728.8	2'228.0
Net Sales	9'548.2	5'897.6

in TCHF	1st half 2021	1st half 2020
EBITDA by segment		
Subscriptions	646.2	115.1
Services	657.8	278.2
EBITDA¹⁾	1'304.1	393.3

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

5 SEASONALITY

The Subscription segment is expected to perform better in the first half of the year due to high sales volumes of the Prestige Membership based on two special Miles & More promotions which took place in HY1. Only one such promotion is planned in HY2. For the Service segment, the services of First Class & More FZE (sales of upgrade options as well as business and first-class flight packages) were the main driver of the revenue growth in HY1. For HY2, sales are expected to slow down again due to the ongoing uncertainty around COVID-19. In addition, the Service segment is generally still affected by COVID-19. The impact on the business for HY2 will depend on how the pandemic will evolve this Autumn/Winter and what measures will be taken by the governments worldwide to contain the pandemic.

6 BALANCE SHEET

Cash

The cash position of the company increased by TCHF 2'426 during the reporting period. This was mainly due to a significant revenue increase in both reporting segments. ASmallWorld has also drawn TCHF 700 from the credit line granted by Pellegrino Capital AG (majority shareholder) to finance its operations. In addition, there has been lower payouts related to the acquisition of First Class & More International GmbH compared to the same period last year (excess cash compensation as part of the purchase price and earn-outs), which had led to a significant decrease in cash in HY1 2020. Please refer to the consolidated interim cash flow statement on page 6 for more details.

Other short-term receivables

In 2019, ASmallWorld sold part of its IP rights to a third-party for 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 a deferred payment agreement was issued in 2020. Due to the uncertain situation with COVID-19, the project will be delayed further. Both parties still intend to launch the project but there is uncertainty about the exact timing of the launch. Due to this uncertainty, Management and the Board of Directors agreed to impair this receivable by TCHF 500 as of June 30, 2021. This impairment reduced other operating income for the period by the same amount.

Financial assets

Financial assets increased by TCHF 122, primarily due to security deposits for the travel business (insurance and suppliers). Since January 1st, 2021, the travel business of ASmallWorld (ASmallWorld Private & ASmallWorld Collection) is managed by ASW Travel AG in Zurich (Switzerland). The office in the UK was closed. The reorganisation was done to reduce costs in the light of the COVID-19 pandemic and its negative impact on the travel business. The UK companies are dormant and the applications to strike off and dissolve the companies have been accepted. The process to close the companies has started and they will be officially removed from the register in HY2 2021.

Intangible Assets

In the reporting period, ASmallWorld capitalized development costs of TCHF 202 (prior period: TCHF 269) for its technology platform. The amortization of intangibles was on the same level as in prior year. Due to the COVID-19 pandemic the development team was reduced to cut costs which led to lower capitalized development costs compared to the previous period. ASmallWorld has still released major updates for its iOS and Android apps, as well as for its website. In addition to smaller improvements, the update significantly expanded the online functionality of the ASmallWorld social network with the introduction of 'Member Posts.'

Payables from goods and services

The significant increase in payables from goods and services relates to a Prestige Membership Miles & More promotion in June 2021. During this promotion a high sales volume has been generated. This resulted in a high invoice from Miles & More for air miles which was issued in June and settled in July 2021. As the costs relate to sales in June, the invoice was recorded as a payable from goods and services as of June 30, 2021.

Accrued liabilities and deferred income

The increase in accrued liabilities and deferred income was mainly driven by increase in deferred income due to revenue recognition of subscription revenue. There was a record sales volume of ASmallWorld Prestige Memberships in June 2021 (special Miles & More promotions). Furthermore, First Class & More generated high sales from its membership business which extends into the future (early extensions). In case of rendered subscription, revenue will be recognized when services are provided (at a certain time or straight-line over a contractual duration).

Long-term financial liabilities / short-term financial liabilities

Long-term financial liabilities mainly consisted of a loan from Pellegrino Capital AG (majority shareholder) as part of a credit line of TCHF 5'000. To secure liquidity, the ASmallWorld Group has also drawn on guaranteed COVID-19 loans in Switzerland and the UK in 2020. The loans drawn in Switzerland amount to TCHF 858. The interest rate on these loans is 0.0%. The interest terms can be adjusted based on the requirements of the Federal Department of Finance. The term of the loan is 8 years, in cases of hardship, an extension to 10 years is possible. For the duration of the COVID-19 loans, the company 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. Furthermore, it is not allowed to transfer funds to a foreign company and to reschedule existing debts. First repayments are due in March 2022. As a result, TCHF 71.5 were reclassified from long-term to short-term financial liabilities. The loan drawn in the UK (TGBP 50) was settled in HY1 2021.

Long-term provisions / short-term provisions

Short-term provisions were staged purchase price payments (which are conditional on the future success of First Class & More Group) and an earn-out which are both related to the acquisition of First Class & More International GmbH, Dusseldorf in 2018 and were part of the purchase price. Possible payments are dependent on and financed through 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. Partial settlements were made in 2020 (TCHF 1'923.8) and 2021 (TCHF 1'966.5). The last payment is due in HY1 2022. As a result, these liabilities were reclassified from long-term to short-term provisions.

Equity

The increase in equity was mainly due to the positive net result for the first half of the year 2021. Please also refer to the consolidated interim statement of changes in equity on page 5.

7 INCOME STATEMENT

Net sales

Net sales increased by TCHF 3'651 (62%) compared to the previous year due to a significant revenue increase in both reporting segments. Many factors contributed but the main driver were the sales of the ASmallWorld Prestige Memberships. Two special Miles & More promotions took place in HY1 2021 which generated record sales volumes. Furthermore, First Class & More has significantly increased its service revenues especially from sales of upgrade options as well as business and first-class flight packages. These positive effects were partly offset by a decrease in revenues from events and travel.

Other operating income:

The receivable from the IP sale in 2019 was impaired by TCHF 500 as of June 30, 2021. The gain of the IP Sale was disclosed under other operating income in 2019 (refer as well to explanation above for "other short-term receivables"). This effect was partially offset by government support ("COVID-19 Hardship Assistance") for ASW Events AG in the amount of TCHF 149 in HY1 2021. The event business was and still is highly affected by COVID-19 pandemic. As a result, the event business is loss making since March 2020, as very few events took place due to government restrictions worldwide. This resulted in a significant drop of revenues and uncovered fixed costs. In order to cover the fixed cost of highly affected businesses, which were profitable before the COVID-19 pandemic, the Canton of Zurich has initiated a COVID-19 hardship assistance program. The contributions are non-repayable and are therefore subsidies within the meaning of § 3 para. 1 of the State Contributions Act of 1 April 1990 (LS 132.2) and are therefore subject to this Act. There are restrictions related to the hardship assistance program. ASW Events AG may not declare or distribute any dividends or royalties in the financial year in which the government support was received or for the three subsequent years. ASW Events AG may not reimburse any capital contributions and may not grant any loans to its owners. The funds granted may not be transferred to a directly or indirectly affiliated group company that does not have its registered office in Switzerland.

Direct expenses

Direct expenses increased by TCHF 2'819 (103%) which was mainly due to 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 expense

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

Personnel expenses

Personnel expenses contained TCHF 261 (prior year TCHF 216) 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 160 (prior year TCHF 213) in HY1 2021. The reduction of personnel expense is mainly related to the reorganisation of the travel business and closing the office in the UK.

Other operating expenses

Other operating expenses decreased by 10% (TCHF 145) mainly due to the reorganisation of the travel business and closing the office in the UK.

Financial result

The positive financial result in 2020 was driven by a positive one-off effect (revaluation of liabilities regarding the acquisition of First Class & More). 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. With the partial settlement of the liabilities the impact of these revaluation effects will slowly disappear. In the first half of the year a loss resulted from the revaluation of these liabilities which resulted in an overall negative financial result.

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% (19% in prior period). In 2019, the intellectual property (IP) rights for the international business of First Class & More were transferred from First Class & More International GmbH to First Class & More International AG. The IP is still not capitalized in the consolidated financial statements but only under local GAAP. As this asset was shifted into a different tax jurisdiction, the difference between local GAAP and Swiss GAAP FER changed from a permanent into a temporary difference, for which deferred taxes must be recognised. This led to a positive one-off tax effect in the amount of TCHF 400 in 2019. The IP will be depreciated under local GAAP over 5 years in accordance with the accounting policy of ASmallWorld. As a result, the recognized deferred tax asset on that temporary difference will be reduced over 5 years as deferred income tax expense.

8 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No significant events occurred after the balance sheet date of 30 June 2021. Events after the balance sheet date were considered until August 23, 2021. On this date, the half-year report 2021 was approved by the Board of Directors of ASmallWorld AG.