Avast plc

Half Year Results 2021

Avast PLC

HALF YEAR RESULTS FOR THE SIX-MONTHS ENDED 30 JUNE 2021

First half performance in line with the Board's expectations; full year revenue guidance maintained

Avast plc, together with its subsidiaries ('Avast', 'the Group' or 'the Company'), a leading global cybersecurity provider, announces its results for the six-months ended 30 June 2021.

Ondrej Vlcek, Chief Executive of Avast, said:

"In line with the Board's expectations, we are pleased to report a resilient set of group results for the first half of 2021, against the backdrop of a strong prior year performance. The Group delivered double-digit organic revenue growth[1] and sustained high levels of profitability with Adjusted EBITDA margin at 57.3%[2].

"We are optimistic about Avast's prospects for the second half of the year, and as comparator period trends start to normalise, we anticipate a reacceleration of billings growth. The launch of our new flagship Avast One product remains on track for later this year. Our focus remains on driving customer engagement, acquisition and retention, which will require higher levels of margin investment in R&D, innovation and marketing over the medium term."

FINANCIAL HIGHLIGHTS

- Good overall performance in line with the Board's expectations
- Billings at $482.7m up 2.9% at actual rates, with organic growth of 0.9%
- Revenue at $471.3m up 8.8% at actual rates, with organic growth of 10.4%
- Consumer Direct Revenue at $401.6m, up 15.0% at actual rates, with organic growth of 13.9%
- Adjusted EBITDA up 11.9% to $270.2m; Adjusted EBITDA margin at 57.3%, up 159bps
- Adjusted fully diluted earnings per share ('EPS') up 20.5% to $0.20 (versus $0.16 at HY 2020)
- Final dividend in respect of 2020 paid in June 2021 of 11.2 cents per share; total dividend for the year of 16.0 cents per share, up 8.8%. Declared interim dividend payable in October 2021 of 4.8 cents per share
- Continued strong cash generation with Unlevered Free Cash Flow up 9.0% to $263.1m and Levered Free Cash Flow up 12.6% to $248.8m
- Resilient balance sheet with $397.6m of cash and available liquidity[3]. Net debt / LTM ('last twelve months') Adjusted EBITDA at 1.0x at half year
- On a statutory basis, Operating profit up $92.2m from $134.5m to $226.7m, fully diluted EPS at $0.20 (versus $0.08 at HY 2020)

OPERATIONAL AND STRATEGIC HIGHLIGHTS

- Consumer Direct operating KPI's tracked positively. In the six months to June, customers[4] were up 1.5% to 16.72m, Average Products Per Customer[5] increased 0.8% to 1.42 and Average Revenue Per Customer[6] was up 4.4% to $47.61.
- As the competitive market becomes more dynamic, renewed investment focus has been placed on marketing and other top-of-the-funnel initiatives to drive customer engagement, acquisition and retention activities, which will require higher levels of margin investment over the medium term.
- Desktop customer retention rates at 69 percent, up 4 ppts since IPO, driven by Avast's customer retention strategies. Renewals in H1 have remained resilient, with only minor degradation in the 'Covid cohort' and evidence of opportunity for further improvement.
- Avast's privacy service offering was further enhanced. AntiTrack benefited from a user experience redesign. BreachGuard was upgraded with 'Identity Assist', offering ID theft resolution and scam assist.
- There was continued successful execution on the global growth strategy, with increases in desktop customer numbers in both established markets and target underpenetrated countries, including Ukraine up 17%, Russia up 7%, and Mexico up 5%.
- The market release of the company's innovative integrated solution Avast One remains on track for the second half of the current year.
- Avast continued to enrich its SMB offering through product innovation, notably through the launch of the new Avast Business Hub, a state-of-the-art integrated security platform.
- To advance its business strategy in identity, Avast made two senior executive appointments: a new Senior Vice President and GM of Identity, Charles Walton and a Global Head of Development, Paul Carter.

- Post period end the Board established a new Security and Privacy Committee to provide oversight in relation to the group's information security strategy, data security, data governance and privacy governance.

($'m)	H1 2021	H1 2020	Change %	Change % (excluding FX) [7]
Billings	482.7	469.1	2.9	(1.1)
Acquisitions	0.0	-	n/a	n/a
Disposal Family Safety mobile business [8]	-	8.2	n/a	n/a
Discontinued Business[9]	1.3	2.4	(47.5)	(48.5)
Billings excl. Acquisitions, Disposals and Discontinued business	**481.4**	**458.5**	**5.0**	**0.9**

($'m)	H1 2021	H1 2020	Change %	Change % (excluding FX)
Revenue	471.3	433.1	8.8	7.7
Acquisitions	0.0	-	n/a	n/a
Disposal Family Safety mobile business	-	8.2	n/a	n/a
Discontinued Business	1.3	3.3	(61.7)	(62.4)
Revenue excl. Acquisitions, Disposals and Discontinued business	**470.0**	**421.6**	**11.5**	**10.4**

($'m)	H1 2021	H1 2020	Change %
Adjusted EBITDA	270.2	241.4	11.9
Adjusted EBITDA Margin %	57.3	55.7	1.6 ppts
Adjusted Net Income	205.8	169.8	21.2
Net Debt	527.0	817.0	(35.5)

Statutory Results:

($'m)	H1 2021	H1 2020	Change %
Revenue	471.3	433.1	8.8
Operating profit	226.7	134.5	68.5
Net Income	205.8	86.5	Fav[10]
Net Cash Flows from operating activities	256.8	225.8	13.7

RECOMMENDED MERGER OF AVAST PLC WITH NORTONLIFELOCK INC.

On 10 August 2021, the Boards of NortonLifeLock, Inc. ("Norton") and the Company reached agreement on the terms of a recommended merger of Company with Norton, in the form of a recommended offer by Nitro Bidco Limited, a wholly owned subsidiary of Norton, for the entire issued and to be issued ordinary share capital of the Company (the "Merger"). It is intended that the Merger will be affected by means of a Court-sanctioned scheme of arrangement under Part 26 of the Companies Act. Further details relating to the offer by Norton, including the offer price and conditionality, is set out in the announcement made by Norton on 10 August 2021 pursuant to Rule 2.7 of the City Code on Takeovers and Mergers ("Code").

RESULTS PRESENTATION RECORDING AND LIVE Q&A

A recording of the results webcast presentation will shortly be available on the Company website at https://investors.avast.com. Avast management will also hold a live Q&A session for analysts and investors at 9:00 AM BST today (11 August 2021), addressing both results and the recommended merger. Please register at the Company website to participate.

ENQUIRIES

Investors and analysts:
Peter Russell, Director of IR
IR@avast.com

Media:
Stephanie Kane, VP PR and Corporate Communications
mediarelations@avast.com

Tavistock
+44 20 7920 3150

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This announcement contains certain forward-looking statements that are subject to the usual risk factors and uncertainties associated with the Company's business. Whilst the Company believes the expectations reflected herein to be reasonable in the light of the information available to them at this time, the actual outcome may be materially different owing to factors beyond the Company's control or within the Company's control where, for example, the Company decides on a change of plan or strategy. Accordingly, no reliance may be placed on the figures contained in such forward-looking statements.

Notes:

Throughout the Half Year Report a number of alternative performance measures are used to provide users with a clearer picture of the performance of the business. This is in line with how management monitor and manage the business day-to-day. Definitions and details are provided below. Further definitions (see 'PRESENTATION OF RESULTS AND DEFINITIONS') and reconciliations (see 'FINANCIAL REVIEW') of non-GAAP measures are included in the notes to the financial statements.

All dollar figures throughout the report are at actual currency rates unless otherwise indicated.

[1] *Organic growth rate excludes the impact of FX, acquisitions, business disposals and discontinued business. It excludes current period billings and revenue of acquisitions until the first anniversary of their consolidation*.
[2] *Adjusted EBITDA margin percentage is defined as Adjusted EBITDA divided by Revenue.*
[3] *Total available liquidity includes cash and cash equivalents balance as at 30 June 2021 of $357.6m and revolving credit facility of $40m (not drawn at 30 June 2021).*
[4] *Users who have at least one valid paid Consumer Direct subscription (or licence) at the end of the period.*
[5] *APPC defined as the Consumer Direct simple average valid licences or subscriptions for the period of the last twelve months divided by the simple average number of Customers during the same period.*
[6] *ARPC defined as the Consumer Direct revenue for the period of the last twelve months divided by the simple average number of Customers during the same period.*
[7] *Growth rate excluding currency impact calculated by restating 2021 actual to 2020 FX rates (see "Principal exchange rates applied"). Deferred revenue is translated to USD at the date of invoice and is therefore excluded when calculating the impact of FX on revenue.*
[8] *On April 16, 2021 the Group sold a portfolio of mobile parental controls services including location features, content filtering and screen time management to Smith Micro Software Inc ('Family Safety mobile business'). Billings and revenue until close of the transaction have been included in the calculation of organic growth together with comparable periods in the baseline.*
[9] *In January 2020 Avast decided to terminate the provision of anonymized data to its data analytics business, Jumpshot, having concluded that the business was not consistent long term with the Group's privacy priorities as a global cybersecurity company. As the company is also exiting its toolbar-related search distribution business (which had previously been an important contributor to AVG's revenues) and the browser clean-up business, the growth figures exclude all of these (referred to above and throughout the report as "Discontinued Business"), which are negligible. The Discontinued Business does not represent a discontinued operation as defined by IFRS 5 since it either has not been disposed of but rather it is being continuously scaled down or it is considered to be neither a separate major line of business, nor geographical area of operations.*
[10] *'Fav' in change % represents a favorable growth rate figure over 100 per cent, 'Unf' represents an unfavorable decline greater than negative 100 percent.*

CHIEF EXECUTIVE OFFICER'S REVIEW

The Group has delivered a good first half performance of revenue organic growth and high levels of profitability. The Group's Billings of $482.7m were up 2.9% at actual rates, with organic growth of 0.9%, consistent with our expectation that performance would be significantly second half weighted. The period lapped the one-time Covid benefit in FY 2020, which saw an uptick in first purchases, resulting in 3.9% of drag on Group billings in the first half of the current year. A further 1.5% drag was due to the strategic transition from multi-year to single year billings subscriptions that laps through the first half of the current year and 0.8% negative impact of the Family Safety business in the period to disposal. The Group's Revenue of $471.3m was up 8.8% at actual rates, with organic growth of 10.4%. The Consumer and SMB segments contributed $445.4m and $25.9m respectively to the Group's Revenue.

Consumer

($'m)	H1 2021	H1 2020	Change %	Change % (excluding FX)
Billings	456.3	445.8	2.4	(1.6)
Acquisitions	0.0	-	n/a	n/a
Disposal Family Safety mobile business	-	8.2	n/a	n/a
Discontinued Business	1.3	2.4	(47.5)	(48.5)
Billings excl. Acquisitions, Disposals and Discontinued business	**455.0**	**435.2**	**4.6**	**0.5**

($'m)	H1 2021	H1 2020	Change %	Change % (excluding FX)
Revenue	445.4	409.9	8.7	7.6
Acquisitions	0.0	-	n/a	n/a
Disposal Family Safety mobile business	-	8.2	n/a	n/a
Discontinued Business	1.3	3.3	(61.7)	(62.4)
Revenue excl. Acquisitions, Disposals and Discontinued business	**444.1**	**398.4**	**11.5**	**10.4**

SMB

($'m)	H1 2021	H1 2020	Change %	Change % (excluding FX)
Billings	26.4	23.3	13.0	8.6
Revenue	25.9	23.2	11.3	10.2

Business Unit Performance

Consumer Direct

($'m)	H1 2021	H1 2020	Change %	Change % (excluding FX)
Billings	412.5	386.1	6.8	2.4
Acquisitions	0.0	-	n/a	n/a
Billings excl. Acquisitions	**412.5**	**386.1**	**6.8**	**2.4**

($'m)	H1 2021	H1 2020	Change %	Change % (excluding FX)
Revenue	401.6	349.3	15.0	13.9
Acquisitions	0.0	-	n/a	n/a
Revenue excl. Acquisitions	**401.6**	**349.3**	**15.0**	**13.9**

Operational KPIs

	30 June 2021	31 December 2020	Change %
Number of customers	16.72m	16.47m	1.5
Average Products Per Customer	1.42	1.41	0.8
Average Revenue Per Customer	$47.61	$45.60	4.4

Trading performance

- The core Consumer Direct business, which comprises both desktop and mobile subscriptions, performed broadly in line with expectations. Billings of $412.5m were up 2.4% on an organic basis and up 6.8% at actual rates. The performance reflected a strong comparator period due to Covid lockdown. As anticipated, there was also downward pressure on billings growth from the Group's transition to single year subscriptions, which largely concluded at the end of the period. Underpinned by the prior year's billings performance, Revenue of $401.6m grew 13.9% on an organic basis, with actual rates up 15.0%.
- End of Period Customers increased by 1.5% since 31 December 2020. Average Products per Customer and Average Revenue Per Customer also tracked in line with full year growth guidance of low single-digit and high-single-digit respectively.

Users and customer retention

- As the competitive market becomes more dynamic and against the backdrop of proportionally lower levels of online engagement by consumers post lockdown, Avast will continue to invest more deeply in initiatives to drive user and customer acquisition.
- In line with its focus on driving higher value, organically acquired installs, Avast continued to optimise search engine results to attract users to the company website, and in turn target increased visit-to-download conversion rates. Avast's online presence has been expanded through a new direct relationship with Amazon in western Europe, building on its US relationship.
- Avast's customer-centric approach and proactiveness toward renewals has driven up desktop customer retention rates to 69 percent, which has been sustained throughout the first half of the year. The company is capitalising on subscriptions seeded last year. Cohort churn analysis showed only minor degradation in renewals of the 'Covid cohort', which started to hit the first renewal window during the first quarter of the current year.
- Under the leadership of a newly appointed Head of Customer Retention and Loyalty (CRM), the company has reinvigorated its loyalty strategy. In the period, this comprised a successful proactive renewals campaign, alongside additional investment in customer segmentation and benchmarking. Loyalty initiatives will continue to ramp up, inspiring customers to stay longer, spend more and become greater brand advocates.

Enhanced service offering

- Avast sustained strong growth in the privacy segment and continued to strengthen its privacy offering and privacy threat intelligence. In March, AntiTrack benefited from a comprehensive user experience redesign to increase ease of navigation and effectively showcase the product's utility. Smart VPN, which removes the worry of turning VPN on/off became widely available for Windows and Mac users. BreachGuard's value was enhanced with the addition of 'Identity Assist', a 24/7 hotline available in the event of suspected identity theft. Free of charge and initially available in the US, Identity Assist provides customers with identity theft resolution and scam assist services. Separately, for BreachGuard customers outside of North America, Avast introduced a browser extension that enables opt-out from advertising and data analytics tracking.
- Focusing on product as a service, Avast's privacy product and engineer teams have been integrated for collaborative development. The company has also expanded its Privacy Threat Lab team of engineers to stay at the forefront of threat detection and analysis and help drive product innovation.
- Two new free features were introduced to the mobile app. 'Hack Alerts' monitors users' credentials for potential data breaches and proactively notifies users in the case of a leak. In response to the emergence of new malware tactics, 'Malware force uninstaller' helps users remove exploitative malware that protects itself from uninstallation.
- Avast Free Antivirus was a multiple award winner including PCMag's Editors' Choice, AV-TEST Top Product and first place in AV-Comparatives Anti-Phishing test.

Geographic expansion

- There was continued successful execution on the global growth strategy, with increases in desktop customer numbers in both established markets and target underpenetrated countries, including Ukraine up 17%, Russia up 7%, and Mexico up 5%.

Avast One

- The company is on track for market release in the second half of the year of Avast One, its innovative integrated solution that combines security, privacy and performance into a single subscription. User feedback from the pilot in Australia has been positive. Avast One's value proposition is clear, and the product's reliability and ease of use have been widely commended. First phase release is anticipated in US, Canada and the UK, as well as Australia. There will be both free and paid versions of the product, which will be available on Windows, Mac, Android and iOS. Rollout will be supported by significant marketing investment with spend continuing in FY 2022 to expand awareness around the company's new leadership product, which is not expected to materially contribute to billings until 2022.

Consumer Indirect

This business unit comprises Avast Secure Browser (ASB), the distribution of third-party software and other partnerships, and advertising within mobile applications.

($'m)	H1 2021	H1 2020	Change %	Change % (excluding FX)
Billings	43.8	59.7	(26.6)	(27.5)
Disposal Family Safety mobile business	-	8.2	n/a	n/a
Discontinued Business	1.3	2.4	(47.5)	(48.5)
Billings excl. Disposal and Discontinued business	**42.5**	**49.1**	**(13.4)**	**(14.4)**

($'m)	H1 2021	H1 2020	Change %	Change % (excluding FX)
Revenue	43.8	60.6	(27.7)	(28.6)
Disposal Family Safety mobile business	-	8.2	n/a	n/a
Discontinued Business	1.3	3.3	(61.7)	(62.4)
Revenue excl. Disposal and Discontinued business	**42.5**	**49.1**	**(13.3)**	**(14.3)**

- In the Consumer Indirect unit, Billings excluding discontinued business of $42.5m were down 14.4% on an organic basis and down 13.4% at actual rates. Revenue excluding discontinued business of $42.5m declined 14.3% on an organic basis, with actual rates down 13.3%.
- Avast completed the disposal of the Family Safety mobile business on 16 April. This removed a drag on billings and revenue, which was 0.8% on Group and 3.8% on Consumer Indirect performance respectively, in the period to completion.
- Avast Secure Browser delivered strong double-digit growth. However, as expected, advertising support for the Avast Secure Browser and Avast's mobile app business remained below pre-Covid levels. Through the end of the first half, there have been signs of gradual recovery in ad-supported search engine monetisation and, more notably, in mobile ad revenue. The latter was aided by Avast's recent initiatives into ad placement optimisation.
- In March, Avast was pleased to announce the expansion of its relationship with Google to include a two-year term agreement for the distribution of the Google search engine with Avast Secure Browser, with new installs of the browser set with google.com search. The Google search engine contract is a significant piece to the browser's long-term growth strategy, and its availability at installation is expected to drive user growth and monetisation over time.
- Heralding further diversification in subscription revenue from the Avast Secure Browser, the version Desktop Pro VPN was beta tested in the first half of the year. With built-in VPN, this version offers a seamless privacy-enhanced browser experience for customers who may not have thought about a VPN solution before. Another recent initiative to enhance the browser offering saw greater customisation and personalisation options on the desktop format.

- Avast delivered targeted marketing support for Avast Secure Browser. Network and content marketing efforts, as well as paid search, are being used to raise brand awareness and support user adoption in the open market.
- The Avast contract to distribute Chrome was extended once again, effective from 1 March. As expected, volume and revenue derived from new Chrome installations was materially weaker year on year, following the company's decision mid-year 2020 to change the way Chrome is offered from opt-out.

SMB

($'m)	H1 2021	H1 2020	Change %	Change % (excluding FX)
Billings	26.4	23.3	13.0	8.6
Revenue	25.9	23.2	11.3	10.2

- SMB performed strongly owing to new product launches and features, improvements to the user experience and effective execution of the revised sales strategy. Billings of $26.4m were up 8.6% on an organic basis and up 13.0% at actual rates. Revenue of $25.9m increased 10.2% on an organic basis, with actual rates up 11.3%.
- Channel sales growth, led by the largest US market, was driven by strong renewal rates and cross selling activities, with online sales growth underpinned by the small and home office market. Owing to increased sales focus, Network Security sales tripled year on year.
- Avast continued to enrich its SMB offering through product innovation, notably through the launch of the new Avast Business Hub, a state-of-the-art security platform for channel partners, managed security service providers (MSSPs), and business customers to manage their cybersecurity solutions. It delivers integrated security by consolidating endpoint protection, patch management, backup and recovery, and remote access, while reducing overhead and cost. An important feature of the new hub is Cloud Backup, a backup and recovery solution that safeguards businesses' critical data, helps protect them from ransomware and avoid costly downtime.
- Avast diversified its partnerships for the delivery of its SMB products and services. Following the earlier announced distribution arrangement with Westcoast for Avast's professional Anti-Virus software, Avast sealed a strategic partnership with the business network Enterprise Nation to deliver cybersecurity services and training.
- In April, Avast Business Antivirus Pro Plus was ranked 'Top Product' by AV-TEST, earning top scores on protection, performance, and usability

Identity strategy and executive appointments

In June the company welcomed a new Senior VP and General Manager of Identity, Charles Walton. In the role, Charles will define the identity product strategy, steer research and development, and direct the distribution model. Paul Carter also joined the Avast team in the role of Global Head of Corporate Development. He will work with Charles to execute on the inorganic part of the identity strategy build out.

Outlook

The first half of the current year lapped a period of strong comparatives from the effect of pandemic lockdown in 2020. As anticipated, there was also downward pressure on billings from the Group's transition from multi to single year subscriptions to increase customer lifetime value. In the second half of the year, comparator period trends start to normalise and the impact of transition to single year subscriptions ends. In addition, the increase in single year subscriptions created the benefit of an enlarged customer renewal pool. The combination of these factors means that Group billings growth is expected to re-accelerate in H2 back to high single-digit growth.

Growth will be supported by the company's strategic initiatives. The cybersecurity landscape continues to rapidly evolve with a shift towards protecting consumers' entire digital lives and increased competition from major technology players and other incumbents, who are scaling up and evolving their offerings into integrated solutions to meet changing customer preferences. To sustain and develop its competitiveness, Avast will further strengthen its investment in R&D and innovation, top-of-the-funnel installs and monetisation over the medium term, in addition to targeted acquisitions in a competitive M&A environment.

Organic Group revenue guidance for the year is maintained at the upper end of 6-8 percent growth. At business unit level, guidance for the Consumer Direct business is maintained at high single-digit organic revenue growth, albeit now anticipated to be at the upper end of that range. The company now expects Consumer Indirect to show a mid-single-digit organic revenue decline, because of the accelerated decline in Chrome distribution revenue. SMB guidance is maintained at mid-single-digit organic revenue growth as comparatives into H2 toughen.

FY 2021 Adjusted Group EBITDA margin percentage is expected to remain broadly flat versus FY 2020, owing in particular to increased user and customer acquisition costs, and materially higher marketing spend around the Avast One rollout in the second half of the year. Incremental levels of spend on customer acquisition are expected to continue in FY 2022 as the company expands awareness around its brand and new leadership products such as Avast One.

The Avast Profit Forecast, the assumptions and basis of preparation on which the Avast Profit Forecast is based and the Avast Directors' confirmation, as required by Rule 28.1 of the Code, are set out in Appendix to this announcement.

FINANCIAL REVIEW

Billings, Revenue and EBITDA

In line with our expectations, the Group has achieved good growth and maintained high levels of profitability.

The Group's Billings increased by $13.5m to $482.7m in the half year ended 30 June 2021, mostly driven by the core Consumer Direct business. This represented a 2.9% increase at actual rates and organic growth of 0.9%. Subscription billings represented 88.8% of the Group's total Billings in H1 2021 (87.3% in H1 2020).

The Group's Revenue increased by $38.1m to $471.3m in the half year ended 30 June 2021, which represents a 8.8% increase at actual rates and organic growth of 10.4%. Revenue included $322.2m from the release of prior-period deferred revenue. The deferred revenue balance at the end of the period was $507.7m, comprising $470.8m that will be recognised within 12 months of the balance sheet date. This compares to $504.7m, of which $448.6m was to be recognised within 12 months, at the same time last year. The average subscription length in the half year ended 30 June 2021 was 13 months, which represents slight YoY decrease (H1 2020: 14 months) reflecting the Group's transition from multi-year to single year subscriptions.

Profitability was driven by the Group's scale and operating leverage. Adjusted EBITDA increased 11.9% to $270.2m, 14.4% excluding FX, resulting in Adjusted EBITDA margin of 57.3%. Considering expected higher spend in the second half of the year related to increased user and customer acquisition costs and materially higher marketing spend around the Avast One rollout, this is in line with full year guidance of broadly flat (55.5% EBITDA margin in FY 2020).

The reported Operating Profit increased by $92.2m to $226.7m. The increase was driven by higher revenue of $38.2m, lower amortisation of acquisition intangibles of $28.2m and lower operating costs of $24.2m. The decrease in operating costs was caused by lower exceptional costs vs H1 2020 of $40.9m, disposal of Family Safety business impact of $4.5m and Jumpshot operating costs in H1 2020 before wind-down of $3.6m, partially offset by higher share-based payments costs of $(7.3)m, investment into sales and marketing of $(7.9)m and other investments and FX impact of $(9.6)m.

The table below presents the Group's Billings and Revenue for the periods indicated:

($'m)	H1 2021	H1 2020	Change %	Change % (excluding FX)
Billings	**482.7**	**469.1**	**2.9**	**(1.1)**
Consumer	456.3	445.8	2.4	(1.6)
Acquisitions	0.0	-	n/a	n/a
Direct (excl. Acquisitions)	412.5	386.1	6.8	2.4
Disposal Family Safety mobile business	-	8.2	n/a	n/a
Discontinued Business	1.3	2.4	(47.5)	(48.5)
Indirect (excl. Disposal and Discontinued Business)	42.5	49.1	(13.4)	(14.4)
SMB	26.4	23.3	13.0	8.6
Billings excl. Acquisitions, Disposals and Discontinued business	**481.4**	**458.5**	**5.0**	**0.9**
Revenue	**471.3**	**433.1**	**8.8**	**7.7**
Consumer	445.4	409.9	8.7	7.6
Acquisitions	0.0	-	n/a	n/a
Direct (excl. Acquisitions)	401.6	349.3	15.0	13.9
Disposal Family Safety mobile business	-	8.2	n/a	n/a
Discontinued Business	1.3	3.3	(61.7)	(62.4)
Indirect (excl. Disposal and Discontinued Business)	42.5	49.1	(13.3)	(14.3)
SMB	25.9	23.2	11.3	10.2
Revenue excl. Acquisitions, Disposals and Discontinued business	**470.0**	**421.6**	**11.5**	**10.4**

Costs

($'m)	H1 2021	H1 2020	Change	Change %
Cost of revenues	**(74.8)**	**(104.6)**	**29.8**	**28.5**
Share-based payments (incl. employer's costs)	0.7	0.4	0.3	75.8
Amortisation of acquisition intangible assets	11.5	39.7	(28.2)	(71.1)
Depreciation and amortisation (excl. amortisation of acquisition intangible assets)	5.1	4.3	0.8	18.7
Exceptional items	-	2.5	(2.5)	Unf
Adjusted Cost of revenues (excluding D&A)	**(57.5)**	**(57.7)**	**0.2**	**0.4**

Adjusting for disposal of Family Safety mobile business and wind-down of Jumpshot, the increase in adjusted cost of revenues is $(2.7)m. The increase was driven by higher sales commissions related to higher revenue of $(1.3)m, investment into customer support of $(1.6)m, partially offset by FX impact and other savings of $0.2m. Adjusted Cost of Revenues represent the Group's cost of revenues adjusted for depreciation and amortisation charges, share-based payments charges and exceptional items.

The Group's reported Cost of revenues decreased by $29.8m to $(74.8)m primarily due to the lower amortisation of acquisition intangibles as the amortisation of significant acquisition intangibles from AVG acquisition is running out. Acquisition intangibles represent intangible assets acquired through business combinations.

($'m)	H1 2021	H1 2020	Change	Change %
Operating costs	**(169.8)**	**(194.0)**	**24.2**	**12.5**
Share-based payments (incl. employer's costs)	15.9	8.6	7.3	84.4
Amortisation of acquisition intangible assets	0.2	0.2	(0.0)	(2.2)
Depreciation and amortisation (excl. amortisation of acquisition intangible assets)	6.1	6.3	(0.2)	(2.9)
Exceptional items	4.0	44.9	(40.9)	(91.1)
Adjusted Operating costs (excluding D&A)	**(143.6)**	**(134.0)**	**(9.6)**	**(7.1)**

The increase in Group's Adjusted Operating costs excluding impact of disposal of Family Safety mobile business and wind-down of Jumpshot operations is $(17.7)m. This increase is driven mainly by investment into sales and marketing personnel and non-personnel costs of $(7.9)m, investment into information security of $(1.1)m, investment into research and development of new technologies of $(1.1)m and negative YoY FX impact and other investments of $(7.7)m. Adjusted Operating costs represent the Group's operating costs adjusted for depreciation and amortisation charges, share-based payments charges and exceptional items.

The decrease in the Group's reported Operating costs of $24.2m, from $(194.0)m to $(169.8)m, reflects primarily the decrease in exceptional items of $40.9m driven by 2020 donations to research and development initiatives related to Covid-19 (H1 2020: $22.7m) and exceptional costs related to wind-down of Jumpshot operation (H1 2020: $22.2m, additional $2.5m were included in costs of revenues), partially offset by higher share-based payments costs of $(7.3)m resulting from RSUs granted to all employees in the beginning of 2021.

Exceptional items

Exceptional items are income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the Group. The Group believes that these non-recurring items should be separately disclosed to show the underlying business performance of the Group more accurately. Once an item is disclosed as exceptional, it will remain exceptional through completion of the event or programme.

In April 2021 the Group sold a portfolio of mobile parental controls services including location features, content filtering and screen time management to Smith Micro Software Inc. ('Disposal of Family Safety mobile business') recognising a gain of $34.2m, which was treated as an exceptional item. The Group incurred legal and professional costs of $3.2m in relation to the disposal of business operation. These transaction costs are included in the cash flow from investing activities. The Group has also recorded non-cash impairment costs of $0.8m, which were a direct consequence of this disposal and therefore treated as exceptional.

Exceptional items in H1 2020 consisted primarily of donations to research and development initiatives related to Covid-19 and personnel and non-personnel costs related to the wind-down of Jumpshot (see Note 5 Exceptional items). Related cash flows have been included in the net cash flows from operating activities.

Finance income and expense

Adjusted finance expense on a net basis was $(7.4)m in H1 2021, $14.2m lower compared to $(21.6)m in H1 2020. The decrease in adjusted finance expense is related to lower loan interest costs of $4.1m resulting from the repayment of debt of $200.0m on top of mandatory repayments in 2020, one-off realised FX gain on repayment of prior loan of $5.6m and favorable impact of other FX and other finance costs of $4.5m.

The Group's reported net finance costs decreased by $27.6m resulting in income of $8.4m in H1 2021 caused by the decrease in adjusted finance costs described above and higher unrealised foreign exchange gains from the Euro denominated debt.

($'m)	H1 2021	H1 2020	Change	Change %
Finance income and expenses, net	**8.4**	**(19.2)**	**27.6**	**Fav**
Unrealized FX gain on EUR tranche of bank loan	(15.8)	(2.4)	(13.4)	Unf
Adjusted Finance income and expenses, net	**(7.4)**	**(21.6)**	**14.2**	**65.9**

Income tax

In the half year ended 30 June 2021, the Group reported an income tax expense of $(63.5)m, compared to the $(28.8)m in the half year ended 30 June 2020.

Income tax was impacted by the tax benefit from the foreign exchange movements on intercompany loans arising in the statutory accounts of the subsidiary concerned of $0.9m (tax benefit of $3.7m in H1 2020).

The tax impact of IP transfer represents amortisation of the net tax impact of the transfer of AVG E-comm web shop to Avast Software B.V. ("Avast BV") on 1 May 2018 („IP transfer"), when the former Dutch AVG business of Avast BV (including the web shop) was sold to Avast Software s.r.o. The total net impact of this transaction was $94.4m, which was treated as an exceptional item in 2018. The transferred IP is amortised for tax purposes over 15 years.

The tax impact of disposal of a business operations represents tax expense related to disposal of Family Safety mobile business of $(12.7)m.

The tax impact of other adjusted items represents the tax impact of amortisation of acquisition intangibles, or exceptional items, which have been calculated applying the tax rate that the Group determined to be applicable to the relevant item, and other adjusted items.

Adjusted income tax is $(45.8)m for H1 2021, resulting in an adjusted effective tax rate of 18.2% (H1 2020: 18.8%). The Adjusted effective tax rate is the Adjusted Income tax percentage of adjusted profit before tax of $251.6m (defined as adjusted net income of $205.8m before the deduction of adjusted income tax of $(45.8)m.)

($'m)	H1 2021	H1 2020	Change	Change %
Income tax	**(63.5)**	**(28.8)**	**(34.7)**	**Unf**
Tax impact of FX difference on intercompany loans	(0.9)	(3.7)	2.8	76.7
Tax impact of IP transfer	3.1	3.1	-	-
Tax impact of disposal of a business operations	12.7	-	12.7	n/a
Tax impact on adjusted items and other	2.6	(10.1)	12.7	Fav
Adjusted Income tax	**(45.8)**	**(39.4)**	**(6.4)**	**(16.2)**

Cash Flow

Unlevered free cash flow represents the amount of cash generated by operations after allowing for capital expenditure, taxation and working capital movements. Unlevered free cash flow provides an understanding of the Group's cash generation and is a supplemental measure of liquidity in respect of the Group's operations.
Levered free cash flow represents amounts of incremental cash flows the Group has after it has met its financial obligations (after interest and lease repayments) and is defined as Unlevered Free Cash Flow less cash interest and lease repayments.

($'m)	H1 2021	H1 2020	Change	Change %
Adjusted Cash EBITDA	**282.6**	**275.1**	**7.5**	**2.7**
Net change in working capital (excl. change in deferred revenue and deferred COGS)	12.1	(1.8)	13.9	Fav
Capex	(3.1)	(2.7)	(0.4)	(16.4)
Cash Tax	(28.6)	(6.8)	(21.8)	Unf
Covid-19 donations	-	(22.7)	22.7	n/a
Unlevered Free Cash Flow	**263.1**	**241.2**	**21.9**	**9.0**
Cash Interest	(10.0)	(15.4)	5.4	34.9
Lease Repayments	(4.2)	(4.9)	0.7	14.4
Levered Free Cash Flow	**248.8**	**220.9**	**27.9**	**12.6**
Cash conversion[11]	**93%**	**88%**		

Favorable change in working capital in H1 2021 reflects favourable timing of customers' payments, which is expected to partially reverse in H2 2021.

Due to the on-going evaluation of planned migration of Group's systems and infrastructure from on-premises to the public cloud, the capex investment is heavily weighted towards H2 2021 pending final decisions. We expect our FY Capex to represent 2% of revenue in 2021.

The increase in the adjusted cash tax is driven by the Czech Republic true-up system, where a company is obliged to make quarterly income tax advances based on its last known tax liability. Upon filing a tax return, tax advances paid during the year for which the tax return is filed offset the final tax liability. In H1 2020 the Group received a significant refund related to previous periods. No such refund was received in H1 2021.

In H1 2020 the Group recorded $(24.7)m exceptional costs related to the Jumpshot wind-down, which were largely paid by our Jumpshot subsidiary. Given these cash outflows represented one-off M&A activity, these costs were not included in Unlevered Free Cash Flow.

($'m)	H1 2021	H1 2020	Change	Change %
Net cash flows from operating activities	256.8	225.8	31.0	13.7
Net cash used in investing activities	50.9	(3.0)	53.9	Fav
Net cash flows from financing activities	(128.0)	(289.5)	161.5	55.8

The following table presents a reconciliation between the Group's Adjusted Cash EBITDA and Net cash flows from operating activities as per the consolidated statement of cash flows.

($'m)	H1 2021	H1 2020	Change	Change %
Adjusted Cash EBITDA	**282.6**	**275.1**	**7.5**	**2.7**
Net change in working capital (excl. change in deferred revenue and deferred COGS)	12.1	(1.8)	13.9	Fav
Cash Tax	(28.6)	(6.8)	(21.8)	Unf
Movement of provisions and allowances	(6.8)	7.5	(14.3)	Unf
Exceptional items included in operating cash flows	-	(47.4)	47.4	Fav
Employer's costs on share-based payments	(0.4)	(0.3)	(0.1)	(33.3)
FX gains/losses and other non-cash items	(2.1)	(0.5)	(1.6)	Unf
Net Cash Flows from operating activities	**256.8**	**225.8**	**31.0**	**13.7**

The Group's net cash flow from operating activities increased by $31.0m primarily due to exceptional costs related to the wind-down of Jumpshot of $24.7m and Covid-19 donations of $22.7m included in the baseline, higher billings of $13.5m, positive impact of working capital movement (excl. change in deferred revenue and deferred COGS) of $13.9m, offset by higher cash tax of $(21.8)m and increase in Adjusted costs including unfavorable impact of movement in provisions and other of $(22.0)m. The cash portion of the exceptional items in H1 2021 directly related to the disposal of business operations of $(3.2)m was included in cash flows from investing activities.

The Group's net cash inflow from investing activities of $50.9m included net proceeds from disposal of Family Safety mobile business of $54.7m (additional 1.5m shares of common stock of Smith Micro with the fair value of $8.4m were included in total consideration received, see Note 9), capex investment of $(3.1)m and settlement of contingent consideration related to Tenta acquisition of $(0.7)m. The Group's net cash outflow from investing activities in H1 2020 of $(3.0)m was comprised of capex of $(2.7)m, settlement of contingent consideration related to Inloop and Tenta acquisitions of $(3.6)m, contingent consideration received for disposal of Managed Workplace of $3.0m and interest received of $0.3m.

The Group's net cash outflow from financing activities $(128.0)m includes $(115.3)m dividend paid, repayment of old loan of $(827.6)m, new loan drawn of $843.6m, quarterly loan repayment of $(10.6)m, transaction costs related to borrowing of $(7.7)m, interest paid of $(10.0)m, lease repayments of $(4.2)m and proceeds from the exercise of options of $3.8m. The Group's net cash outflow from financing activities in H1 2020 of $(289.5)m included $(105.4)m dividend paid, $(100.0)m voluntary repayment of borrowings, $(30.2)m mandatory repayment of borrowings, interest paid of $(15.4)m, lease repayments of $(4.9)m, proceeds from the exercise of options of $31.2m and net proceeds from transactions with non-controlling interest $(64.8)m.

Financing

On 22 March 2021, the Group successfully completed a complete refinancing of its debt, decreasing the margin on both tranches by 25bps and extending the repayment period further 5 years from the prior expiry date in September 2023 to September 2028. The new term loan was drawn with a USD and EUR tranche of USD 480m and EUR 300m respectively (see Note 16 Term Loan). As of 30 June 2021, the total Gross debt[12] of the Group was $884.6m and the total Net debt[12] was $527.0m. The decrease in gross debt since 31 December 2020 is attributable to the repayment of old loan of $(827.6)m, new loan drawn of $843.6m, quarterly repayment of borrowings of $(10.6)m, decrease in lease liabilities of $(6.0)m and a positive unrealised FX gain of $(15.8)m on the EUR tranche of the loan.

($'m)	30 June 2021	31 December 2020	Margin
USD tranche principal	474.0	113.8	USD LIBOR plus 2.00%
EUR tranche principal	352.2	722.7	EURIBOR plus 2.00%
Revolver/Overdraft	-	-	USD LIBOR plus 2.00%
Lease liabilities	58.5	64.5	
Gross debt	**884.6**	**901.0**	
Cash and cash equivalents	(357.6)	(175.4)	
Net debt	**527.0**	**725.6**	
Net debt / LTM Adjusted EBITDA	*1.0x*	*1.5x*	

Principal exchange rates applied

The table below summarises the principal exchange rates used for the translation of foreign currencies into US Dollar. The assets and liabilities are translated using period-end exchange rates. Income and expense items are translated at the average exchange rates for the period.

($:1.00)	H1 2021 average	H1 2020 average
AUD	0.7709	0.6593
BRL	0.1848	0.2118
CAD	0.7990	0.7368
CHF	1.1052	1.0345
CZK	0.0465	0.0421
EUR	1.2089	1.1039
GBP	1.3859	1.2740
ILS	0.3057	0.2865
NOK	0.1182	0.1040

Earnings per share

Basic Adjusted earnings per share amounts are calculated by dividing the Adjusted net income for the period by the weighted average number of shares of common stock outstanding during the year. The diluted Adjusted earnings per share amounts consider the weighted average number of shares of common stock outstanding during the year adjusted for the effect of dilutive options. On a statutory basis, fully diluted EPS was $0.20 (see Note 10 for the statutory earnings per share). As higher costs are expected in the second half of the year, in particular due to increased user and customer acquisition costs and materially higher marketing spend around the Avast One rollout, lower Adjusted net income is anticipated for H2 2021.

($'m)	H1 2021	H1 2020
Adjusted Net Income attributable to equity holders	**205.8**	**169.8**
Basic weighted average number of shares	1,029,369,137	1,016,594,917
Effects of dilution from share options and restricted share units	10,860,023	17,422,859
Dilutive weighted average number of shares	1,040,229,160	1,034,017,776
Basic Adjusted earnings per share ($/share)	**0.20**	**0.17**
Diluted Adjusted earnings per share ($/share)	**0.20**	**0.16**

Dividend

On 10 August 2021, the Directors declared an interim dividend of 4.8 cents per share payable in October 2021. This will be paid in US dollars on 15 October 2021 to shareholders on the register as of 10 September 2021. There will be an option for shareholders to elect to receive the dividend in pounds sterling and such an election should be made no later than 24 September 2021. Further details regarding the currency election process and payment of the dividend can be found on the Company's website at investors.avast.com.

To date, the Directors have aimed to pay a dividend of approximately 40% of the Company's levered free cash flow for each financial year, with approximately one-third of this amount being paid as an interim dividend. Directors have declared interim dividends based on the Company's levered free cash flow for the prior financial year. Pursuant to the Co-Operation Agreement dated 10 August 2021 entered into between, amongst others, NortonLifeLock, Inc. ("**Norton**") and the Company and the terms of Norton's announcement of its firm intention to make an offer for the entire issued and to be issued share capital of the Company pursuant to Rule 2.7 of the City Code on Takeovers and Mergers (the **"Rule 2.7 Announcement"**), the Company is permitted to declare and pay an interim dividend of 4.8 cents per share for the six-month period ended 30 June 2021, without such dividend resulting in a commensurate downward adjustment to the value of Norton's offer. Accordingly, the Directors believe that it is in the best interest of the Company and its shareholders to declare a dividend of 4.8 cents per share for the six-month financial period ended 30 June 2021. Further information regarding the Company's ability to make future interim and final dividends is set out in the Rule 2.7 Announcement.

The foreign exchange rate at which dividends declared in US dollars will be converted into pounds sterling will be calculated based on the average exchange rate over the five business days prior to 27 September 2021 and announced shortly thereafter.

Proposed Dividend Timetable
Ex-dividend Date: 9 September 2021
Record Date: 10 September 2021
Last Date for Currency Election: 24 September 2021
Payment: 15 October 2021

Additional financial guidance

In addition to the main full year 2021 guidance elements referenced in this document, additional supplementary points are provided below.

	2021 current guidance	**2021 previous guidance**
Adjusted Depreciation and Amortisation	c. 2% of Revenue	c. 3% of Revenue
Capex	c. 2% of Revenue	c. 2% of Revenue
Adjusted Finance Cost and Lease Repayments	$25m P&L / $30m Cash Flow	$30m P&L / $32m Cash Flow
Adjusted Effective Tax Rate	18%	18%

Cash Tax	Adjusted P&L tax less $10m	in line with Adjusted Income Tax
Net change in working capital (excl. change in deferred revenue and deferred COGS)	$5m outflow	$10m outflow
Basic weighted average number of shares	1,034m	1,034m
Dilutive weighted average number of shares	1,048m	1,048m
Exceptional items:		
Share-based payments (incl. employer's costs)	$44m	$54m
Amortisation of acquisition intangible assets	$23m	$23m

Notes:

[11] *Cash conversion is defined as Unlevered Free Cash Flow divided by Adjusted Cash EBITDA.*

[12] *Gross debt represents the sum of the total book value of the Group's loan obligations (i.e. sum of loan principals) and lease liabilities. Net debt indicates gross debt netted by the company's cash and cash equivalents. Both gross debt and net debt exclude the amount of capitalized arrangement fees on the balance sheet as of 30 June 2021 of $6.3m (31 December 2020: $2.6m and accrued interest of $(0.1)m).*

PRINCIPAL RISKS AND UNCERTAINTIES

In the first 6 months of this year the Board has continued to assess and manage the risks identified in the 2020 annual report including the risks caused. Avast's recurring and subscription-based revenues, and strong liquidity position gives the business a resilient financial position. However, the impact of the pandemic remains uncertain, and the Board continues to closely monitor developments in order to adapt and respond accordingly. The principal risks and uncertainties which could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects set out in the last annual report and financial statements dated 2 March 2021 remain valid at the date of this report. These risks and uncertainties are:

Description of Risk	Potential Impacts	Mitigation and Strategy
Global Pandemic An infectious disease spread on a global scale can lead to the imposition of Government controls on the movement of people with the associated cessation of large parts of the economy for a significant period of time. This brings considerable level of uncertainty in terms of the potential widespread economic downturn and/or our employees' ability to continue working.	Future financial performance Solvency Liquidity In particular: The low level of business activity and reduced customer demand can lead to reduced revenues which may impact the liquidity and ultimately solvency of the business. Key employees or a large proportion of employees might not be able to continue to work. Processes and controls may not work as effectively due to remote working Employees may not be able to be deployed to where they are needed	Maintenance of a strong balance sheet able to withstand a sustained period of lower business activity. Investment into information technologies and well-being and safety of all employees to ensure business continuity while working from home. Succession planning at the Board and senior executive level to ensure business continuity in the event of disruption to the Board and senior leadership team.
Competitors The consumer security industry is becoming more competitive and complex, in particular there is a progressive advancement of Microsoft's Windows Defender antivirus solution. Additional new competitive threats may emerge. Technological developments from current and new competitors can develop quickly and disrupt the market. Current and new competitors may limit access to standard product interfaces and thereby inhibit our ability to develop products on their platforms.	Business model viability Future financial performance Future operational performance Reputation In particular: An increase in competition could result in lost business, reduced revenue and reduced profitability impacting our future financial and operational performance. New entrants into the security software industry, including those in emerging markets, may become our direct competitors and erode our market share. Our results of operations will be materially and adversely affected if our competitors succeed in marketing products with better performance, functionality or at lower prices than our products. This may also have an impact on our reputation in the market.	We track the activities of our competitors through our business development and product functions and this insight is used to adapt our strategy. We continue to enhance our product portfolio through internal development and partnering and acquisition. We maintain a strong focus on our core target markets and work with partners to extend our reach in our chosen verticals. As part of our strategy, we aim to develop new services and products which are complementary rather than in direct competition to our competitors and move into new spaces.

Offering The risk is that our product and service offerings stop appealing to users.	Business model viability Future financial performance Solvency Liquidity Reputation In particular: If we do not offer products and services that appeal to users, our free user base may materially decline, and/or we will fail to monetise our products and services, this will impact our business model viability. Our revenues, competitive position and reputation could be materially and adversely affected if our new products and product upgrades fail to achieve widespread acceptance and do not appeal to users.	Our strategy to address this risk and achieve long term strategic objectives is to invest in product innovation, product management, quality assurance, and customer care. The COVID-19 environment has not halted our continued investment. We carry out considerable market research around the viability of a new product before launch to ensure we provide the right products to the right consumers. We have simplified our organisational structure, establishing multidisciplinary, autonomous teams that are focused on specific areas and deliverables to ensure we can meet the changing needs of our customers.
People The risk is that talented people leave or do not join our workforce.	Future financial performance Future operational performance Solvency Liquidity Reputation In particular: Our performance largely depends on the talents and efforts of highly skilled individuals, so our future success depends on our continuing ability to identify, hire, develop, motivate, and retain highly skilled personnel for all areas of our organization. Competition in our industry for qualified employees is intense. If we cannot attract or retain a talented workforce, we will not remain competitive in our industry. Failure to attract and retain key capabilities across the business could have a detrimental impact on our ability to meet our strategic objectives. Additionally, the success of our business is dependent to a large degree on the continued services of our directors and executive officers and our other key personnel who have extensive experience in our industry. If we lose the services of any of these integral personnel and fail to manage a smooth transition to new personnel, our business could suffer.	We continue to develop a clearly defined people strategy. The Company has established a Diversity & Inclusion Committee which aims to create a culture that attracts, develops and empowers diverse talent and make Avast an attractive place to work. We believe we need to create an exciting brand; provide attractive and competitive compensation; provide our people with global mobility; recruit from a broad pool of candidates; promote based on diversity of backgrounds, skills, cultures, gender, and ethnicity; and provide effective training for personal and professional growth in order to achieve long term strategic objectives. Employee engagement is monitored formally every six months through a Group-wide survey and the results are used to focus on improvement activities. We monitor attrition rates by business function and location in order to identify issues and, where necessary, take restorative action. Strategic communication plan to engage staff with the company vision, strategy and values. In response to COVID-19 we developed a program of employee development, support and wellbeing as well as remote work training with self-care help and performance management coaching. COVID-19 provided the catalyst to rethink our overall working approach and resulted in our Whole Life Flexibility offering to employees.

Data privacy and our security systems The risk is that the data we store, such as customer data, and the systems that store, manage and process this data become compromised. The Group's data and systems risk has increased as a result of higher levels of online activity during COVID-19 as well as due to increased cyber disruption and threats.	Business model viability Future financial performance Future operational performance Solvency Liquidity Reputation In particular: Failing to protect the data we store and the systems that store this data could: - have a material adverse impact on our reputation, our ability to provide services and updates, potentially resulting in a material decline in our user base; - result in increased litigation (including class actions), investigations, fines and censure by governmental and regulatory bodies, resulting in negative financial consequences; and - impact management time and resources.	We strive for strong, effective, and comprehensive data and systems security and governance. As a result, we continue to implement a host of new security processes and measures to protect the data we store, systems that store such data, and the updates we provide to provision our products and services. Embedded fundamental privacy values into the business through the 'rule of THUMB' when we design a new product or evaluate a new internal procedure. We develop products and services designed for security and privacy and believe this helps us maintain an ethical culture in which people are concerned about and committed to securing and protecting data. We ensure sufficient resources and employees with appropriate experience are hired. We continue to focus on the enhancement of internal controls around data governance through the Data Office, an internal team responsible for ensuring data security, privacy, integrity and quality for all Avast data. We have built a 'red' team as part of the Information Security function responsible for finding weaknesses within the Group's systems and technologies before bad actors can. We are initiating the migration of our systems and infrastructure from on-premises to the public cloud to meet increasingly complex security demands in a cost-effective way.
Regulatory We operate a digital business globally, and the scale and complexity of new laws, including regarding data protection, auto-renewal billing and tax, are increasing as the digital economy becomes the backbone of global economic growth.	Business model viability Future financial performance Future operational performance Reputation In particular: New laws or changes in the interpretation or application of existing laws may impose restrictions and obligations on the Group that negatively impact the Group's ability to operate or compete effectively, its profitability and ability to grow. Failing to comply with regulatory requirements could result in increased litigation (including class actions), investigations, fines and censure by governmental and regulatory bodies, resulting in negative financial consequences. Impact on management time and resources.	We actively monitor global legal developments to identify and meet our regulatory obligations and respond to emerging requirements. We participate in industry-wide lobbying. The Group maintains appropriate oversight and reporting, supported by training, to provide assurance that it is compliant with regulatory requirements. The Group continues to make resource investments in line with its strategy of being the market leading security company. A Risk and Compliance Director has recently been appointed to modernise the risk, compliance and audit capability.

PRESENTATION OF RESULTS AND DEFINITIONS

This Half Year Report contains certain non-IFRS financial measures to provide further understanding and a clearer picture of the financial performance of the Group. These alternative performance measures (APMs) are used for the assessment of the Group's performance and this is in line with how management monitor and manage the business day-to-day. It is not intended that APMs are a substitute for, or superior to reported measures. The APMs are not defined or recognised under IFRS including Billings, Organic Growth, Adjusted EBITDA, Adjusted Cash EBITDA, Adjusted Net Income and Unlevered Free Cash Flow as defined and reconciled below.

These non-IFRS financial measures and other metrics are not measures recognised under IFRS. The non-IFRS financial measures and other metrics, each as defined herein, may not be comparable to similarly titled measures presented by other companies as there are no generally accepted principles governing the calculation of these measures and the criteria upon which these measures are based can vary from company to company. Even though the non-IFRS financial measures and other metrics are used by management to assess the Group's financial results and these types of measures are commonly used by investors, they have important limitations as analytical tools, and investors should not consider them in isolation or as substitutes for analysis of the Group's position or results as reported under IFRS. The Group considers the following metrics to be the KPIs it uses to help evaluate growth trends, establish budgets and assess operational performance and efficiencies.

„Adjusted Billings" and „Adjusted Revenue" were presented in the Full Year Report for the year ended 2020 due to differences between reported and adjusted metrics resulting from historical acquisitions, which were presented in comparatives. As there are no further adjustments applicable to revenue or billings in neither 2020 nor 2021, APMs were limited to Billings and Revenue to decrease complexity for users of these accounts.

Organic Growth APMs were introduced in FY 2019 to present the change in revenue and billings resulting from continuing Group operations. Organic growth rate excludes the impact of FX, acquisitions, business disposals and Discontinued Business. It excludes current period billings and revenue of acquisitions until the first anniversary of their consolidation. In case of disposals, billings and revenue until close of the transaction are included in the calculation of organic growth together with comparable periods in the baseline. The definitions of non-GAAP measures in the half year ended 30 June 2021 are consistent with those presented in the report for FY 2020 and there have been no changes to the bases of calculation.

CONSOLIDATED STATEMENT OF ADJUSTED PROFIT AND LOSS

FOR THE SIX-MONTHS ENDED 30 JUNE 2021

($'M)

	Six-months ended 30 June 2021 (Unaudited)	Six-months ended 30 June 2020 (Unaudited)
REVENUES	**471.3**	**433.1**
Cost of revenues	(57.5)	(57.7)
GROSS PROFIT	**413.7**	**375.4**
Gross profit margin	**87.8%**	**86.7%**
Sales and marketing	(71.7)	(63.0)
Research and development	(32.8)	(35.4)
General and administrative	(39.1)	(35.6)
Total operating costs	**(143.6)**	**(134.0)**
EBITDA	**270.2**	**241.4**
EBITDA margin	**57.3%**	**55.7%**
Depreciation & Amortisation [13]	(11.2)	(10.6)
EBIT	**258.9**	**230.8**
Finance income and expenses	(7.4)	(21.6)
PROFIT BEFORE TAX	**251.6**	**209.2**

Income tax	(45.8)	(39.4)
NET INCOME	**205.8**	**169.8**
Net Income margin	**43.7%**	**39.2%**
Earnings per share (in $ per share):		
Basic EPS	0.20	0.17
Diluted EPS	0.20	0.16

Billings

Billings represent the full value of products and services being delivered under subscription and other agreements and include sales to new end customers plus renewals and additional sales to existing end customers. Under the subscription model, end customers pay the Group for the entire amount of the subscription in cash upfront upon initial delivery of the applicable products. The invoicing timing may slightly vary through the year with immaterial impact, as part of our usual renewal offers testing. Although the cash is paid upfront, under IFRS, subscription revenue is deferred and recognised rateably over the life of the subscription agreement, whereas non-subscription revenue is typically recognised immediately.

($'m)	H1 2021	H1 2020	Change	Change %
Revenue	**471.3**	**433.1**	**38.2**	**8.8**
Net deferral of revenue	11.4	36.0	(24.6)	(68.3)
Billings	**482.7**	**469.1**	**13.6**	**2.9**

Adjusted EBITDA

Adjusted earnings before interest, taxation, depreciation and amortisation ('Adjusted EBITDA') is defined as the Group's operating profit/loss before depreciation, amortisation of non-acquisition intangible assets, share-based payments including related employer's costs, exceptional items and amortisation of acquisition intangible assets.

Adjusted Cash EBITDA

Cash earnings before interest, taxation, depreciation and amortisation ('Adjusted Cash EBITDA') is defined as Adjusted EBITDA plus the net deferral of revenue and the net change in deferred cost of goods sold. The following is a reconciliation of the Group's reported Operating profit to Adjusted EBITDA and Adjusted Cash EBITDA:

($'m)	H1 2021	H1 2020	Change	Change %
Operating profit	**226.7**	**134.5**	**92.2**	**68.6**
Share-based payments (incl. employer's costs)	16.6	9.0	7.6	84.4
Exceptional items	4.0	47.4	(43.4)	(91.6)
Amortisation of acquisition intangible assets	11.7	39.9	(28.2)	(70.7)
Depreciation	10.1	9.5	0.6	6.3
Amortisation of non-acquisition intangible assets	1.1	1.1	-	-
Adjusted EBITDA	**270.2**	**241.4**	**28.8**	**11.9**
Net change in deferred revenues	11.4	36.0	(24.6)	(68.3)
Net change in deferred cost of goods sold	1.1	(2.2)	3.3	Fav
Adjusted Cash EBITDA	**282.6**	**275.1**	**7.5**	**2.7**

Adjusted Net Income

Adjusted Net Income represents reported net income plus share-based payments, exceptional items, amortisation of acquisition intangible assets, unrealised foreign exchange gain/loss on the EUR tranche of the bank loan, the tax impact from the unrealised exchange differences on intercompany loans, tax impact from disposal of business operation and the tax impact of the foregoing adjusting items and IP transfers, less gain on disposal of business operation. The following is a reconciliation of the Group's reported Net income to Adjusted Net Income:

($'m)	H1 2021	H1 2020	Change	Change %
Net Income	**205.8**	**86.5**	**119.3**	**Fav**
Share-based payments	16.6	9.0	7.6	84.4
Exceptional items	4.0	47.4	(43.4)	(91.6)
Amortisation of acquisition intangible assets	11.7	39.9	(28.2)	(70.7)
Unrealised FX gain on EUR tranche of bank loan	(15.8)	(2.4)	(13.4)	Unf
Tax impact from FX difference on intercompany loans	(0.9)	(3.7)	2.8	75.7
Tax impact from disposal of business operation	12.7	-	12.7	n/a
Tax impact on adjusted items	2.6	(10.1)	12.7	Fav
Tax impact of IP transfer	3.1	3.1	-	n/a
Gain on disposal of business operation	(34.2)	-	(34.2)	n/a
Adjusted Net Income	**205.8**	**169.8**	**36.0**	**21.2**

Unlevered Free Cash Flow

Represents Adjusted Cash EBITDA less capex, donation and taxation, plus cash flows in relation to changes in working capital (excluding change in deferred revenue and change in deferred cost of goods sold as these are already included in Adjusted Cash EBITDA). Changes in working capital are as per the cash flow statement on an unadjusted historical basis and unadjusted for exceptional items. In H1 2020, the $24.7m Jumpshot wind down costs were treated as an exceptional item, thus excluded from the Unlevered Free Cash Flow.

Levered Free Cash Flow

Represents amounts of incremental cash flows of the Group after it has met its financial obligations (after interest and lease repayments) and is defined as Unlevered Free Cash Flow less cash interest and lease repayments.

Rounding

Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided, however growth rates are calculated based on precise actual numbers.

Notes:
[13] *Depreciation and amortisation included in Adjusted Net Income excludes amortisation of acquisition intangibles.*

DIRECTORS' RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

The unaudited condensed consolidated financial statements have been prepared in accordance with UK-adopted IAS 34 Interim Financial Reporting as adopted by the European Union

The interim management report includes a fair review of the information required by:

(a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

(b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report in Financial statements dated 3 March 2021 that could do so."

On behalf of the Board
Ondrej Vlcek
Chief Executive of Avast

INDEPENDENT REVIEW REPORT TO AVAST PLC

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 which comprises the Consolidated Statement of Profit and Loss, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Shareholder's Equity, Consolidated Statement of Cash and the related explanatory notes that have been reviewed. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 2, the annual financial statements of the group will be prepared in accordance with UK adopted IFRSs. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting.

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statement in the half-yearly financial report. Our conclusion, is based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Ernst & Young LLP

Ernst & Young LLP
London
10 August 2021

CONSOLIDATED STATEMENT OF PROFIT AND LOSS
FOR THE SIX-MONTHS ENDED 30 JUNE 2021
($'M)

	Note	Six-months ended 30 June 2021 (Unaudited)	Six-months ended 30 June 2020 (Unaudited)
REVENUES	3	**471.3**	**433.1**
Cost of revenues		(74.8)	(104.6)
GROSS PROFIT		**396.5**	**328.5**
Sales and marketing		(77.4)	(70.0)
Research and development		(38.4)	(45.2)
General and administrative		(54.0)	(78.8)
Total operating costs		**(169.8)**	**(194.0)**
OPERATING PROFIT		**226.7**	**134.5**
Net gain on disposal of a business operation	9	34.2	-
Interest Income	7	0.1	0.3
Interest Expense	7	(14.3)	(18.5)
Other finance income and expense (net)	7	22.6	(1.0)
PROFIT BEFORE TAX		**269.3**	**115.3**
Income tax	8	(63.5)	(28.8)
PROFIT FOR THE PERIOD		**205.8**	**86.5**
Earnings per share (in $ per share):			
Basic EPS	10	0.20	0.09
Diluted EPS	10	0.20	0.08

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX-MONTHS ENDED 30 JUNE 2021
($'M)

	Six-months ended 30 June 2021 (Unaudited)	Six-months ended 30 June 2020 (Unaudited)
Profit for the period	**205.8**	**86.5**
Other comprehensive gains:		
Items that will not be reclassified subsequently to profit or loss:		
- Changes in the fair value of equity instruments at fair value through other comprehensive income (net of tax)	(0.6)	-
Items that may be reclassified subsequently to profit or loss:		
- Translation differences	0.8	0.1
Total other comprehensive gains	**0.2**	**0.1**
Comprehensive income for the period	**206.0**	**86.6**

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2021
($'M)

	Note	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)	31 December 2020 (Audited)
ASSETS				
Current assets				
Cash and cash equivalents		357.6	151.0	175.4
Trade and other receivables		48.2	73.1	63.0
Capitalised contract costs	11	34.1	34.2	35.0
Prepaid expenses		9.4	12.1	10.3
Inventory		-	0.1	-
Tax receivables	8	2.9	4.4	5.2
Other financial assets	17	6.5	0.7	0.3
		458.7	275.6	289.2
Non-current assets				
Property, plant and equipment	12	34.6	37.8	41.2
Right-of-use assets	13	51.1	61.5	56.4
Intangible assets	12	115.0	152.8	127.7
Deferred tax asset	8	176.1	202.2	197.1
Other financial assets	17	8.5	0.8	0.8
Capitalised contract costs	11	2.6	3.9	2.8
Prepaid expenses		0.5	0.8	0.5
Goodwill		1,966.6	1,991.3	1,991.3
		2,355.0	2,451.1	2,417.8
TOTAL ASSETS		**2,813.7**	**2,726.7**	**2,707.0**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Current liabilities				
Trade and other payables		61.5	58.2	63.2
Lease liability	13	7.1	7.4	7.0
Provisions	14	21.7	20.8	27.7
Income tax liability		17.4	9.4	1.3
Deferred revenues	15	470.8	448.6	458.8
Term loan	16	41.9	60.9	64.6
Other financial liabilities	17	-	1.2	0.4
		620.4	606.5	623.0
Non-current liabilities				
Lease liability	13	51.4	56.9	57.5
Provisions	14	0.3	0.7	0.6
Deferred revenues	15	37.0	56.1	37.7
Term loan	16	778.1	837.1	769.4
Other non-current liabilities		0.7	0.7	0.7
Deferred tax liability	8	20.2	28.2	22.8
		887.7	979.7	888.7
Shareholders' equity				
Share capital		139.0	138.1	138.6
Share premium, statutory and other reserves		394.6	359.5	374.8
Translation differences		4.0	1.4	3.2
Retained earnings		768.0	641.5	678.7
Equity attributable to equity holders of the parent		1,305.6	1,140.5	1,195.3
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**2,813.7**	**2,726.7**	**2,707.0**

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE SIX-MONTHS ENDED 30 JUNE 2021

($'M)

	Share capital	Share premium	Other reserves	Translation differences	Retained earnings	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
At 31 December 2019	**136.0**	**55.6**	**225.1**	**1.3**	**698.9**	**1,116.9**	**7.5**	**1,124.4**
Result of the six-months	-	-	-	-	86.5	86.5	-	86.5
Other comprehensive income	-	-	-	0.1	-	0.1	-	0.1
Comprehensive income for the period	**-**	**-**	**-**	**0.1**	**86.5**	**86.6**	**-**	**86.6**
Other movements	-	-	-	-	(1.9)	(1.9)	-	(1.9)
Transactions with NCI - Purchase of interest	-	-	-	-	(57.3)	(57.3)	(7.5)	(64.8)
Transactions with NCI – De-recognition of put liability	-	-	55.7	-	0.6	56.3	-	56.3
Transfer share-based payments to retained earnings	-	-	(14.7)	-	14.7	-	-	-
Share-based payments	-	-	8.7	-	-	8.7	-	8.7
Exercise of options	2.1	29.1	-	-	-	31.2	-	31.2
Share-based payments - deferred tax	-	-	-	-	5.4	5.4	-	5.4
Cash dividend	-	-	-	-	(105.4)	(105.4)	-	(105.4)
At 30 June 2020	**138.1**	**84.7**	**274.8**	**1.4**	**641.5**	**1,140.5**	**-**	**1,140.5**
Result of the six-months	-	-	-	-	83.1	83.1	-	83.1
Other comprehensive income	-	-	-	1.8	-	1.8	-	1.8
Comprehensive income for the period	**-**	**-**	**-**	**1.8**	**83.1**	**84.9**	**-**	**84.9**
Other movements	-	-	-	-	2.8	2.8	-	2.8
Transfer share-based payments to retained earnings	-	-	(0.7)	-	0.7	-	-	-
Share-based payments	-	-	13.1	-	-	13.1	-	13.1
Exercise of options	0.5	2.9	-	-	(0.6)	2.8	-	2.8
Share-based payments - deferred tax	-	-	-	-	0.5	0.5	-	0.5
Cash dividend	-	-	-	-	(49.3)	(49.3)	-	(49.3)
At 31 December 2020	**138.6**	**87.6**	**287.2**	**3.2**	**678.7**	**1,195.3**	**-**	**1,195.3**
Result of the six-months	-	-	-	-	205.8	205.8	-	205.8
Other comprehensive income	-	-	-	0.8	(0.6)	0.2	-	0.2
Comprehensive income for the period	**-**	**-**	**-**	**0.8**	**205.2**	**206.0**	**-**	**206.0**
Other movements	-	-	-	-	(0.4)	(0.4)	-	(0.4)
Share-based payments	-	-	16.2	-	-	16.2	-	16.2
Exercise of options	0.4	3.6	-	-	(0.2)	3.8	-	3.8
Cash dividend	-	-	-	-	(115.3)	(115.3)	-	(115.3)
At 30 June 2021	**139.0**	**91.2**	**303.4**	**4.0**	**768.0**	**1,305.6**	**-**	**1,305.6**

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX-MONTHS ENDED 30 JUNE 2021

($'M)

	Note	Six-months ended 30 June 2021 (Unaudited)	Six-months ended 30 June 2020 (Unaudited)
Cash flows from operating activities			
Profit for the financial period		205.8	86.5
Non-cash adjustments to reconcile profit to net cash flows:			
Income tax	8	63.5	28.8
Depreciation	6	10.1	9.5
Amortisation	6	12.8	41.0
Impairment		1.4	2.8
Gain on disposal of a business operation	9	(34.2)	-
Movement of provisions and allowances		(6.8)	7.5
Interest income	7	(0.1)	(0.3)
Interest expense, changes of fair values of derivatives and other non-cash financial expense	7	13.8	16.9
Shares granted to employees	4	16.2	8.7
Effect of exchange rate changes on cash and cash equivalents held in foreign currencies		(2.5)	(1.1)
Unrealized foreign exchange gains and losses and other non-cash transactions		(19.2)	0.1
Working capital adjustments:			
Decrease in trade and other receivables and inventories		11.4	0.3
Increase/(decrease) in trade and other payables		1.8	(4.1)
Increase in deferred revenues		11.4	36.0
Income tax paid		(28.6)	(6.8)
Net cash flows from operating activities		**256.8**	**225.8**
Cash flows from investing activities			
Acquisition of property and equipment		(1.6)	(2.2)
Acquisition of intangible assets		(1.6)	(0.5)
Settlement of contingent consideration		(0.7)	(3.6)
Proceeds from sale of a business operation, net of cash disposed	9	54.7	3.0
Interest received	7	0.1	0.3
Net cash used in investing activities		**50.9**	**(3.0)**
Cash flows from financing activities			
Transactions with NCI		-	(64.8)
Dividend paid	18	(115.3)	(105.4)
Exercise of options		3.8	31.2
Proceeds from borrowings/repayments	16	5.4	(130.2)
Transaction costs related to borrowings	16	(7.7)	-
Interest paid	16	(10.0)	(15.4)
Lease payments interest	13	(1.0)	(1.1)
Lease payments principal	13	(3.2)	(3.8)
Net cash flows from financing activities		**(128.0)**	**(289.5)**
Net increase/(decrease) in cash and cash equivalents		179.7	(66.7)
Effect of exchange rate changes on cash and cash equivalents held in foreign currencies		2.5	1.1
Cash and cash equivalents at beginning of period		175.4	216.6
Cash and cash equivalents at end of period		**357.6**	**151.0**

The accompanying notes form an integral part of these financial statements.

1. General information

Avast plc, together with its subsidiaries (collectively, 'Avast', 'the Group' or 'the Company'), is a leading global cybersecurity provider. Avast plc is domiciled in the United Kingdom and its registered address is 110 High Holborn, London WC1V 6JS. Avast plc's registered number is 07118170.

The Interim Condensed Financial Statements were approved for issue by the Board of Directors on 10 August 2021 and have been reviewed but not audited.

These Interim Condensed Financial Statements do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006.

The financial information in respect of the financial year ended 31 December 2020 has been extracted from the audited financial statements for that financial year that have been delivered to the registrar and on which the auditors gave an unqualified audit opinion which did not include an emphasis of matter reference or a statement under sections 498(2) or (3) of Companies Act 2006.

2. Basis of preparation and changes to the accounting policies

2.1 Basis of preparation

The Interim Condensed Financial Statements for the six-months ended 30 June 2021 have been prepared in accordance with UK-adopted *IAS 34 Interim Financial Reporting* and the Disclosure and Transparency Rules of the Financial Conduct Authority. The Interim Condensed Financial Statements should be read in conjunction with the Annual Report and Consolidated financial statements for the year ended 31 December 2020, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS'). The annual financial statements for the year ended 31 December 2021 will be prepared in accordance with UK-adopted International Accounting Standards (UK-adopted IFRS).

The Group uses the direct method of consolidation, under which the Interim Condensed Financial Statements are translated directly into the presentation currency of the Group, the US Dollar ('USD'). The consolidation of a subsidiary begins when the Group obtains control over the subsidiary and continues to be consolidated until the date when such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full on consolidation.

Going Concern

Due to the uncertainty of the ongoing Covid-19 pandemic, management have performed a detailed going concern review and analysis of the accounts and consider that the Group has adequate resources to continue business for the foreseeable future, and a period from the signing of the interim financial statements through 31 December 2022.

Group's financial covenants

The Group's Term Loan Credit Agreement includes a single financial covenant that is triggered at any time when $35 million or more is outstanding under the revolving credit agreement for a period ending on June 30 or December 31. The Group must maintain, on a consolidated basis, a leverage ratio (set as a ratio of Consolidated First Lien Net Debt to Consolidated EBITDA) less than 6.5x when $35m or more is outstanding. This covenant is tested quarterly at such time as it is in effect. The Total Net First Lien Leverage Ratio remains materially lower than 6.5x during the period under review. The ratio was 1.0x at 30 June 2021 and there is no reason to believe that the Group would have any material risk against the ceiling of 6.5x. As of 30 June 2021, $40 million committed was undrawn under the revolving credit facility.

Reverse stress testing

To make the going concern assessment, the Directors have reviewed the latest budget and forecast through 31 December 2022, including the projected cash flows and other relevant information. The cash flow projections have been subject to reverse stress testing, which assessed the potential impact of extreme scenario in which the billings from Desktop part of Consumer Direct segment would decline drastically without any mitigating action taken by management. Even in such a scenario, which is considered remote, the Group has more than sufficient headroom in its available resources to withstand the period from signing of the interim financial statements through 31 December 2022 and not to be in breach of the financial covenant. The Group would only run out of available cash in the extreme situation where practically no further Consumer Direct Desktop billings would be realised in H2, collections would stop, and no meaningful offsetting cost actions would be taken, whilst still paying dividends according to the current policy (i.e. 40% of Levered Free Cash Flow).

Our business remains resilient because:

- Cash collection is strong and bad debt risk is limited as clients typically pay for service up front

- At the end of H1 2021 the Group had $398m of available liquidity including $40m available revolving credit facility not drawn, therefore the Group has sufficient funds to allow it to operate

- Resilient renewal rates with only minor degradation in the 'Covid cohort' in H1 2021

- Flexible cost base – significant portion of Group's costs are discretionary in nature

- The work-from-home trend in the pandemic environment created an upswing in demand across the product portfolio resulting in strong growth in customer numbers in 2020. The number of customers continued to grow on a lower pace in H1 2021 (+1.5% versus YE 2020 in Consumer Direct)

- Our deferred revenue balance is growing (deferred revenue up +2.3% vs YE 2020) supporting attractive future revenue growth and good future revenue visibility. The deferred revenue balance as of 30 June 2021 of $507.7m includes $470.8m to be released into revenue in the following 12 months

- We continuously monitor and invest into market needs. In H1 2021 Avast continued its strong investment in technology capability and innovation, and further enhanced the customer experience to support mid-term growth initiatives, and to keep up with the latest technology trends

The Directors continue to carefully monitor the impact of the Covid-19 pandemic on the operations of the Group and have a range of possible mitigation actions, which could be implemented in the event of a downturn of the business.

On the basis of the above considerations, the Directors have a reasonable expectation that the Group will have adequate resources to continue in business for the foreseeable future and therefore continue to adopt the going concern basis in preparing the interim financial statements.

Impact of Covid-19 on financial statements at 30 June 2021

In light of the impact of Covid-19, management have considered the impact on accounting policies, judgements and estimates. In particular, on the expected credit loss, where customers have been reviewed for potential increased level of risk. There has been no material specific provision to the Group's receivables recorded as of 30 June 2021.

Impairment reviews of goodwill and intangible assets are ordinarily performed annually. At 30 June 2021, the Group reviewed whether there are any new impairment indicators present due to the uncertainty caused by Covid-19. No significant adjustment to Group's accounting estimates has been deemed necessary, considering also the fact that the headroom of market capitalization over net assets is significant. There is no reason to believe that impairment would be required.

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. There were no new standards issued since 1 January 2021 that would have impacted the consolidated financial statements. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).
The amendments include the following practical expedients:

• A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest

• Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
• Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.
These amendments had no impact on the interim condensed consolidated financial statements of the Group. The Group will apply the practical expedients in future periods if it is applicable. Upon the discontinuation of US LIBOR, the Group's credit agreement contains a mechanism by which US LIBOR will be replaced with a new reference rate reflecting the market standard.

2.3 Change in the reporting of Billings and Revenues

On 1 January 2021, the Group changed its disaggregation of Consumer reporting of billings and revenues. In prior years, the Consumer segment was further split into Consumer Direct Desktop, Consumer Direct Mobile and Consumer Indirect. In 2021, the direct-to-consumer mobile subscription business is reported together with the desktop business within the one category 'Consumer Direct', due to a rise of multi-device subscriptions. Consumer Indirect consists of revenues generated via the carrier channel (named as Partner) alongside Mobile advertising and Platform revenue. The Consumer reporting change has no impact on the overall Group result. There is no change to the overall segments which are consistently reported as Consumer and SMB. Comparative balances have been adjusted for consistency purposes.

Previous structure ($'m)	Six-months ended 30 June 2020 (Unaudited)	Partner/ carriers	Mobile subscription	New structure ($'m)	Six-months ended 30 June 2020 (Unaudited)
Consumer Direct Desktop	334.4	-	14.9	Consumer Direct	349.3
Consumer Direct Mobile	36.5	(21.6)	(14.9)		
Consumer Indirect	35.7	21.6	-	Consumer Indirect	57.3
SMB	23.2	-	-	SMB	23.2
Consumer Other*	3.3	-	-	Consumer Other*	3.3
Total	**433.1**	**-**	**-**	**Total**	**433.1**

*For the period ended 30 June 2021 and 2020, Consumer Other includes a portion of revenue from discontinued business and Jumpshot revenue of nil and $1m, respectively.

3. SEGMENT INFORMATION AND OTHER DISCLOSURES

For management reporting purposes, two operating segments of Consumer and Small and Medium-sized business ('SMB') have been identified based on the nature of the business and how the business is managed.

Billings is one of the important metrics used to evaluate and manage operating segments. Billings represent the full value of products and services being delivered under subscription and other agreements and include sales to new end customers plus renewals and additional sales to existing end customers. Under the subscription model, end customers pay the Group for the entire amount of the subscription in cash upfront upon initial delivery of the applicable products. The invoicing timing may slightly vary through the year with immaterial impact, as part of our usual renewal offers testing. Although the cash is paid up front, under IFRS, subscription revenue is deferred and recognised ratably over the life of the subscription agreement, whereas non-subscription revenue is typically recognised immediately.

The Group evaluates the performance of its segments based primarily on billings, revenue and operating profit. Billings is not defined or recognised under IFRS and considered as a non-IFRS financial measure used to evaluate current business performance.

Certain costs that are not directly applicable to the segments are identified as corporate overhead costs and represent general corporate costs that are applicable to the consolidated group. In addition, costs relating to share-based payments and exceptional items are not allocated to the segments since these costs are not directly applicable to the segments, and therefore not included in the evaluation of performance of the segments.

The following tables present summarised information by segment:

Six-months ended 30 June 2021 (Unaudited) ($'m)	*Consumer*	*SMB*	*Total*
Billings	**456.3**	**26.4**	**482.7**
Deferral of revenue	(10.9)	(0.5)	(11.4)
Segment revenue	**445.4**	**25.9**	**471.3**
Segment cost of revenues	(43.1)	(2.2)	(45.3)
Segment sales and marketing costs	(49.8)	(8.4)	(58.2)
Segment research and development costs	(21.1)	(1.6)	(22.7)
Segment general and administrative costs	(1.4)	(0.3)	(1.7)
Total segment operating profit	**330.0**	**13.4**	**343.4**
Corporate overhead			(73.2)
Depreciation and amortisation			(22.9)
Exceptional items			(4.0)
Share-based payments			(16.2)
Employer's taxes on share-based payments			(0.4)
Consolidated operating profit			**226.7**

Six-months ended 30 June 2020 (Unaudited) ($'m)	*Consumer*	*SMB*	*Total*
Billings	**445.8**	**23.3**	**469.1**
Deferral of revenue	(35.9)	(0.1)	(36.0)
Segment revenue	**409.9**	**23.2**	**433.1**
Segment cost of revenues	(40.3)	(2.8)	(43.1)
Segment sales and marketing costs	(43.3)	(8.6)	(51.9)
Segment research and development costs	(24.9)	(1.6)	(26.5)
Segment general and administrative costs	(1.2)	0.4	(0.8)
Total segment operating profit	**300.2**	**10.6**	**310.8**
Corporate overhead			(69.4)
Depreciation and amortisation			(50.5)
Exceptional items			(47.4)
Share-based payments			(8.7)
Employer's taxes on share-based payments			(0.3)
Consolidated operating profit			**134.5**

Corporate overhead costs primarily include the costs of the Group's IT, HR, Finance and central marketing functions and legal and rent costs, which are not allocated to the individual segments.

The following table presents depreciation and amortisation by segment:

($'m)	Six-months ended 30 June 2021 (Unaudited)	Six-months ended 30 June 2020 (Unaudited)
Consumer	12.1	40.6
SMB	0.1	0.1
Corporate overhead	10.7	9.8
Total depreciation and amortisation	**22.9**	**50.5**

The following table presents further disaggregation of revenue:

($'m)	Six-months ended 30 June 2021 (Unaudited)	Six-months ended 30 June 2020 (Unaudited)
Consumer Direct	401.6	349.3
Consumer Indirect	42.5	57.3
SMB	25.9	23.2
Consumer Other	1.3	3.3
Total	**471.3**	**433.1**

As described in Note 2, the Group changed its disaggregation of Consumer reporting of billings and revenues. Comparative information for the six months ended June 2020 were adjusted accordingly.

The following table presents revenue attributed to countries based on the location of the customer:

	Six-months ended 30 June 2021 (Unaudited)		Six-months ended 30 June 2020 (Unaudited)	
	($'m)	(in %)	($'m)	(in %)
United States	176.0	37.3%	169.7	39.2%
United Kingdom	44.7	9.5%	39.5	9.1%
France	36.8	7.8%	33.9	7.8%
Germany	33.4	7.1%	29.2	6.8%
Other countries*	180.4	38.3%	160.8	37.1%
Total	**471.3**	**100%**	**433.1**	**100.0%**

*No individual country represented more than 5% of the respective totals.

Revenues from relationships with certain third parties exceeding 10% of the Group's total revenues were as follows:

($'m)	Six-months ended 30 June 2021 (Unaudited)	Six-months ended 30 June 2020 (Unaudited)
Revenues realised through online resellers:		
Digital River	351.1	292.6

4. SHARE-BASED PAYMENTS

The total expense that relates to the equity-settled share-based payment transactions during the period is as follows:

($ 'm)	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
Avast Option Plan	0.1	(0.8)
Long Term Incentive Plan ("LTIP")	16.2	9.3
Share Matching Plan ("SMP")	(0.1)	0.2
Total share-based payment expense	**16.2**	**8.7**

The Group also recognised additional $0.4m (H1 2020: $0.3m) of employer's costs related to the share-based payments exercise included in operating costs. Total costs related to share-based payments adjusted out of the adjusted operating profit amounted to $16.6m (H1 2020: $9.0m).

The Group has made awards under its share-based payments plans with a weighted average share price ('WASP') on the grant date as follows:

($ 'm)	Six-months ended 30 June 2021 Number (Unaudited)	Six-months ended 30 June 2021 WASP (£ pence) (Unaudited)	Six-months ended 30 June 2020 Number (Unaudited)	Six-months ended 30 June 2020 WASP (£ pence) (Unaudited)
RSU	5,897,350	521.1	1,427,240	406.1
PSU	965,053	483.4	1,185,732	404.6
Total	**6,862,403**	**515.8**	**2,612,972**	**405.4**

5. EXCEPTIONAL ITEMS

The following table presents the exceptional items by activities:

($'m)	Six-months ended 30 June 2021 (Unaudited)	Six-months ended 30 June 2020 (Unaudited)
Exceptional items in operating profit	(4.0)	(47.4)
Net gain on disposal of business operation	34.2	-

Exceptional items in operating profit

During the six-months ended 30 June 2021, the Group incurred legal and professional costs of $3.2m in relation to the disposal of business operation (described further below and in the Note 9). These transaction costs are included in the cash flow from investing activities. In addition, the Group has also recorded exceptional non-cash impairment costs of $0.8m, which resulted from this disposal (see Note 13). The tax benefit from these exceptional items amounted to $1.0m.

During the six-months ended 30 June 2020, the Group returned the investment made by Ascential plc into Jumpshot in the total amount of $73.0m, which included associated exit costs of $8.2m. These costs were included in the exceptional costs, in the net cash flows from operating activities and treated as tax non-deductible. The amount of investment returned to Ascential excluding exit costs was included in the net cash flows from financing activities.

In total, the Group incurred $24.7m costs in the six-months ended 30 June 2020 in relation to winding down the operations of Jumpshot. These costs were primarily cash items consisting of restructuring personnel costs, legal fees, refunds to the customer and aforementioned Ascential exit costs. The non-cash items included gain from release of deferred revenue of $7.6m which was offset by impairment of fixed assets and right-of-use assets of $2.8m and creation of bad debt provision and write-offs of account receivables and other assets of $4.5m. These exceptional items have been treated as tax non-deductible.

In addition, in H1 2020 Avast donated $22.7m (FY 2020 total $25m) to accelerate global R&D programs to help combat Covid-19. Total amount of donations $22.7m was included in the net cash flows from operating activities and the related tax impact has been included in the tax adjusting items ($4.3m).

Net gain on disposal of a business operation

On 16 April 2021, the Group sold a portfolio of mobile parental controls services including location features, content filtering and screen time management to Smith Micro Software Inc. ("Smith Micro") recognising a gain of $34.2m as an exceptional item. Proceeds from this transaction, net of cash sold, have been included in cash flows from investing activities. The tax impact of the net gain on disposal of a business operation was $13.7m.

All exceptional items incurred during the six-months ended 30 June 2021 and 2020 relate to the Consumer segment.

6. DEPRECIATION AND AMORTISATION

Amortisation by function:

($ 'm)	Six-months ended 30 June 2021 (Unaudited)	Six-months ended 30 June 2020 (Unaudited)
Cost of revenues	11.7	39.9
Total amortisation of acquisition intangible assets	**11.7**	**39.9**
Cost of revenues	0.2	0.4
Sales and marketing	0.2	0.1
Research and development	0.2	0.2
General and administration	0.5	0.4
Total amortisation of non-acquisition intangible assets	**1.1**	**1.1**
Total amortisation	**12.8**	**41.0**

Depreciation by function:

($ 'm)	Six-months ended 30 June 2021 (Unaudited)	Six-months ended 30 June 2020 (Unaudited)
Cost of revenues	4.9	3.9
Research and development	0.1	0.1
General and administration*	5.1	5.5
Total depreciation	**10.1**	**9.5**

*$3.5 million (H1 2020: $3.8 million) is attributable to the depreciation of right-of-use assets (see Note 13)

Tangible and intangible assets are allocated to each department of the Group. The depreciation and amortisation of these assets is reported as part of operating costs and cost of revenues.

7. FINANCE INCOME AND EXPENSES

Interest income:

($ 'm)	Six-months ended 30 June 2021 (Unaudited)	Six-months ended 30 June 2020 (Unaudited)
Interest on bank deposits	0.1	0.3
Total finance income	**0.1**	**0.3**

Interest expense:

($ 'm)	Six-months ended 30 June 2021 (Unaudited)	Six-months ended 30 June 2020 (Unaudited)
Term loan interest expense	(13.3)	(17.4)
Lease interest expense	(1.0)	(1.1)
Total interest expense	**(14.3)**	**(18.5)**

Other finance income and expense (net):

($ 'm)	Six-months ended 30 June 2021 (Unaudited)	Six-months ended 30 June 2020 (Unaudited)
Changes of fair values of derivatives	0.4	1.3
Revolving loan - commitment fee and other fees	(0.2)	(0.2)
Foreign currency gains and losses, net	6.3	(5.0)
Unrealised foreign exchange gains and losses on borrowings, net	15.8	2.4
Other financial expense and income (net)	0.3	0.5
Total other finance income and expense (net)	**22.6**	**(1.0)**

8. INCOME TAX

In the Consolidated statement of financial position, the corporate income tax receivable of $0.3m ($2.0m as at 30 June 2020 and $1.9m as at 31 December 2020) is part of the caption tax receivables.

The major components of the income tax in the consolidated statement of comprehensive income are:

($ 'm)	Six-months ended 30 June 2021 (Unaudited)	Six-months ended 30 June 2020 (Unaudited)
Current income tax	(45.1)	(30.7)
Deferred tax	(18.4)	1.9
Total income tax	**(63.5)**	**(28.8)**

Income tax expense is recognised based on the Group's estimate of the weighted average annual effective income tax rate expected for the full financial year, adjusted for the tax effect of certain items recognised in full in the interim period. The estimated average annual effective income tax rate used for the six-months ended 30 June 2021 is 18%, compared to 20% for the six-months ended 30 June 2020. The estimated average annual effective tax rate in six-months ended 30 June 2021 is lower mainly due to recognition of previously unrecognised deferred tax assets in the Netherlands, which will be recovered based on Group's assessment.

The reconciliation of income tax benefit applicable to accounting profit before income tax at the statutory income tax rate to income tax expenses at the Group's effective income tax rate is as follows:

($ 'm)	Six-months ended 30 June 2021 (Unaudited)	Six-months ended 30 June 2020 (Unaudited)
Profit before tax	**269.3**	**115.3**
Group effective income tax rate (20%* in 2021 and 2020)	(53.9)	(23.1)
Recurring adjustments		
Non-deductible expenses	(1.0)	(0.8)
Share-based payments	(2.3)	(1.3)
FX effect on Intercompany loans	0.9	3.7
Non recurring adjustments		
Current year deferred tax assets not recognised	(0.2)	(5.7)
Effect of changes in tax rates on deferred taxes	0.3	0.2
Taxable gain on Family Safety Mobile business disposal	(6.8)	-
Recognition of previously unrecognized deferred tax assets	5.5	-
Derecognition of deferred tax assets	(6.7)	-
Remaining impact of tax rate variance and other effects	0.7	(1.8)
Total income tax	**(63.5)**	**(28.8)**

*Estimated as a Group's blended rate across the jurisdictions where the Group operates.

After disposal of Family Safety Mobile business, the Group derecognised deferred tax assets of $6.8m related to tax credits in the United States which will not be recovered before they expire based on Group's assessment. Tax effect is recognised in full in the six-months ended 30 June 2021.

As of 30 June 2021, the Group recognised a deferred tax liability of $20.2m ($28.2m as of 30 June 2020 and $22.8m as of 31 December 2020) which relates mainly to taxable differences recognized during purchase price allocations in previous periods.

As of 30 June 2021, the Group recognised a deferred tax asset of $176.1m ($202.2m as of 30 June 2020 and $197.1m as of 31 December 2020) of which the major part relates to deductible temporary differences in the Czech Republic ($119.5m as at 30 June 2021, $125.1m as at 30 June 2020, $120.3m as at 31 December 2020) and carry forward of unused tax losses and other temporary differences in the United States ($46.4m as at 30 June 2021, $64.8m as at 30 June 2020, $64.2m as at 31 December 2020). In the six-months ended 30 June 2021 the Group utilised $9.1m deferred tax asset in the United States which was offset against taxable profit (including profit from the sale of Family Safety Mobile business). Based on expectations of future profitability, management expects to recover the deferred tax asset in the United States over an approximately 36-year period. The recoverability period has been extended after sale of Family Safety Mobile business, which included sale of 100% shares in Location Labs generating taxable profits in the United States. Tax losses in the United States can be carried forward for an indefinite period of time.

The temporary differences associated with investments in the Group's subsidiaries, for which a deferred tax liability has not been recognised in the period presented, aggregate to $59.5m as at 30 June 2021 (nil as at 30 June 2020 and $77.1m as at 31 December 2020). The differences related to undistributed reserves of the US subsidiaries, which would be subject to withholding taxes if distributed. The Group has determined that the undistributed profits of its subsidiaries will not be distributed in the foreseeable future.

9. DISPOSAL OF A BUSINESS OPERATION

Disposal of Family Safety mobile business

On March 8, 2021 Avast Group announced that it would sell a portfolio of mobile parental controls services including location features, content filtering and screen time management to Smith Micro Software Inc. (“Smith Micro”). The transaction consisted of the sale of 100% of the shares of in Location Labs, owned by AVG Technologies USA, LLC, containing patents and part of contractual relationships, sale of intellectual property (“IP”) owned by Avast Software s.r.o. and sale of other assets of Avast Software Inc, Avast Slovakia, sro., and Privax d.o.o.

The transaction closed on 16 April 2021 which is considered the disposal date.

The total selling price for the transactions was $73.0m and comprised the following components:

- Cash of $57.9m was received on the disposal date;
- Escrow amount of $5m was withheld in escrow for a 12-month period to satisfy any potential indemnity claims against the Group under the applicable share and asset purchase agreement entered into between the parties;
- Receivable of $0.5m;
- 1.5m shares of common stock of Smith Micro with the fair value of $8.4m on the disposal date;
- Earn-out of $1.2m.

As a result, the Group derecognised all assets and liabilities of the sold subsidiary Location Lab. Because the sale of a subsidiary is part of a single transaction of the sale of a part of the business, the Group presents the result of the whole transaction (except for tax impacts) within a single line in the statement of comprehensive income, including the sale of IP and other assets.

The carrying amounts of assets and liabilities as of the date of sale were as follows:

($'m)	**16 April 2021**
Cash and cash equivalents	6.3
Trade and other receivables	6.2
Prepaid expenses	0.5
Current assets	**13.0**
Property, plant & equipment	0.9
Intangible assets	0.2
Non-current assets	**1.1**
Total assets	**14.1**
Trade and other payables	1.0
Deferred revenues	0.2
Other current liabilities	0.1
Current liabilities	**1.3**
Net assets	**12.8**

Since the sold business concerns part of Consumer cash-generating unit (CGU), the amount of goodwill derecognized was determined on the basis of the relative value of the part divested compared to the value of Consumer CGU after the disposal. When determining the value in use of Consumer CGU, the Group used a discounted cash flow model taking into consideration the latest forecast approved by the management. The Group has determined that the appropriate amount of goodwill disposed of is $24.7m which was part of the Consumer CGU.

The resulting gain on disposal of a business operation is shown in the table below:

($'m)	16 April 2021
Total disposal consideration	**73.0**
Carrying amount of net assets sold	(12.8)
Gain on disposal of a business operation	**60.2**
Other adjustments:	
Goodwill write-off	(24.7)
Intangibles write off	(1.3)
Net gain on disposal of a business operation	**34.2**

Analysis of cash flows on disposal:

($'m)	
Cash received	57.9
Transaction costs paid	(3.2)
Net cash flow on disposal	**54.7**

Transaction costs of $3.2m have been expensed and are included in general and administrative expenses in the Consolidated statement of profit or loss and are part of investing cash flows in the Consolidated statement of cash flows. These costs have been treated as exceptional.

10. Earnings per share

Basic earnings per share amounts are calculated by dividing the net profit for the period attributable to equity holders of the Group by the weighted average number of shares of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the profit for the period attributable to equity holders of the Group by the weighted average number of ordinary shares outstanding during the period plus weighted average number of shares that would be issued if all dilutive potential ordinary shares were converted into ordinary shares.

Adjusted EPS is calculated by dividing the adjusted net profit for the period attributable to equity holders by the weighted average number of ordinary shares outstanding during the period.

The following reflects the income and share data used in calculating EPS:

	Six-months ended 30 June 2021 (Unaudited)	Six-months ended 30 June 2020 (Unaudited)
Net profit attributable to equity holders ($ 'm)	205.8	86.5
Basic weighted average number of shares	1,029,369,137	1,016,594,917
Effect of stock options and restricted stock units	10,860,023	17,422,859
Total number of shares used in computing dilutive earnings per share	1,040,229,160	1,034,017,776
Basic earnings per share ($/share)	**0.20**	**0.09**
Diluted earnings per share ($/share)	**0.20**	**0.08**

Adjusted earnings per share measures:

	Six-months ended 30 June 2021 (Unaudited)	Six-months ended 30 June 2020 (Unaudited)
Net profit attributable to equity holders ($ 'm)	205.8	86.5
Share-based payments (including employer's costs)	16.6	9.0
Exceptional items	4.0	47.4
Amortisation of acquisition intangible assets	11.7	39.9
Net gain on disposal of business operation	(34.2)	-
Unrealised FX gain/loss on EUR tranche of bank loan	(15.8)	(2.4)
Tax impact of IP transfer	3.1	3.1
Tax impact from foreign exchange difference on intercompany loans	(0.9)	(3.7)
Tax impact on disposal of business operation	12.7	-
Tax impact on adjusted items	2.6	(10.0)
Adjusted net profit attributable to equity holders ($ 'm)	**205.8**	**169.8**
Basic weighted average number of shares	1,029,369,137	1,016,594,917
Diluted weighted average number of shares	1,040,229,160	1,034,017,776
Adjusted Basic earnings per share ($/share)	**0.20**	**0.17**
Adjusted Diluted earnings per share ($/share)	**0.20**	**0.16**

Management regards the above adjustments necessary to give a fair picture of the adjusted results of the Group for the period.

11. CAPITALISED CONTRACT COSTS

($ 'm)		30 June 2021 (Unaudited)		30 June 2020 (Unaudited)		31 December 2020 (Audited)
Capitalised contract costs at 1 January		**37.8**		**37.7**		**37.7**
Additions		32.5		34.6		67.7
Sales commissions and fees	*30.5*		*31.2*		*61.6*	
Licence fees	*2.0*		*3.4*		*6.1*	
Amortization		(33.6)		(34.2)		(67.6)
Sales commissions and fees	*(31.2)*		*(31.4)*		*(62.1)*	
Licence fees	*(2.4)*		*(2.8)*		*(5.5)*	
Capitalised contract costs at end of period		**36.7**		**38.1**		**37.8**
Total current		**34.1**		**34.2**		**35.0**
Total non-current		**2.6**		**3.9**		**2.8**

Capitalised contract costs include commissions, fees and third-party licence costs related to the subscription software licences that are amortised on a straight-line basis over the licence period, consistent with the pattern of recognition of the associated revenue. Capitalised contract costs are reviewed for impairment annually. All costs are expected to be recovered.

12. NON-CURRENT ASSETS

Intangible assets

The Group did not acquire any significant intangible non-current assets during the six-months ended 30 June 2021. The amortisation expense was $12.8m and $41.0m for the six-months ended 30 June 2021 and 2020, respectively.

The Group has tested the goodwill, trademarks, domains and intangibles with an indefinite useful life for impairment as at 31 December 2020. As at 30 June 2021, the Group had not identified any indicators of impairment. The key assumptions used to determine the recoverable amount were disclosed in the annual consolidated financial statements for the period ended 31 December 2020.

Property, plant and equipment

There were no significant additions of tangible non-current assets during the six-months ended 30 June 2021. The depreciation expense was $6.6m and $5.7m for the six-months ended 30 June 2021 and 2020, respectively.

In relation to the sale of the business operation, the Group sold $1.0m of property, plant and equipment and wrote off $1.3m of intangible assets (Note 9).

13. Leases

Right-of-use assets

Set out below are the carrying amounts of the Group's right-of-use assets and the movements during the period. The Group has lease contracts related primarily to office buildings.

($ 'm)	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)	31 December 2020 (Audited)
At 1 January	**56.4**	**62.6**	**62.6**
Additions	-	3.2	3.2
Remeasurements	(0.7)	0.6	0.6
Impairment	(0.8)	(1.1)	(0.5)
Disposals	(0.3)	-	(1.6)
Depreciation of right-of-use assets	(3.5)	(3.8)	(7.9)
At end of period	**51.1**	**61.5**	**56.4**

The Group recognised an impairment of $0.8m for the unused office space as a result of disposal of business operation. The impairment charge was included in the exceptional items.

Lease liabilities

Lease liabilities are presented in the statement of financial position as follows:

($ 'm)	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)	31 December 2020 (Audited)
At 1 January	**64.5**	**64.8**	**64.8**
Additions	-	3.2	3.2
Remeasurements	(0.9)	0.6	0.6
Terminations	(0.3)	(0.2)	(1.9)
Lease interest expense	1.0	1.1	2.1
Payments of lease liabilities	(4.2)	(4.9)	(9.3)
Foreign currency exchange difference	(1.6)	(0.3)	5.0
At end of period	**58.5**	**64.3**	**64.5**

Total current	**7.1**	**7.4**	**7.0**
Total non-current	**51.4**	**56.9**	**57.5**

14. Provisions and contingent liabilities

The movements in the provision accounts were as follows:

($ 'm)	Accrued vacation provision	Provision for restructuring	Other	Total
As at 31 December 2019	**1.7**	**2.6**	**8.2**	**12.5**
Additions	5.3	-	6.0	11.3
Utilisation	(1.7)	(0.6)	-	(2.3)
As at 30 June 2020	**5.3**	**2.0**	**14.2**	**21.5**
Additions	0.8	7.4	5.6	13.8
Utilisation	(5.3)	(1.1)	(0.6)	(7.0)
As at 31 December 2020	**0.8**	**8.3**	**19.2**	**28.3**
Additions	3.8	1.8	5.0	10.7
Utilisation	(0.8)	(7.5)	(1.6)	(9.9)
Release	-	-	(7.0)	(7.0)
As at 30 June 2021	**3.8**	**2.6**	**15.5**	**22.0**

Total current	**3.8**	**2.4**	**15.5**	**21.7**
Total non-current	**-**	**0.3**	**-**	**0.3**

Other provisions predominantly comprise potential claims in relation to contractual indemnities and disputes, including Jumpshot-related and other third parties. As part of the Jumpshot wind down, the Group was in process of agreeing settlement with a number of customers. Whilst the majority of such cases have been amicably settled, a provision is recorded for potential remaining cases, when it is probable that it will result in a future economic outflow which can be reliably measured. As further disclosure would prejudice the outcome of these cases, as permitted by IAS 37.92, we have not made any further disclosures about estimates in connection with the financial effects of, and disclosures about the uncertainty regarding the timing or amount of these. In addition, and as disclosed in the prior year, as part of the process to effect an orderly wind-down of Jumpshot, Avast continues to be in communication with relevant regulators and authorities in respect of certain data protection matters and is cooperating fully in respect of all regulatory enquiries. There remains the possibility that additional future claims or liabilities arise out of communication with relevant regulators or authorities that cannot at this time be quantified.

15. DEFERRED REVENUES

The Group sells consumer and corporate antivirus products for periods of 12, 24 or 36 months with payment received at the beginning of the license term. Revenues are recognised rateably over the subscription period covered by the agreement.

The movements in the deferred revenue were as follows:

($ 'm)	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)	31 December 2020 (Audited)
At 1 January	**496.5**	**474.8**	**474.8**
Additions – billings	482.7	469.1	922.0
Deductions – revenue	(471.3)	(433.1)	(892.9)
Disposal of business operation	(0.2)	-	-
Jumpshot´s release of deferred revenues*	-	(7.6)	(7.6)
Translation adjustments	0.1	1.5	0.2
At end of period	**507.8**	**504.7**	**496.5**

*Jumpshot’s release of deferred revenue in 2020 was included in exceptional costs.

Current	470.8	448.6	458.8
Non-current	37.0	56.1	37.7
Total	**507.8**	**504.7**	**496.5**

16. TERM LOAN

Term loan balance is as follows:

($ 'm)	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)	31 December 2020 (Audited)
Current term loan	41.9	60.9	64.6
Long-term term loan	778.1	837.1	769.4
Total term loans	**820.0**	**898.0**	**834.0**

On 22 March 2021, the Group borrowed a new term loan with a USD and EUR tranche of USD 480m and EUR 300m respectively, decreasing the margin on both tranches by 25bps and extending the maturity to seven years. The new term loan was issued at a below par value of 99.75% resulting in an effective cost of margin of 203.57. The previous term loan was net settled. The size of the USD and EUR tranche significantly changed which resulted in the derecognition of the previous term loan. The arrangement fees of the previous term loan of $2.3m were released into interest expense. Both term loans are presented in the above table as outstanding at each reporting period for the comparability.

The term facility was drawn from a syndicate of lenders, with Credit Suisse International (“CSI”) as administrative agent. The term loan is subject to quarterly amortization payments of 1.25% of the original principal amount, USD 6.0m and EUR 3.8m per quarter beginning on 30 June 2021. The Group may voluntarily prepay term loans in whole or in part without premium or penalty, except a prepayment fee of 1% premium may be payable, in certain circumstances, where a term loan is repaid prior to 22 September 2021. The Group does not intend to repay the term loan during this period.

The following terms apply to the bank loans outstanding at 30 June 2021:

Facility	Interest	Margin	Floor	Principal ($ 'm)
USD Tranche	3-month USD LIBOR	2.00% p.a.	0.00% p.a.	474.0
EUR Tranche	3-month EURIBOR	2.00% p.a.	0.00% p.a.	352.2

Both facilities are repayable in full at the end of the 84-month term on 22 March 2028. The margin payable on both facilities is dependent upon the ratio of the Group's net debt to adjusted EBITDA as defined in the facility agreement.

The Credit Agreement requires the following mandatory repayments (so called Excess Cash Flow payment) in addition to the quarterly amortisation payments: Commencing with the fiscal year of the Company ending December 31, 2022, 50% of Excess Cash Flow (as defined and subject to certain reductions and to the extent where Excess cash flow payment exceed $75m and 15% of Four Quarter Consolidated EBITDA), with a reduction to 25% and elimination based upon achievement of First Lien Net Leverage Ratios not exceeding 3.5x and 3.0x, respectively.

Term loan balance reconciliation

The table below reconciles the movements of the balance of the term loan with the information on above and the statement of cash flows.

($ 'm)	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)	31 December 2020 (Audited)
Term loan balance at beginning of period	**834.0**	**1,027.7**	**1,027.7**
New loan drawn (gross of fees)*	843.6	-	-
Drawing fees	(7.7)	-	-
Interest expense	13.3	17.4	33.4
Interest paid	(10.0)	(15.4)	(27.5)
Loan repayment*	(838.2)	(130.2)	(261.9)
Unrealised foreign exchange loss/(gain)	(15.8)	(2.4)	62.1
Other	0.8	0.9	0.2
Total	**820.0**	**898.00**	**834.0**

*New term loan ($843.6m) was net settled with the previous loan ($827.6m) and the net impact is presented together with quarterly amortisation payments of $10.6m in "Proceeds from borrowings/repayments" in consolidated statement of cash flows.

Revolving facility

On 22 March 2021, the Group also obtained a revolving credit facility of $40.0m for operational purposes which has not been drawn as of the date of these consolidated financial statements. It is valid up to 22 March 2026. The Credit Agreement includes a financial covenant that is triggered if at any time $35.0m or more is outstanding under the revolving credit agreement at the last day of any four-quarter period ending on June 30 or December 31. If the revolving credit facility exceeds this threshold, then the Group must maintain, on a consolidated basis, a leverage ratio of less than 6.5x.

17. Other Financial Assets and Liabilities

The carrying amount of other financial assets and liabilities held by the Group was as follows:

($ 'm)	Type	30 June 2021 (Unaudited)		30 June 2020 (Unaudited)		31 December 2020 (Audited)	
		Assets	**Liabilities**	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Financial assets at fair value through profit or loss							
Escrow	Level 2	5.0	-	-	-	-	-
Earn-out	Level 3	1.2	-	-	-	-	-
Equity instruments at fair value through other comprehensive income							
Quoted equity investments	Level 1	7.7	-	-	-	-	-
Derivatives not designated as hedging instruments							
Interest rate cap	Level 3	-	-	-	1.2	-	0.4
Foreign currency contracts	Level 2	-	-	0.4	-	-	-
Other financial assets		1.1	-	1.1	-	1.1	-
Total		**15.0**	**-**	**1.5**	**1.2**	**1.1**	**0.4**
Total current		**6.5**	**-**	**0.7**	**1.2**	**0.3**	**0.4**
Total non-current		**8.5**	**-**	**0.8**	**-**	**0.8**	**-**

The Group has not designated the derivatives as hedging instruments, and therefore changes in the fair value during the period are recorded in the statement of profit and loss.

18. Ordinary Dividends

The Directors declared an interim dividend of $4.8 cents per share that will be paid on 15 October 2021 to those shareholders who are on the register as at 10 September 2021. In accordance with IFRS, no provision for the interim dividend has been made in these financial statements.

The final dividend of $11.2 cents relating to the year ended 31 December 2020 was paid on 18 June 2021.

An analysis of dividends paid is set out below:

($ 'm)	Six-months ended 30 June 2021 (Unaudited)	Six-months ended 30 June 2020 (Unaudited)	Year-ended 31 December 2020 (Audited)
Final dividend for the year ended 31 December 2020 at $11.2 cents per share	115.3	-	-
Interim dividend for the period ended 30 June 2020 at $4.8 cents per share	-	-	49.3
Final dividend for the year ended 31 December 2019 at $10.3 cents per share	-	105.4	105.4
Total cash dividend paid	**115.3**	**105.4**	**154.7**

19. PRINCIPAL EXCHANGE RATES

	Six-months ended 30 June 2021	Six-months ended 30 June 2020	Year-ended 31 December 2020
Translation of Czech crown into US dollar ($:CZK1.00)			
Average	0.0465	0.0421	0.0431
Closing	0.0466	0.0419	0.0468
Translation of Sterling into US dollar ($:£1.00)			
Average	1.3859	1.2740	1.2860
Closing	1.3851	1.2273	1.3648
Translation of Euro into US dollar ($:€1.00)			
Average	1.2089	1.1039	1.1384
Closing	1.1887	1.1198	1.2271

20. RELATED PARTY DISCLOSURES

The compensation of key management personnel for the period is as follows:

($ 'm)	Six-months ended 30 June 2021 (Unaudited)	Six-months ended 30 June 2020 (Unaudited)
Short term employee benefits (including salaries)	5.3	5.7
Termination benefit	0.9	-
Share-based payments	3.2	2.7
Total	**9.4**	**8.4**

The amounts in the table above includes, in addition to the compensation of key management personnel of the Group, the remuneration of employees of the Group that are considered related parties under *IAS 24 Related parties disclosures.*

Other Related parties

Nadační fond Abakus ('Abakus Foundation')

On 29 September 2020, Avast's founders Messrs. Baudiš and Kučera established the new foundation Abakus.

On 1 January 2021, Abakus Foundation merged as a successor company with Nadační fond AVAST ('AVAST Foundation'). The legacy and the projects of AVAST Foundation in the Czech Republic will continue through the Abakus Foundation, the Avast Founders' foundation. The Abakus Foundation will support important societal topics such as end-of-life care, support for families with disabled children, and general educational improvement in the Czech Republic. The foundation is considered to be a related party as the spouses of Messrs. Kučera and Baudiš are members of the management board of the foundation.

During the six-months ended 30 June 2021, Avast Software s.r.o. paid donations of CZK 20.4m (c.$1m) to the Abakus Foundation.

During the six-months ended 30 June 2020, Avast Software s.r.o. paid donations of CZK 45m (c.$1.9m) to the AVAST Foundation. Further $21m were paid to the AVAST Foundation as part of Covid-19 donations.

Stichting Avast ('Avast Foundation')

On 6 January 2021, Stichting Avast, known as Avast Foundation, was established in the Netherlands by Avast Holding. The new Avast Foundation will support a new range of programs that are aligned with Avast's core mission of protecting people in the digital world. The Foundation is considered a related party as some of the key management personnel of Avast are members of the Foundation's Board.

During the six-months ended 30 June 2021, Avast Software s.r.o paid donations of $1m to Avast Foundation.

Enterprise Office Center

On 15 November 2016, Enterprise Office Center (owned by Erste Group Immorent) where Avast Software s.r.o. resides was sold by a third party to a group of investors including co-founders of the Group, Eduard Kučera and Pavel Baudiš for $119.5m (ca. €110m). The annual rent is €3.2m ($3.9m). The term of lease ends in August 2024 and offers two options to extend for another 24 months under the same conditions.

21. EVENTS AFTER THE REPORTING PERIOD

On 10 August 2021, the Boards of NortonLifeLock, Inc. ("Norton") and the Company reached agreement on the terms of a recommended merger of Company with Norton, in the form of a recommended offer by Nitro Bidco Limited, a wholly owned subsidiary of Norton, for the entire issued and to be issued ordinary share capital of the Company (the “Merger”). It is intended that the Merger will be affected by means of a Court-sanctioned scheme of arrangement under Part 26 of the Companies Act. Further details relating to the offer by Norton, including the offer price and conditionality, is set out in the announcement made by Norton on 11 August 2021 pursuant to Rule 2.7 of the City Code on Takeovers and Mergers.

APPENDIX: AVAST PROFIT FORECAST

The following statements included in the Outlook section of this announcement constitute an ordinary course profit forecast for the purposes of Rule 28.1(a) and Note 2(b) on Rule 28.1 of the City Code on Takeovers and Mergers ("**Code**") (together, the "**Avast Profit Forecast**"):

"Organic Group revenue guidance for the year is maintained at the upper end of 6-8 percent growth"

…

"FY 2021 Adjusted Group EBITDA margin percentage is expected to remain broadly flat versus FY 2020, owing in particular to increased user and customer acquisition costs, and materially higher marketing spend around the Avast One rollout in the second half of the year. Incremental levels of spend on customer acquisition are expected to continue in FY 2022 as the company expands awareness around its brand and new leadership products such as Avast One."

Set out below is the basis of preparation in respect of the Avast Profit Forecast, together with the assumptions on which it is based.

Basis of preparation

The Avast Profit Forecast has been prepared on a basis consistent with the Avast Group's accounting policies which are in accordance with IFRS. These policies are consistent with those applied in the preparation of the Avast Group's annual results for the year ended 31 December 2020.

The Avast Profit Forecast excludes any transaction costs applicable to the Merger or any other associated accounting impacts as a direct result of the Merger.

Assumptions

The Avast Profit Forecast is based on the assumptions listed below.

Factors outside the influence or control of the Avast Directors

- There will be no material changes to existing prevailing macroeconomic or political conditions in the markets and regions in which the Avast Group operates.
- There will be no material changes to the conditions of the markets and regions in which the Avast Group operates or in relation to customer demand or the behaviour of competitors in those markets and regions.
- The interest, inflation and tax rates in the markets and regions in which the Avast Group operates will remain materially unchanged from the prevailing rates.
- There will be no material adverse events that will have a significant impact on the Avast Group's financial performance.
- There will be no material adverse events that will have a significant impact on the timing and market acceptance of new product releases and upgrades by the Avast Group.
- There will be no business disruptions that materially affect the Avast Group or its key customers, including natural disasters, acts of terrorism, cyberattack and/or technological issues or supply chain disruptions.
- There will be no material changes to the foreign exchange rates that will have a significant impact on the Avast Group's revenue or cost base.
- There will be no material changes in legislation or regulatory requirements impacting on the Avast Group's operations or on its accounting policies.

- There will be no material litigation in relation to any of the Avast Group's operations.
- The Merger will not result in any material changes to the Avast Group's obligations to customers.
- The Merger will not have any material impact on the Avast Group's ability to negotiate new business.

Factors within the influence and control of the Avast Directors

- There will be no material change to the present management of the Avast Group.
- There will be no material change in the operational strategy of the Avast Group.
- There will be no material adverse change in the Avast Group's ability to maintain customer and partner relationships.
- There will be no material acquisitions or disposals.
- There will be no material strategic investments over and above those currently planned.
- There will be no material change in the dividend or capital policies of the Avast Group.
- There will be no unexpected technical or network issues with products or processes.

Avast Directors' confirmation

With the consent of NortonLifeLock, the Takeover Panel has granted a dispensation from the Code requirement for Avast's reporting accountants and financial advisers to prepare reports in respect of the Avast Profit Forecast. The Avast Directors have considered the Avast Profit Forecast and confirm that it remains valid as at the date of this Announcement, and has been properly compiled on the basis of the assumptions set out in this slide and that the basis of the accounting used is consistent with Avast's accounting policies.