Avast plc

Full Year Results 2020

Avast PLC

FULL YEAR RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

Avast plc, together with its subsidiaries ('Avast', 'the Group' or 'the Company'), a leading global cybersecurity provider, announces its results for the year ended 31 December 2020.

Ondrej Vlcek, Chief Executive of Avast, said:

'The Group delivered another strong year of top line organic growth, high levels of profitability and cash flow generation. Group Adjusted Revenue was $892.9m, with organic growth[1] of 7.9%, driven by double-digit growth in our Consumer Direct Desktop business.

'In a year when more people and businesses turned to technology to keep their lives and their work enabled, Avast has played a vital role in safeguarding our customers' digital data and privacy. I am proud of the way the Company has met the challenge of the pandemic head on, putting our duty to act as a responsible business at the heart of our approach.

'The core of the Avast business and our fundamental strengths remain unchanged as we continue to effectively leverage the scale and sophistication of our platform in consumer and SMB markets. We are confident in our ability to unlock new growth opportunities, with a commitment to continued product and technological innovation, and a stronger-than-ever customer experience.

'Underpinned by a strong prior year billings performance, we expect to deliver FY 2021 organic revenue growth in the range of 6 percent to 8 percent.'

FINANCIAL HIGHLIGHTS

- Adjusted Billings at $922.0m up 1.2% at actual rates, with organic growth of 7.1%
- Adjusted Revenue at $892.9m up 2.3% at actual rates, with organic growth of 7.9%
- Consumer Direct Desktop Adjusted Revenue at $699.7m, up 10.6% at actual rates, with organic growth of 11.3%
- Adjusted EBITDA up 2.6% to $495.5m; Adjusted EBITDA margin[2] at 55.5%, up 17bps
- Adjusted fully diluted earnings per share ('EPS') up 9.8% to $0.35 (versus $0.32 at YE 2019)
- Proposed final dividend payable in June 2021 of 11.2 US cents per share; total dividend for the year of 16.0 US cents per share, up 8.8%
- Continued strong cash generation with Unlevered Free Cash Flow up 6.2% to $451.1m and Levered Free Cash Flow up 11.9% to $414.3m
- Resilient balance sheet with $215.4m of cash and available liquidity[3]. Net debt / LTM ('last twelve months') Adjusted EBITDA at 1.5x at year end
- On a statutory basis, Revenue up from $871.1m to $892.9m, Operating profit including $25m COVID-19 donations paid decreased from $344.6m to $335.4m, cash flows from operating activities increased from $399.1m to $456.5m, fully diluted EPS decreased from $0.24 to $0.16 mainly due to significant unrealised FX loss arising from Euro denominated loan

OPERATIONAL AND STRATEGIC HIGHLIGHTS

- End of Period desktop customers[4] increased strongly by 7.9% to 13.6m. Average Products per Customer[5] up 2.8% and Average Revenue Per Customer[6] was up 4.5%, in line with growth guidance of low single-digit and mid-single-digit respectively
- Continued successful execution on the global growth strategy, with increases in customer numbers in both established markets and target underpenetrated countries: US up 6%, Italy up 13%, Mexico up 33%, Brazil up 19%, and Russia up 6%
- Renewed focus on consolidation of the user base around higher quality organically installed users; accelerated momentum in move away from lower value return Pay-Per-Install (PPI)
- Sustained expansion of multi-device solutions and more desktop-transacted subscriptions for mobile-enabled products
- Good execution on the roadmap for personalised privacy and identity protection, with the release of BreachGuard in the US in H1, and rollout into Europe and expansion onto the Mac platform in H2
- Avast Smart Life for 5G launched as the next iteration of Avast's smart home proposition

- User engagement with Avast Secure Browser remained robust, however the weak advertising environment, caused by the pandemic, acted as a drag on monetisation. The Browser offering was expanded with the release of an iOS version and real-time synchronisation between platforms (PC, Android and iOS)

($'m)	FY 2020	FY 2019	Change %	Change % (excluding FX) [7]
Adjusted Billings	922.0	911.1	1.2	1.8
Acquisitions	0.1	0.0	n/a	n/a
Disposal Managed Workplace (SMB) [8]	0.0	1.0	n/a	n/a
Discontinued Business[9]	4.2	48.9	(91.4)	(91.4)
Adjusted Billings excl. Acquisitions, Disposals and Discontinued business	**917.7**	**861.1**	**6.6**	**7.1**

($'m)	FY 2020	FY 2019	Change %	Change % (excluding FX)
Adjusted Revenue	892.9	873.1	2.3	2.8
Acquisitions	0.2	0.0	n/a	n/a
Disposal Managed Workplace (SMB)	0.0	1.0	n/a	n/a
Discontinued Business	5.1	45.0	(88.6)	(88.6)
Adjusted Revenue excl. Acquisitions, Disposals and Discontinued business	**887.6**	**827.2**	**7.3**	**7.9**

($'m)	FY 2020	FY 2019	Change %
Adjusted EBITDA	495.5	483.0	2.6
Adjusted EBITDA Margin %	55.5	55.3	0.2 ppts
Adjusted Net Income	360.2	322.3	11.8
Net Debt	725.6	884.5	(18.0)

Statutory Results:

($'m)	FY 2020	FY 2019	Change %[11]
Revenue	892.9	871.1	2.5
Operating profit	335.4	344.6	(2.7)
Net Income	169.6	248.9	(31.8)
Net Cash Flows from operating activities	456.5	399.1	14.4

OUTLOOK

We remain confident that the fundamental strengths of the business model and culture of driving performance will sustain our track record of delivering good growth and profitability.

Underpinned by a strong prior year billings performance that will be supportive of revenue in the first half of the current year, we expect to deliver FY 2021 organic revenue growth in the range of 6 percent to 8 percent. Organic billings growth for the year is expected to be at the lower end of this range and heavily weighted toward the second half, due in part to the strong baseline comparison in the second quarter of last year. The Group's transition to 1-year subscriptions to increase customer lifetime value will also exert downward pressure on billings particularly in the first half.

Adjusted Group EBITDA margin is expected to remain broadly flat versus FY 2020, despite an increase to operating costs from the Company's planned on-premises to cloud migration and higher wage inflation. The Group will sustain strong organic cash generation, with benefits to cash flow anticipated from reduced capex requirements on data centres, and lower interest costs following additional loan repayment last year.

PRESENTATION OF RESULTS

A live webcast presentation and conference call for analysts and investors will be held at 9:00 AM GMT today (3 March 2021). Please register for the call or webcast on the Company website at https://investors.avast.com. A Q&A facility will be available for conference call participants.

PUBLICATION OF ANNUAL REPORT

The Company today published its Annual Report and Accounts 2020. The document will be available to view on the Company website at https://investors.avast.com and is also being submitted to the National Storage Mechanism for inspection at www.morningstar.co.uk/uk/nsm.

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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 Full 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. As such, organic revenue refers to revenue normalised as described here.*
[2] *Adjusted EBITDA margin percentage is defined as Adjusted EBITDA divided by Adjusted Revenue.*
[3] *Total available liquidity includes cash and cash equivalents balance as at 31 December 2020 of $175.4m and revolving credit facility of $40.0m (not drawn at 31 December 2020).*
[4] *Users who have at least one valid paid Consumer Direct Desktop subscription (or licence) at the end of the period.*
[5] *APPC defined as the Consumer Direct Desktop simple average valid licences or subscriptions for the financial period presented divided by the simple average number of Customers during the same period.*
[6] *ARPC defined as the Consumer Direct Desktop revenue for the financial period divided by the simple average number of Customers during the same period.*
[7] *Growth rate excluding currency impact calculated by restating 2020 actual to 2019 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 1 February 2019 Avast plc sold the non-core asset of Managed Workplace, its remote monitoring and management product, to Barracuda Networks, Inc. ('Barracuda'). Managed Workplace was Avast's solution in the Remote Monitoring and Management ('RMM') space, which is sold to Managed Service Providers ('MSPs'). This business was not core to our SMB strategy, which focuses on securing the workplace. Barracuda, which has a large existing MSP base but did not offer an RMM solution, provides a better long-term solution for this business. In addition, Barracuda has signed a reseller agreement with Avast under which it now resells Avast's business security solutions to MSPs. In the year ended 31 December 2018 the asset generated low teen revenue (USD million) with a materially lower margin profile than the Group.*
[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 in 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'). These revenues were negligible by the end of 2020 in line with expectations. 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.*

BUSINESS AND OPERATING REVIEW

The Group has delivered another strong year of top line organic growth and high levels of profitability and cash generation. The Group's Adjusted Billings of $922.0m were up 7.1% on an organic basis, and up 1.2% at actual rates. The Group's Adjusted Revenue of $892.9m was up 7.9% on an organic basis, an increase of 2.3% at actual rates. The Consumer and SMB segments contributed $844.8m and $48.0m respectively to Group Adjusted Revenue.

Consumer

($'m)	FY 2020	FY 2019	Change %	Change % (excluding FX)
Adjusted Billings	873.6	865.0	1.0	1.6
Acquisitions	0.1	0.0	n/a	n/a
Discontinued Business	4.2	48.9	(91.4)	(91.4)
Adjusted Billings excl. Acquisitions and Discontinued business	**869.3**	**816.1**	**6.5**	**7.1**

($'m)	FY 2020	FY 2019	Change %	Change % (excluding FX)
Adjusted Revenue	844.8	823.9	2.5	3.2
Acquisitions	0.2	0.0	n/a	n/a
Discontinued Business	5.1	45.0	(88.6)	(88.6)
Adjusted Revenue excl. Acquisitions and Discontinued business	**839.6**	**778.9**	**7.8**	**8.4**

SMB

($'m)	FY 2020	FY 2019	Change %	Change % (excluding FX)
Adjusted Billings	48.4	45.9	5.4	5.3
Disposal Managed Workplace	0.0	1.0	n/a	n/a
Adjusted Billings excl. Disposal	**48.4**	**45.0**	**7.7**	**7.6**

($'m)	FY 2020	FY 2019	Change %	Change % (excluding FX)
Adjusted Revenue	48.0	49.2	(2.4)	(2.2)
Disposal Managed Workplace	0.0	1.0	n/a	n/a
Adjusted Revenue excl. Disposal	**48.0**	**48.3**	**(0.5)**	**(0.3)**

Business Unit Performance

Consumer Direct Desktop

($'m)	FY 2020	FY 2019	Change %	Change % (excluding FX)
Adjusted Billings	727.4	668.3	8.8	9.5
Acquisitions	0.1	0.0	n/a	n/a
Adjusted Billings excl. Acquisitions	**727.3**	**668.3**	**8.8**	**9.5**

($'m)	FY 2020	FY 2019	Change %	Change % (excluding FX)
Adjusted Revenue	699.7	632.9	10.6	11.3
Acquisitions	0.1	0.0	n/a	n/a
Adjusted Revenue excl. Acquisitions	**699.6**	**632.9**	**10.5**	**11.3**

Operational KPIs

	31 December 2020	31 December 2019	Change %
Number of customers	13.62m	12.62m	7.9
Average Products Per Customer	1.50	1.45	2.8
Average Revenue Per Customer	$53.34	$51.02	4.5

Trading performance

- The core Consumer Desktop business continued to perform strongly. Adjusted Billings of $727.4m were up 9.5% on an organic basis and up 8.8% at actual rates. Adjusted Revenue of $699.7m grew 11.3% on an organic basis, with actual rates up 10.6%, ahead of guidance of high single-digit organic revenue growth.
- End of Period Customers increased strongly by 7.9%. Average Products per Customer and Average Revenue Per Customer tracked in line with growth guidance of low single-digit and mid-single-digit respectively.
- As anticipated, after a spike in installations and transactions in the first half of FY 2020 owing to the initial lockdown, trends normalised to pre-COVID levels early in the second half of the year. The temporary uplift and sequentially lower H2 growth in product demand was most evident in the Company's antivirus solutions. In the latter part of the year, there was downward pressure on billings as the Group intentionally started transitioning away from heavily discounted multi-year subscriptions to single-year subscriptions in order to drive an increase in customer lifetime value.

Quality of installed users

- In response to sustained lower value returns from users generated via PPI, the business is focused on consolidating its user base around higher quality organically installed users, effecting a reduction in the total number of desktop users. The Group has deepened its investment and activity to further improve direct customer acquisition, driving traffic flow to Avast's customer site. Promotional strategies and search engine optimisation have increased discoverability, while further refinement of the online store experience through improved navigation and product recommendation has helped monetisation. We also integrated an account creation step in the checkout flow, allowing personal and payment information to be pre-populated for subsequent purchase, reducing friction.

Customer retention strategies

- Avast also maintained its focus on customer retention strategies. The continued expansion of the product portfolio has offered more choice, facilitating an increase in multi-product customers with associated higher levels of retention. Up-sell and cross-sell performance has been supported by higher levels of intelligent contextual targeting to reach the most relevant customers and create a more seamless experience. During the year, implementation started on a more comprehensive programme of customer lifecycle communications, including subscription renewal messaging to reinforce customer loyalty and retain the most profitable renewal business.
- As part of Avast's customer-centric approach, a new Customer Success team was launched during the year to provide higher-touch guidance to customers. Through in-product communications and other digital channels, the team educates on product value to maximise product use and help drive retention. This has been complemented by initiatives to further raise levels of customer responsiveness and embed Net Promoter Scores in more customer touchpoints.

Localisation

- Through our localisation programme, we have continued to promote and scale the business in markets identified as priorities. We've sharpened our focus with more region-dedicated resource. To deepen relationships with local partners and influencers, we've expanded the Company's on-the-ground presence, now locally active in key target markets, including Mexico, Russia, Japan, and South East Asia. Overall, there has been an aggregate 16% increase in customer numbers in 2020 from target underpenetrated markets. In both developed and developing markets, a step up in in-country content marketing campaigns has been used to educate, increase share of voice, and strengthen local brand awareness.

Product development

- Avast enhanced and expanded its product set to combat increased threats arising from a surge in pandemic-related attacks and new ways of working. The Company added Ransomware Shield, previously only available on Avast Premium Security, to its popular Avast Free Antivirus, and introduced the brand new Remote Access Shield to Avast Premium Security to mitigate remote desktop vulnerabilities. Additional augmented features for Avast Free Antivirus include USB drive protection and botnet protection.
- Avast continued to invest significantly in privacy at a time when consumer awareness of privacy issues markedly increased as track and trace apps were downloaded to manage the spread of COVID-19. Further to the launch of AntiTrack in 2019 and as part of our roadmap for personalised privacy and identity protection, Avast released BreachGuard in the US in the second quarter with rollout into Europe and expansion onto the Mac platform during the second half.

Consumer Direct Mobile

($'m)	FY 2020	FY 2019	Change %	Change % (excluding FX)
Adjusted Billings	74.1	77.3	(4.1)	(3.7)
Acquisitions	0.1	0.0	n/a	n/a
Adjusted Billings excl. Acquisitions	**74.0**	**77.3**	**(4.2)**	**(3.8)**

($'m)	FY 2020	FY 2019	Change %	Change % (excluding FX)
Adjusted Revenue	72.1	75.4	(4.4)	(4.0)
Acquisitions	0.0	0.0	n/a	n/a
Adjusted Revenue excl. Acquisitions	**72.1**	**75.4**	**(4.4)**	**(4.4)**

- In the Consumer Direct Mobile business, Adjusted Billings of $74.1m were down 3.8% on an organic basis, and down 4.1% at actual rates. Adjusted Revenue of $72.1m was down 4.4% on an organic basis, with actual rates also down 4.4%, ahead of the guidance of high single-digit organic revenue decline.
- There has been continued good growth in the mobile direct-to-consumer subscription business, despite the cross-platform nature of a large portion of desktop-transacted subscriptions. Our acquisition, monetisation, and retention were buoyed by further development of the experience on both Android and iOS platforms. This included a particular focus on enhancing app usability and evidencing value in the initial lifecycle phase.
- Avast Mobile Security for iOS has benefited from enriched features such as Web Protection that blocks malicious websites to prevent intrusions and VPN auto-connect for unsecured Wi-Fi networks.
- The carrier channel remained challenging through the course of the year. There is a continued structural shift in the US of worsening commercial terms for the provision of apps such as family safety apps. Carriers have additionally sought to offset the adverse impact of pandemic disruption. The new contractual terms that reflect this tougher environment were not yet in full effect for Avast in FY 2020, contrary to the Group's expectations at the half-year interval. Consequently, this created a temporary financial benefit in the second half of the year relative to guidance. The impact of new commercial terms will become more apparent in the current year to act as a drag on performance.
- The Company launched Avast Smart Life for 5G, as the next of its iteration of its smart home offering, securing devices both inside the home and on the go. The solution enables operators to protect their subscribers' smart home and all connected devices at the virtual router level, based on Avast's AI-driven threat detection technology.
- Mobile partnerships remain one part of Avast's go-to-market strategy. The Company has continued to pursue a number of opportunities with major operator groups worldwide to sell its converged smart home solutions. More work has been done internally to position the business for related sales and marketing activity. This included renewed focus and resource optimisation in account planning to enable better market responsiveness and swifter alignment with customer demand.

Consumer Indirect

In FY 2020, this business unit included Avast Secure Browser (ASB), the distribution of third-party software, and advertising within mobile applications. The data analytics business Jumpshot was discontinued in January 2020.

($'m)	FY 2020	FY 2019	Change %	Change % (excluding FX)
Adjusted Billings	72.1	119.5	(39.7)	(39.6)
Discontinued Business	4.2	48.9	(91.4)	(91.4)
Adjusted Billings excl. Discontinued business	**67.9**	**70.6**	**(3.8)**	**(3.6)**

($'m)	FY 2020	FY 2019	Change %	Change % (excluding FX)
Adjusted Revenue	73.0	115.5	(36.8)	(36.7)
Discontinued Business	5.1	45.0	(88.6)	(88.6)
Adjusted Revenue excl. Discontinued business	**67.9**	**70.6**	**(3.8)**	**(3.7)**

- In the Consumer Indirect unit, Adjusted Billings excluding discontinued business of $67.9m were down 3.6% on an organic basis and down 3.8% at actual rates. Adjusted Revenue excluding discontinued business of $67.9m declined 3.7% on an organic basis, with actual rates down 3.8%, behind guidance of mid-single-digit organic revenue growth.
- The pandemic's impact on global advertising reverberated throughout the year on Avast Secure Browser's financial performance, which monetises through search advertising. Advertising spend, which similarly underlies Avast's mobile app business, has been slower to recover in the second half of the year than anticipated, and created an increased drag on growth expectations. While revenue of these businesses weakened, user engagement with Avast Secure Browser in particular remained robust, with search volumes by the browser's 35 million monthly active users up by 29% in the year.
- In addition to the market release of the iOS version for Avast Secure Browser, the Company enabled real-time synchronisation between platforms (PC, Android, and iOS), allowing users to seamlessly switch between devices, while securely retaining such personal assets as bookmarks and browsing history.
- After a temporary increase in Chrome distribution revenue associated with new user installations during the first wave of the pandemic, there was a reversion from early in the second half of the year to the previous trend of decline. During the year, the Company also made the decision to change the way Chrome is offered and moved to a revised Accept/Decline offer layout when it's promoted with our products. While there was an unavoidable trade-off for volume of Chrome installations, the move exemplifies the Group-wide emphasis on more transparency and improved customer choice. The current Avast contract to distribute Chrome extends to March 2021, and renewal is presently under consideration.

SMB

($'m)	FY 2020	FY 2019	Change %	Change % (excluding FX)
Adjusted Billings	48.4	45.9	5.4	5.3
Disposal Managed Workplace	0.0	1.0	n/a	n/a
Adjusted Billings excl. Disposal	**48.4**	**45.0**	**7.7**	**7.6**

($'m)	FY 2020	FY 2019	Change %	Change % (excluding FX)
Adjusted Revenue	48.0	49.2	(2.4)	(2.2)
Disposal Managed Workplace	0.0	1.0	n/a	n/a
Adjusted Revenue excl. Disposal	**48.0**	**48.3**	**(0.5)**	**(0.3)**

- SMB Adjusted Billings of $48.4m were up 7.6% on an organic basis and up 5.4% at actual rates. Adjusted Revenue of $48.0m declined slightly 0.3% on an organic basis, with actual rates down 2.4%, ahead of guidance of low single-digit organic revenue decline.
- After a return to positive billings growth in the second quarter of FY 2020, SMB delivered a double-digit billings increase in the second half of the year, driven in particular by strong demand in the direct to business online channel. The widespread adoption of remote working has served as a tailwind to

performance. Avast's overall competitiveness was strongly advanced in FY 2020 with scheduled new product launches and features, further improvements to the user experience, and effective implementation of revised sales strategy.

- The new Avast Business Small Office Protection was released in 2020, providing robust, real-time cyber protection for small businesses that's easy to install and cost-effective. Securing up to 10 business devices, the product is targeted at entrepreneurs and home offices.
- As businesses were forced to secure networks for increased levels of remote access, a timely addition to the Avast business suite was the Business Secure Private Access (SPA) product, providing zero trust network access to medium-sized and larger companies via managed security service providers (MSSPs) and managed service providers (MSPs). Built with both the end user and MSSP/MSP in mind, the solution takes both a user and application-centred security approach in which authorised users are granted access to applications, but never the network.
- Our cloud-based platform was enhanced with the integration of Premium Remote Control. The feature empowers IT admins to quickly and securely connect to a user's device anywhere and troubleshoot issues.
- Avast significantly upscaled its distribution network for SMB products and services, with a partner agreement (finalised in January 2021) with the leading UK distributor Westcoast to reach thousands of active resellers, the majority of which represent brand-new trading opportunities.

Near-term business priorities

In the year ahead, we will continue to invest in the business for growth.

Building on the progress achieved this year, Avast will focus on further improving the customer experience as we seek to delight customers with the product proposition and strengthen customer trust. Our objective is that these initiatives, in addition to those to effectively demonstrate product value and maximise product use, will help drive an increase in retention. The favourable impact on first purchases from the lockdown has provided additional impetus and opportunity to foster loyalty in the Avast brand.

We are committed to the ongoing modernisation of our products and services across the categories of security, privacy, and performance. In particular, privacy protection will be evolved to provide customers with more choice (enhanced privacy settings on third-party sites), automation (VPN auto-activation during sensitive activity), and information (a data inventory to understand where information sits and how to remove it). Product development will be underpinned by continued tech innovation and investment in Avast's security engine, moving threat defense capabilities further into privacy and identity.

In December 2020, we introduced the new Avast One concept, a single integrated solution with predefined broad functionality. Avast One eliminates existing functional overlaps and the need for multiple subscriptions. It increases the number and depth of touch points and over time is expected to help drive lifetime customer value. Currently being trialled in Australia, we anticipate rollout in selected markets in the second half of the year. Existing products will continue to be offered on a stand-alone basis.

Last year, Avast continued to make strong gains as a result of our localisation programme. This approach will remain central to our strategy with incremental investments being made in people, marketing programmes and partnerships.

As we continue to enrich the product offering, we are also broadening the scope of our partnerships, notably within the Consumer Indirect business. Currently these are concentrated in the carrier and ISP market with the provision of family safety and parental control solutions. However, Avast is actively pursuing opportunities to additionally leverage its competencies, including in IoT, for businesses in other industry sectors with a line of sight to consumers who can benefit from enhanced digital security. Post period end, we've signed several small initial partnerships. This includes a framework agreement with Green Marbles, a US B2B tech supplier, to offer our Omni solution to their customer base that includes retailers and appliance distributors, as well as OEMs. We've also reached agreement with Pmovil, a LatAm billings integrator, to help secure its direct carrier billings, a remote payment method allowing users to pay for online and quasi physical goods.

In SMB we will complete the work on streamlining the product portfolio and balance maintenance of the existing channel base with building more strategic channel partnerships.

Finally, one of our operational goals this year is to start migrating our systems and infrastructure from on-premises to the public cloud. With cloud migration, Avast will have the ability to reshape its infrastructure and workloads to accommodate the needs of tomorrow without being chained to the equipment and assets that made sense in the past. The improved agility will allow us to focus on our commercial strengths and reduce the amount of capital tied up in data centre facilities.

Reporting change

For the period beginning FY 2021, Avast has adjusted billings and revenue reporting within existing segments to reflect the de facto convergence in desktop and mobile platform use by consumers as reflected in the rise of Avast's multi-device subscriptions. Consequently, the direct-to-consumer mobile subscription business will be reported together with the desktop business within Consumer Direct.

The carrier channel is renamed Partner, as we emphasise the relationship aspect of this business and seek to both develop the product proposition and expand the scope of future partnership opportunities. Partner will sit within Consumer Indirect alongside the Group's other B2B2C businesses: Avast Secure Browser and Chrome distribution. To retain an equivalent level of information disclosure, the revenue line for Partner will also be reported.

For comparison, the Group's billings and revenue performance in the revised presentation format are disclosed later in this document for the year ended 31 December 2020 and the comparative reporting periods for FY 2019 and FY 2018. The reporting change has no impact on the overall Group result. There is no change to the operating segments, which are reported as Consumer and SMB.

FY 2021 financial outlook

The COVID-19 pandemic continues to create uncertainty; however, we believe that the performance of the business through the pandemic to date demonstrates the resilience of our business model and relevance of our company purpose. We anticipate that Avast is in a good position to withstand any ongoing challenges presented by the crisis. Furthermore, the global PC market backdrop is robust, with the pandemic not only fuelling demand but also creating opportunities that have resulted in market expansion.

At Group level, we remain confident that the fundamental strengths of the business model and culture of driving performance will sustain our track record of delivering good growth and profitability.

Underpinned by a strong prior-year billings performance that will be supportive of revenue in the first half of the current year, we expect to deliver FY 2021 organic revenue growth in the range of 6% to 8%. Organic billings growth for the year is expected to be at the lower end of this range and heavily weighted towards the second half, due in part to the strong baseline comparison in the second quarter of last year. The Group's transition to one-year subscriptions to increase customer lifetime value will also exert downward pressure on billings, particularly in the first half.

The Group has started to experience higher wage inflation in some of its geographies, notably the Czech Republic, which we expect to continue through 2021. There will also be an increase to operating costs from the Company's planned on-premises to cloud migration. Despite these additional costs and continued R&D investment, the Group's inherent operating leverage means that Adjusted Group EBITDA margin is expected to remain broadly flat versus FY 2020. The Group will sustain strong organic cash generation, with benefits to cash flow anticipated from reduced capex requirements on data centres, and lower interest costs following additional loan repayment last year.

In the Consumer segment, we anticipate continued strong execution on the localisation programme to drive customer penetration in both established markets and new target countries. Growth will be supported by more up-sells and cross-sells, enabled in part by recent additions to the product portfolio that will gain traction as the year progresses, and by enhancements to the overall customer experience. The gradual rollout of the new Avast One product anticipated later in the year is expected to make only a modest contribution to the segment's financial performance in the current year. On the whole, in FY 2021 we expect Consumer Direct to deliver high single-digit organic revenue growth.

While tailwinds are favourable overall, there remains near-term uncertainty affecting certain parts of the business.

The Indirect segment, which now includes the Partner business (previously Carriers), has been most adversely affected by the pandemic. Advertising spend, affecting both Avast Secure Browser and mobile apps, remains slower to recover than previously anticipated. Also, as stated above, the commercial environment for certain existing carrier partnerships has become tougher. Yet, the most significant adverse impact on FY 2021 performance, particularly in the first half, will result from the change in the way that Chrome is offered. These factors mean that, in the current year, we expect a mid-single-digit decrease in organic revenue.

Owing to the success of restructuring initiatives and focused investment, last year the SMB business built good early momentum, in particular in the direct online channel. While this gives us optimism, we are also conscious

that the prolonged nature of the pandemic increases the risk to many small businesses in the near term. In FY 2021 we expect SMB to deliver a mid-single-digit increase in organic revenue.

The table below presents the Group's Adjusted Billings and Adjusted Revenue for the periods indicated in the new structure:

($'m)	FY 2020	FY 2019	FY 2018	Organic growth % FY 2020	Organic growth % FY 2019 [10]
Adjusted Billings	**922.0**	**911.0**	**862.1**	**7.1**	**8.3**
Consumer Direct	759.3	698.2	641.4	9.4	11.7
Consumer Indirect	110.1	117.9	122.6	(6.5)	(4.1)
Discontinued Business	4.2	48.9	37.7	n/a	n/a
SMB	48.4	45.9	60.5	7.6	(6.0)
Adjusted Revenue	**892.9**	**873.1**	**827.0**	**7.9**	**7.3**
Consumer Direct	730.1	661.6	605.5	11.1	10.9
Consumer Indirect	109.6	117.3	122.7	(6.5)	(4.6)
out of this Partner / Carriers	41.8	46.7	57.0	(10.7)	(19.9)
Discontinued Business	5.1	45.0	35.5	n/a	n/a
SMB	48.0	49.2	63.3	(0.3)	(5.8)

The table below presents reconciliation between current and new reporting structure:

Current structure ($'m)	FY 2020	Partner / carriers	Mobile subscription	New structure ($'m)	FY 2020
Adjusted Revenue	**892.9**			**Adjusted Revenue**	**892.9**
Consumer Desktop	699.7		30.3	Consumer Direct	730.1
Consumer Mobile	72.1	(41.8)	(30.3)		
Consumer Indirect	67.9	41.8		Consumer Indirect	109.6
Discontinued Business	5.1			Discontinued Business	5.1
SMB	48.0			SMB	48.0

The table below presents the Consumer Direct Operational KPIs adjusted for change in reporting structure:

($'m)	FY 2020	FY 2019	FY 2018
Number of customers	16.47m	15.55m	15.15m
Average Products Per Customer	1.41	1.36	1.32
Average Revenue Per Customer	$45.60	$43.11	$41.30

Notes:

[10] *Organic growth excludes billings and revenues of Jumpshot, which are considered part of discontinued business.*

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 Adjusted Billings increased by $11.0m to $922.0m in the year ended 31 December 2020, mostly driven by the core Consumer Direct business. This represented a 1.2% increase at actual rates and organic growth of 7.1%. Subscription billings represented 87.8% of the Group's total Adjusted Billings in FY 2020 (87.2% in FY 2019, excluding Jumpshot).

The Group's Adjusted Revenue increased by $19.8m to $892.9m in the year ended 31 December 2020, which represents a 2.3% increase at actual rates and organic growth of 7.9%. Adjusted Revenue included $413.6m from the release of prior-period deferred revenue. The deferred revenue balance at the end of the period was $496.5m, comprising $458.8m that will be recognised within 12 months of the balance sheet date. This compares with $466.3m, of which $412.0m was to be recognised within 12 months, at the same time last year, excluding Jumpshot's deferred revenue. The average subscription length in the year ended 31 December 2020 was 14 months, flat versus FY 2019.

The Group's Billings increased by $11.0m to $922.0m in the year ended 31 December 2020, which represents a 1.2% increase. The Group's reported Revenue increased by $21.7m to $892.9m, which represents a 2.5% increase. It should be noted that there is no difference between the Group's reported Revenue and Group's Adjusted Revenue or between the Group's Billings and Group's Adjusted Billings in FY 2020 as the non-cash historical adjustments arising from the AVG acquisition have come to an end (for the reconciliations of comparatives, please refer to 'PRESENTATION OF RESULTS AND DEFINITIONS').

Profitability was driven by the Group's scale and operating leverage. Adjusted EBITDA increased 2.6% to $495.5m, 3.9% excluding FX, resulting in Adjusted EBITDA margin of 55.5%. This is in line with full-year guidance of broadly flat.

The reported Operating Profit decreased by $(9.2)m to $335.4m. The decrease was driven by higher costs of $(30.9)m partially offset by higher reported revenue of $21.7m. Increase in costs was driven by increase in exceptional items of $(48.1)m, including Jumpshot wind-down costs of $(25.4)m and donations on research and development initiatives related to COVID-19 of $(25)m, partially offset by lower amortisation of acquisition intangibles of $22.6m and lower share-based payment costs of $2.2m.

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

($'m)	FY 2020	FY 2019	Change %	Change % (excluding FX)
Adjusted Billings	**922.0**	**911.0**	**1.2**	**1.8**
Consumer	873.6	865.0	1.0	1.6
Acquisitions	0.1	0.0	n/a	n/a
Direct (excl. Acquisitions)	801.4	745.6	7.5	8.1
Discontinued Business	4.2	48.9	(91.4)	(91.4)
Indirect (excl. Discontinued Business)	67.9	70.6	(3.8)	(3.6)
SMB	48.4	45.9	5.4	5.3
Disposal Managed Workplace	0.0	1.0	n/a	n/a
SMB excl. Disposal	48.4	45.0	7.7	7.6
Adjusted Billings excl. Acquisitions, Disposals, and Discontinued business	**917.7**	**861.1**	**6.6**	**7.1**
Adjusted Revenue	**892.9**	**873.1**	**2.3**	**2.8**
Consumer	844.8	823.9	2.5	3.2
Acquisitions	0.2	0.0	n/a	n/a
Direct (excl. Acquisitions)	771.7	708.3	8.9	9.6
Discontinued Business	5.1	45.0	(88.6)	(88.6)
Indirect (excl. Discontinued Business)	67.9	70.6	(3.8)	(3.7)
SMB	48.0	49.2	(2.4)	(2.2)
Disposal Managed Workplace	0.0	1.0	n/a	n/a
SMB excl. Disposal	48.0	48.3	(0.5)	(0.3)
Adjusted Revenue excl. Acquisitions, Disposals, and Discontinued business	**887.6**	**827.2**	**7.3**	**7.9**

Costs

($'m)	FY 2020	FY 2019	Change	Change %
Cost of revenues	**(196.0)**	**(210.7)**	**14.8**	**7.0**
Share-based payments (incl. employer's costs)	0.8	0.5	0.3	Fav[11]
Amortisation of acquisition intangible assets	65.3	88.3	(23.0)	(26.1)
Depreciation and amortisation (excl. amortisation of acquisition intangible assets)	9.0	8.9	0.1	1.2
Gross-up and other adjustments	(0.0)	(0.3)	0.2	Fav
Exceptional items	3.4	0.1	3.3	Fav
Adjusted Cost of Revenues (excluding D&A)	**(117.5)**	**(113.2)**	**(4.3)**	**(3.8)**

The increase in the Group's Adjusted Cost of Revenues reflects higher sales commissions, licence fees, and distribution of digital content costs of $(5.3)m related to the increase in Adjusted Revenue and investment into personnel costs of $(1.2)m, negative FX impact, and other costs of $(0.5)m, partially offset by lower Jumpshot's cost of revenues of $2.7m. Adjusted Cost of Revenues represents the Group's cost of revenues adjusted for depreciation and amortisation charges, share-based payments charges, exceptional items, and other adjustments.

The Group's reported Cost of revenues decreased by $14.8m to $(196.0)m primarily due to the lower amortisation of acquisition intangibles. The amortisation of acquisition intangibles represents intangible assets acquired through business combinations.

($'m)	FY 2020	FY 2019	Change	Change %
Operating costs	**(361.5)**	**(315.8)**	**(45.7)**	**(14.5)**
Share-based payments (incl. employer's costs)	21.8	24.4	(2.6)	(10.5)
Depreciation and amortisation (excl. amortisation of acquisition intangible assets)	12.8	12.7	0.1	0.9
Amortisation of acquisition intangible assets	0.5	0.0	0.5	Fav
Exceptional items	46.5	1.7	44.8	Fav
Adjusted Operating costs (excluding D&A)	**(279.8)**	**(276.9)**	**(3.0)**	**(1.1)**

The increase in the Group's Adjusted Operating costs was caused by investment into R&D personnel costs of $(3.9)m, sales and marketing of $(9.3)m, new strategic initiatives of $(4.4)m, other personnel costs and other costs of $(6.9)m and negative FX impact of $(1.3)m, offset by decrease in Jumpshot costs of $22.8m. Adjusted Operating costs represent the Group's operating costs adjusted for depreciation and amortisation charges, share-based payments charges, and exceptional items.

The increase in the Group's reported Operating costs of $(45.7)m, from $(315.8)m to $(361.5)m, reflects primarily the increase in exceptional items driven by Jumpshot wind-down operating costs of $(22.0)m (additional $(3.4)m in Cost of revenues) and donations on R&D initiatives related to COVID-19 of $(25)m.

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. Exceptional items in FY 2020 consist primarily of donations on R&D initiatives related to COVID-19 and personnel and non-personnel costs related to Jumpshot wind-down (see Note 6 Exceptional items). Related cash flows have been included in the net cash flows from operating activities. Additional non-cash exceptional costs are represented by unrealised FX loss on Euro denominated loan and tax exceptional items. In FY 2019, exceptional costs consisted primarily of legal fees and restructuring costs related to the disposal of a subsidiary and related business operation (Managed Workplace business of SMB segment) and to the acquisition of TrackOFF and Tenta (see Note 6 Exceptional items). The portion of the exceptional items directly related to the disposal of business operation in FY 2019 was included in investing cash flows, and costs related to the acquisition were included in operating cash flows. The net gain on disposal of a business operation of $17.5m was treated as exceptional as well and therefore not included in Adjusted Net income.

Finance income and expense

Adjusted finance expense on a net basis was $(37.0)m in FY 2020, $24.3m lower compared with $(61.4)m in FY 2019. The decrease was driven by lower total loan interest costs of $22.8m resulting from the repayment of debt of $200.0m and $297.4m on top of mandatory repayments in 2020 and in 2019 respectively, and $1.5m decrease in other net finance costs including FX impact.

The Group's reported net finance costs increased by $51.7m to $(99.1)m in FY 2020 primarily driven by unfavourable non-cash FX from translation of Euro denominated tranche of the term loan, partially offset by the decrease in adjusted finance costs described above.

($'m)	FY 2020	FY 2019	Change	Change %
Finance income and expenses, net	**(99.1)**	**(47.5)**	**(51.7)**	**(108.8)**
Unrealised FX (gain)/loss on EUR tranche of bank loan	62.1	(13.9)	76.0	Fav
Adjusted Finance income and expenses, net	**(37.0)**	**(61.4)**	**24.3**	**39.7**

Income tax

In the year ended 31 December 2020, the Group reported an income tax expense of $(66.7)m, compared with the income tax expense of $(65.7)m in the year ended 31 December 2019.

Income tax was impacted by the tax expense from the foreign exchange movements on intercompany loans arising in the statutory accounts of the subsidiary concerned of $4.4m (tax benefit of $0.4m in FY 2019).

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 other adjusted items represents the tax impact of amortisation of acquisition intangibles, deferred revenue haircut reversal arising from prior acquisitions, exceptional items, and other adjusted items, which has been calculated applying the tax rate that the Group determined to be applicable to the relevant item.

Adjusted Income tax is $(76.4)m for FY 2020, resulting in an adjusted effective tax rate of 17.5% (FY 2019: 19.4%). The Adjusted effective tax rate is the Adjusted Income tax percentage of Adjusted Profit before tax of $436.7m (defined as Adjusted Net Income of $360.2m before the deduction of Adjusted Income tax of $(76.4)m.)

($'m)	FY 2020	FY 2019	Change	Change %
Income tax	**(66.7)**	**(65.7)**	**(1.0)**	**(1.6)**
Tax impact of FX difference on intercompany loans	4.4	(0.4)	4.8	Fav
Tax impact of IP transfer	6.3	6.3	0.0	0.0
Tax impact of disposal of a business operations	-	2.3	(2.3)	Unf
Tax impact of donations	(4.7)	-	(4.7)	n/a
Tax impact on adjusted items	(15.7)	(20.3)	4.6	22.6
Adjusted Income tax	**(76.4)**	**(77.8)**	**1.3**	**1.7**

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)	FY 2020	FY 2019	Change	Change %
Adjusted Cash EBITDA	**522.7**	**519.4**	**3.4**	**0.7**
Net change in working capital (excl. change in deferred revenue and deferred COGS)	19.9	(10.0)	29.9	Fav
Capex	(15.1)	(29.9)	14.8	49.6
Cash Tax (excl. Dutch exit tax)	(52.0)	(54.8)	2.8	5.1
COVID-19 donations	(24.5)	-	(24.5)	Unf
Unlevered Free Cash Flow	**451.1**	**424.6**	**26.5**	**6.2**
Cash Interest	(27.5)	(45.1)	17.6	39.1
Lease Repayments	(9.2)	(9.2)	0.0	0.3
Levered Free Cash Flow	**414.3**	**370.4**	**43.9**	**11.9**
Cash conversion[12]	**86%**	**82%**		

During the period, the Group recorded $(25.4)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.

Capex investment represents only 1.7% of Adjusted revenue in 2020. That represents a decrease versus 2019 (FY19: 3.4%), when the Group carried out a significant investment into network infrastructure.

The decrease 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. The cash tax included in the calculation of Unlevered Free Cash Flow in FY 2019 excluded a $49.4m Dutch exit tax paid in March 2019, as this was treated as an exceptional item. No cash tax has been treated as exceptional in FY 2020.

($'m)	FY 2020	FY 2019	Change	Change %
Net cash flows from operating activities	456.5	399.1	57.4	14.4
Net cash used in investing activities	(16.4)	(16.7)	0.3	1.8
Net cash flows from financing activities	(484.2)	(440.9)	(43.3)	(9.8)

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)	FY 2020	FY 2019	Change	Change %
Adjusted Cash EBITDA	**522.7**	**519.4**	**3.3**	**0.6**
Net change in working capital (excl. change in deferred revenue and deferred COGS)	19.9	(10.0)	29.9	Fav
Cash Tax (excl. Dutch exit tax)	(52.0)	(54.8)	2.8	(5.1)
Dutch exit cash tax	-	(49.4)	49.4	Fav
Movement of provisions and allowances	14.5	5.9	8.6	Fav
Exceptional items (excl. transaction costs)	(49.9)	(1.5)	(48.4)	Unf
Employer's costs on share-based payments	(0.8)	(4.2)	3.4	81.0
FX gains/(losses) and other non-cash items	2.0	(6.3)	8.3	Fav
Net Cash Flows from operating activities	**456.5**	**399.1**	**57.4**	**14.4**

The Group's net cash flow from operating activities increased by $57.4m primarily due to exceptional Dutch exit tax payment included in the baseline of $49.4m, higher Adjusted Cash EBITDA of $3.3m, lower cash tax of $2.8m, positive impact of the movement in provisions and allowances of $8.6m, positive change in FX gains/losses and other financial expenses and non-cash costs of $8.3m, positive impact of working capital movement (excl. change in deferred revenue and deferred COGS) of $29.9m, lower employer's costs paid on share-based payments of $3.4m (see Note 35 Share-based payments) offset by higher exceptional items of $(48.4)m. The portion of the exceptional items in FY 2019 directly related to the disposal of business operation of $(0.3)m was included in cash flows from investing activities.

The Group's net cash outflow from investing activities of $(16.4)m comprised capex of $(15.1)m, settlement of contingent consideration related to Inloop and Tenta acquisitions of $(3.9)m, TrackOFF holdback consideration release of $(0.8)m, contingent consideration received for disposal of Managed Workplace of $3.0m and interest received of $0.4m. The Group's net cash outflow from investing activities in 2019 of $(16.7)m comprised capex of $(29.9)m, consideration paid for TrackOFF and Tenta acquisitions net of cash acquired of $(14.8)m (see Note 15 Business combinations), settlement of contingent consideration of $(0.2)m, proceeds from the sale of

a business operation net of cash disposed and transaction costs of $26.7m (see Note 16 Disposal of a business operation) and interest received of $1.5m.

The Group's net cash outflow from financing activities includes $(105.4)m final dividend paid in respect of 2019, $(49.3)m interim dividend paid in respect of 2020, $(200.0)m voluntary repayment of borrowings, $(61.9)m mandatory repayment of borrowings, interest paid of $(27.5)m, lease repayments of $(9.3)m, proceeds from the exercise of options of $34.0m, and net proceeds from transactions with non-controlling interest $(64.8)m (see Note 34 Non-controlling interest). The Group's net cash outflow in 2019 from financing activities includes $(83.7)m final dividend paid in respect of 2018, $(43.2)m interim dividend paid in respect of 2019, $(297.4)m net voluntary repayment of borrowings, $(63.0)m mandatory repayment of borrowings, interest paid of $(45.1)m, transaction costs related to borrowings of $(0.9)m, lease repayments of $(9.2)m, proceeds from the exercise of options of $47.2m, and net proceeds from transactions with non-controlling interest $54.3m (see Note 34 Non-controlling interest).

Financing

The Group further reduced its term loan by the repayment of $200m from the USD tranche in June and September 2020 (see Note 27 Term Loan). As of 31 December 2020, the total Gross debt[13] of the Group was $901.0m and the total Net debt[13] was $725.6m. The decrease in gross debt since 31 December 2019 is attributable to $(200.0)m voluntary repayment of borrowings, $(61.9)m of mandatory repayment of borrowings, and $(0.3)m decrease in lease liabilities, offset by negative unrealised FX loss of $62.1m on the EUR tranche of the loan.

($'m)	31 December 2020	31 December 2019	Margin
USD tranche principal	113.8	336.5	USD LIBOR plus 2.25%
EUR tranche principal	722.7	699.8	EURIBOR plus 2.25%
Revolver/Overdraft	-	-	USD LIBOR plus 2.25%
Lease liabilities	64.5	64.8	
Gross debt	**901.0**	**1,101.1**	
Cash and cash equivalents	(175.4)	(216.6)	
Net debt	**725.6**	**884.5**	
Net debt / LTM Adjusted EBITDA	*1.5x*	*1.8x*	

Principal exchange rates applied

The table below summarises the principal exchange rates used for the translation of foreign currencies into USD. 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)	FY 2020 average	FY 2019 average
AUD	0.6876	0.6966
BRL	0.1975	0.2545
CAD	0.7444	0.7524
CHF	1.0624	1.0061
CZK	0.0431	0.0437
EUR	1.1384	1.1212
GBP	1.2860	1.2757
ILS	0.2905	0.2797
NOK	0.1063	0.1139

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 $0.16 (see Note 14 for the statutory earnings per share).

($'m)	FY 2020	FY 2019
Adjusted Net Income attributable to equity holders	**360.2**	**322.1**
Basic weighted average number of shares	1,022,001,218	973,788,157
Effects of dilution from share options and restricted share units	14,815,576	44,313,005
Dilutive weighted average number of shares	1,036,816,794	1,018,101,162
Basic Adjusted earnings per share ($/share)	**0.35**	**0.33**
Diluted Adjusted earnings per share ($/share)	**0.35**	**0.32**

Dividend

The Directors propose to pay a final dividend of 11.2 cents per share in respect of the year ending 31 December 2020 (payment of $115.3m). Combined with the interim dividend of 4.8 cents per share paid in October 2020 (payment of $49.3m), this gives a total dividend for the financial year of 16.0 cents (total payment of $164.6m), which represents 40% of the Group's levered free cash flow for the period, in accordance with the Company's dividend policy. Subject to shareholder approval, the final dividend will be paid in USD on 18 June 2021 to shareholders on the register on 14 May 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 28 May 2021. 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 3 June 2021 and announced shortly thereafter.

Proposed dividend timetable
Ex-dividend date: 13 May 2021
Record date: 14 May 2021
Last date for currency election: 28 May 2021
Payment: 18 June 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 guidance
Adjusted Depreciation and Amortisation	c. 3% of Adjusted Revenue
Capex	c. 2% of Adjusted Revenue
Adjusted Finance Cost and Lease Repayments	$30m P&L / $32m Cash Flow
Adjusted Effective Tax Rate	18%
Cash Tax	in line with Adjusted Income Tax
Net change in working capital (excl. change in deferred revenue and deferred COGS)	$10m outflow
Basic weighted average number of shares	1,034m
Dilutive weighted average number of shares	1,048m
Exceptional items:	
Share-based payments (incl. employer's costs)	$54m
Amortisation of acquisition intangible assets	$23m

Notes:

[11] 'Fav' in change % represents a favorable growth rate figure over 100 per cent, 'Unf' represents unfavorable decline greater than negative 100 per cent.
[12] Cash conversion is defined as Unlevered Free Cash Flow divided by Adjusted Cash EBITDA.
[13] 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 31 December 2020 of $2.6m and accrued interest of $(0.1)m (31 December 2019: $8.7m and $(0.1)m).

PRINCIPAL RISKS AND UNCERTAINTIES

Over the course of the year, the Board's assessment of the principal risks affecting the business has been extended to cover the risks associated with the impact of COVID-19. A number of changes have also been made to the descriptions of risks and mitigations in the other principal risks, to reflect the impact that COVID-19 has had on the other principal risks. Avast's recurring and subscription-based revenues, and strong liquidity position gives the business a resilient operational and financial position. However, the impact of the pandemic still 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 are:

Description of Risk	Change	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.	New risk	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. 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.	New risk	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	No change	Business model viability Future financial performance Solvency Liquidity	Our strategy to address this risk and achieve long term strategic objectives is to invest in product innovation, product management, quality assurance, and

offerings stop appealing to users.		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.	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.	No change	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. 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	Increase	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	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.

activity during COVID-19 as well as due to increased cyber disruption and threats.		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 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.	No change	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, having recently appointed a Chief Privacy Officer to proactively work with regulators across multiple jurisdictions.

PRESENTATION OF RESULTS AND DEFINITIONS

This full 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 monitors and manages the business day to day. It is not intended that APMs are a substitute for, or superior to, statutory measures. The APMs are not defined or recognised under IFRS, including Adjusted Billings, Adjusted Revenue, 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.

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. The definitions of non-GAAP measures in the year ended 31 December 2020 are consistent with those presented in the report for FY 2019 and there have been no changes to the bases of calculation.

CONSOLIDATED STATEMENT OF **ADJUSTED PROFIT AND LOSS**

FOR THE YEAR ENDED 31 DECEMBER 2020
($'M)

	Year ended 31 December 2020	Year ended 31 December 2019
REVENUES	**892.9**	**873.1**
Cost of revenues	(117.5)	(113.2)
GROSS PROFIT	**775.4**	**759.9**
Gross profit margin	**86.8%**	**87.0%**
Sales and marketing	(122.5)	(123.1)
Research and development	(71.1)	(76.7)
General and administrative	(86.2)	(77.0)
Total operating costs	**(279.8)**	**(276.9)**
EBITDA	**495.5**	**483.0**
EBITDA margin	**55.5%**	**55.3%**
Depreciation & Amortisation [14]	(21.8)	(21.6)
EBIT	**473.7**	**461.5**
Finance income and expenses	(37.0)	(61.4)
PROFIT BEFORE TAX	**436.7**	**400.1**
Income tax	(76.4)	(77.8)
NET INCOME	**360.2**	**322.3**
Net Income margin	**40.3%**	**36.9%**
Net income attributable to:		
- equity holders of the parent	360.2	322.1
- non-controlling interest	-	0.2
Earnings per share (in $ per share):		
Basic EPS	0.35	0.33
Diluted EPS	0.35	0.32

Adjusted Billings

Adjusted 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. Adjusted Billings represents the Group's billings.

Adjusted Revenue

Adjusted Revenue represents the Group's reported revenue adjusted for the Deferred Revenue Haircut Reversal[15] and Gross-Up Adjustment[16]. These historical adjustments are zero from 2020. The following is a reconciliation of the Group's reported Revenue to the Group's Adjusted Billings and Group's reported Revenue to the Group's Adjusted Revenue:

($'m)	FY 2020	FY 2019	Change	Change %
Revenue	**892.9**	**871.1**	**21.7**	**2.5**
Net deferral of revenue	29.2	39.9	(10.7)	(26.8)
Adjusted Billings	**922.0**	**911.0**	**11.0**	**1.2**
Revenue	**892.9**	**871.1**	**21.7**	**2.5**
Deferred Revenue Haircut reversal / Other	-	1.8	(1.8)	Unf
Gross-Up Adjustment	-	0.1	(0.1)	Unf
Adjusted Revenue	**892.9**	**873.1**	**19.8**	**2.3**

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, amortisation of acquisition intangible assets, the Deferred Revenue Haircut Reversal, and the COGS Deferral Adjustments[17].

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, the net change in deferred cost of goods sold, and the reversal of the COGS Deferral Adjustments. The following is a reconciliation of the Group's reported Operating profit to Adjusted EBITDA and Adjusted Cash EBITDA:

($'m)	FY 2020	FY 2019	Change	Change %
Operating profit	**335.4**	**344.6**	**(9.2)**	**(2.7)**
Share-based payments (incl. employer's costs)	22.7	24.9	(2.2)	(9.1)
Exceptional items	49.9	1.8	48.1	Fav
Amortisation of acquisition intangible assets	65.8	88.4	(22.6)	(25.6)
Deferred Revenue Haircut reversal/Other	-	1.8	(1.8)	Unf
COGS Deferral Adjustments	-	(0.1)	0.1	Fav
Depreciation	19.7	18.8	0.9	4.7
Amortisation of non-acquisition intangible assets	2.1	2.8	(0.7)	(23.8)
Adjusted EBITDA	**495.5**	**483.0**	**12.5**	**2.6**
Net change in deferred revenues including FX re-translation/Other	29.2	38.0	(8.9)	(23.3)
Net change in deferred cost of goods sold	(1.9)	(1.8)	(0.1)	(2.3)
Reversal of COGS deferral adjustment	-	0.1	(0.1)	Unf
Adjusted Cash EBITDA	**522.7**	**519.4**	**3.4**	**0.7**

Adjusted Net Income

Adjusted Net Income represents statutory net income (profit after tax) plus the Deferred Revenue Haircut Reversal, share-based payments, exceptional items, amortisation of acquisition intangible assets, unrealised foreign exchange gain/loss on the EUR tranche of the bank loan, the COGS Deferral Adjustments, the tax impact from the unrealised exchange differences on intercompany loans, and the tax impact of the foregoing adjusting items, IP transfer and donations, less gain on disposal of business operation. The following is a reconciliation of the Group's reported Net income to Adjusted Net Income:

($'m)	FY 2020	FY 2019	Change	Change %
Net Income	**169.6**	**248.9**	**(79.2)**	**(31.8)**
Deferred Revenue Haircut reversal / Other	-	1.8	(1.8)	Unf
Share-based payments	22.7	24.9	(2.2)	(9.1)
Exceptional items	49.9	1.8	48.1	Fav
Amortisation of acquisition intangible assets	65.8	88.4	(22.6)	(25.6)
Unrealised FX gain/(loss) on EUR tranche of bank loan	62.1	(13.9)	76.0	Fav
Tax impact from FX difference on intercompany loans	4.4	(0.4)	4.8	Fav
COGS Deferral Adjustments	-	(0.1)	0.1	Fav
Tax impact of donations	(4.7)	-	(4.7)	n/a
Tax impact on adjusted items	(15.7)	(20.3)	4.6	22.6
Tax impact of IP transfer	6.3	6.3	-	-
Gain on disposal of business operation	-	(17.5)	17.5	Fav
Tax impact from disposal of business operation	-	2.3	(2.3)	Unf
Adjusted Net Income	**360.2**	**322.3**	**37.9**	**11.8**

Unlevered Free Cash Flow

Represents Adjusted Cash EBITDA less capex, 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) and taxation. Changes in working capital are as per the cash flow statement on an unadjusted historical basis and unadjusted for exceptional items. In 2019, cash tax excluded a $49.4m Dutch exit tax paid as this was treated as an exceptional item. In 2020, the $25.4m 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:

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

[15] *Under IFRS 3, Business Combinations, an acquirer must recognise assets acquired and liabilities assumed at fair value as of the acquisition date. The process of determining the fair value of deferred revenues acquired often results in a significant downward adjustment to the target's book value of deferred revenues. The reversal of the downward adjustment to the book value of deferred revenues of companies the Group has acquired during the periods under review is referred to as the 'Deferred Revenue Haircut Reversal'.*

[16] *The 'Gross-Up Adjustment' refers to the estimated impact of the additional amount of 2015 and 2016 revenue and expenses and their deferral that would have been recognised by Avast had the contractual arrangements with certain customers qualified to have been recognised on a gross rather than a net basis prior to 2017 (AVG had historically recognised Billings and revenues on a gross basis, whereas Avast recognised them on a net basis). Both businesses recognise revenue on a gross basis since 2017.*

[17] *There was no deferred cost of goods sold ('COGS') balance consolidated by the Group in the acquisition balance sheet of AVG in 2016 and thus no subsequent expense was recorded as the revenue in respect of pre-acquisition date billings was recognised. The 'COGS Deferral Adjustments' refers to an adjustment to reflect the recognition of deferred cost of goods sold expenses that would have been recorded in 2016 and 2017 in respect of pre-acquisition date AVG billings, had the AVG and the Group's businesses always been combined and had AVG always been deferring cost of goods sold.*

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

For the year-ended 31 December 2020

	Note	Year-ended 31 December 2020 $M	Year-ended 31 December 2019 $M
REVENUE	5	892.9	871.1
Cost of revenues	8	(196.0)	(210.7)
GROSS PROFIT		**696.9**	**660.4**
Sales and marketing		(134.7)	(132.0)
Research and development		(86.1)	(82.5)
General and administrative		(140.7)	(101.3)
Total operating costs	9	**(361.5)**	**(315.8)**
OPERATING PROFIT		**335.4**	**344.6**
Net gain on disposal of a business operation	16	-	17.5
Interest income	11	0.4	1.5
Interest expense	11	(35.5)	(58.7)
Other finance income and expense (net)	11	(64.0)	9.7
PROFIT BEFORE TAX		**236.3**	**314.6**
Income tax	13	(66.7)	(65.7)
PROFIT FOR THE FINANCIAL YEAR		**169.6**	**248.9**
Attributable to:			
Equity holders of the parent		169.6	248.7
Non-controlling interest (NCI)	34	-	0.2
Earnings per share (EPS; in $ per share):			
Basic EPS	14	0.17	0.26
Diluted EPS	14	0.16	0.24

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year-ended 31 December 2020

	Year-ended 31 December 2020 $M	Year-ended 31 December 2019 $M
Profit for the financial year	**169.6**	**248.9**
Other comprehensive gains:		
Items that may be reclassified subsequently to profit or loss:		
- Translation differences	1.9	0.3
Total other comprehensive gains	**1.9**	**0.3**
Comprehensive income for the year	**171.5**	**249.2**
Attributable to:		
Equity holders of the parent	171.5	249.0
Non-controlling interest	-	0.2

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

Company registered number: 07118170	Note	31 December 2020 $M	31 December 2019 $M
ASSETS			
Current assets			
Cash and cash equivalents	17	175.4	216.6
Trade and other receivables	18	63.0	78.9
Capitalised contract costs	19	35.0	33.3
Prepaid expenses		10.3	13.6
Inventory		-	0.4
Tax receivables	13	5.2	22.0
Other financial assets		0.3	1.2
		289.2	366.0
Non-current assets			
Property, plant and equipment	20	41.2	42.9
Right-of-use assets	21	56.4	62.6
Intangible assets	22	127.7	193.3
Deferred tax assets	13	197.1	203.8
Other financial assets		0.8	0.8
Capitalised contract costs	19	2.8	4.4
Prepaid expenses		0.5	0.8
Goodwill	23	1,991.3	1,991.3
		2,417.8	2,499.9
TOTAL ASSETS		**2,707.0**	**2,865.9**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Current liabilities			
Trade payables and other liabilities	24	63.2	65.1
Lease liability	21	7.0	7.3
Provisions	25	27.7	11.6
Income tax liability	13	1.3	0.3
Deferred revenue	26	458.8	420.5
Term loan	27	64.6	58.2
Financial liabilities		0.4	-
		623.0	563.0
Non-current liabilities			
Lease liability	21	57.5	57.5
Provisions	25	0.6	0.9
Deferred revenues	26	37.7	54.3
Term loan	27	769.4	969.5
Financial liability		-	2.1
Other non-current liabilities		0.7	1.7
Redemption obligation	29	-	56.3
Deferred tax liabilities	13	22.8	36.2
		888.7	1,178.5
Shareholders' equity			
Share capital	31	138.6	136.0
Share premium, statutory and other reserves	31, 32	374.8	280.7
Translation differences		3.2	1.3
Retained earnings		678.7	698.9
Equity attributable to equity holders of the parent		1,195.3	1,116.9
Non-controlling interest	34	-	7.5
		1,195.3	1,124.4
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**2,707.0**	**2,865.9**

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year-ended 31 December 2020

	Note	Share capital	Share premium, statutory and other reserves	Translation differences	Retained earnings	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
		$M	$M	$M	$M	$M	$M	$M
At 31 December 2018		**129.0**	**275.9**	**(0.3)**	**494.8**	**899.4**	**1.0**	**900.4**
Result of the year		-	-	-	248.7	248.7	0.2	248.9
Other comprehensive income		-	-	0.3	-	0.3	-	0.3
Comprehensive income for the year		-	-	0.3	248.7	249.0	0.2	249.2
Transactions with NCI - Sale of interest	34	-	-	-	48.6	48.6	5.7	54.3
Transactions with NCI - Recognition of put liability	29	-	(55.7)	-	-	(55.7)	-	(55.7)
Share-based payments tax		-	-	-	34.9	34.9	-	34.9
Other movements		-	0.2	1.3	(1.1)	0.4	-	0.4
Share-based payments	35	-	20.1	-	-	20.1	0.6	20.7
Issuance of shares under share-based payments plans	31	7.0	40.2	-	-	47.2	-	47.2
Cash dividend	33	-	-	-	(127.0)	(127.0)	-	(127.0)
At 31 December 2019		**136.0**	**280.7**	**1.3**	**698.9**	**1,116.9**	**7.5**	**1,124.4**
Result of the year		-	-	-	169.6	169.6	-	169.6
Other comprehensive income		-	-	1.9	-	1.9	-	1.9
Comprehensive income for the year		-	-	1.9	169.6	171.5	-	171.5
Other movements		-	-	-	0.9	0.9	-	0.9
Transactions with NCI - Purchase of interest	34	-	-	-	(57.3)	(57.3)	(7.5)	(64.8)
Transactions with NCI – De-recognition of put liability	29	-	55.7	-	0.6	56.3	-	56.3
Transfer of share-based payments to retained earnings	32	-	(15.4)	-	15.4	-	-	-
Share-based payments	35	-	21.8	-	-	21.8	-	21.8
Issuance of shares under share-based payments plans	31	2.6	32.0	-	(0.6)	34.0	-	34.0
Share-based payments tax		-	-	-	5.9	5.9	-	5.9
Cash dividend	33	-	-	-	(154.7)	(154.7)	-	(154.7)
At 31 December 2020		**138.6**	**374.8**	**3.2**	**678.7**	**1,195.3**	**-**	**1,195.3**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year-ended 31 December 2020

	Note	Year-ended 31 December 2020 $M	Year-ended 31 December 2019 $M
Cash flows from operating activities			
Profit for the financial year		169.6	248.9
Non-cash adjustments to reconcile profit to net cash flows:			
Income tax	13	66.7	65.7
Depreciation	12	19.7	18.9
Amortisation	12	67.9	91.1
Impairment		2.8	-
Gain on disposal of a business operation	16	-	(17.5)
Gain on disposal of property, plant and equipment		-	(0.2)
Movement of provisions and allowances		14.5	5.9
Interest income	11	(0.4)	(1.5)
Interest expense, changes of fair values of derivatives and other non-cash financial expense	11	29.7	59.6
Shares granted to employees	35	21.9	20.7
Effect of exchange rate changes on cash and cash equivalents held in foreign currencies		(3.0)	(2.8)
Unrealised foreign exchange gains and losses and other non-cash transactions	11	72.0	(13.8)
Working capital adjustments:			
(Increase)/decrease in trade and other receivables		14.7	(9.3)
(Increase)/decrease in inventories		0.8	(1.1)
Increase/(decrease) in trade and other payables		2.4	(1.2)
Increase in deferred revenues	26	29.2	39.9
Income tax paid		(52.0)	(104.2)
Net cash flows from operating activities		**456.5**	**399.1**
Cash flows from investing activities			
Acquisition of property and equipment	20	(12.4)	(26.3)
Acquisition of intangible assets	22	(2.7)	(3.6)
Investment in subsidiary, net of cash acquired	15	-	(14.8)
Settlement of contingent consideration		(4.7)	(0.2)
Proceeds from sale of a business operation, net of cash disposed	16	3.0	26.7
Interest received		0.4	1.5
Net cash used in investing activities		**(16.4)**	**(16.7)**
Cash flows from financing activities			
Transaction with NCI, net of fees	34	(64.8)	54.3
Exercise of options	31	34.0	47.2
Dividend paid	33	(154.7)	(127.0)
Repayment of borrowings	27	(261.9)	(562.9)
Proceeds from borrowings	27	-	202.6
Transaction costs related to borrowings	27	-	(0.9)
Interest paid	27	(27.5)	(45.1)
Lease payments interest	21	(2.1)	(2.3)
Lease payments principal	21	(7.2)	(6.8)
Net cash used in financing activities		**(484.2)**	**(440.9)**
Net increase/(decrease) in cash and cash equivalents		(44.2)	(58.5)
Effect of exchange rate changes on cash and cash equivalents held in foreign currencies		3.0	2.8
Cash and cash equivalents at beginning of period	17	216.6	272.3
Cash and cash equivalents at end of period		**175.4**	**216.6**

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 a public limited company incorporated and domiciled in the UK, and registered under the laws of England & Wales under company number 07118170 with its registered address at 110 High Holborn, London WC1V 6JS. The ordinary shares of Avast plc are admitted to the premium listing segment of the Official List of the UK Financial Conduct Authority and trade on the London Stock Exchange plc's main market for listed securities.

These results do not comprise statutory accounts within the meaning of section 435 of the Companies Act 2006. The consolidated financial statements for the year ended 31 December 2020 have been audited with an unqualified report that did not contain an emphasis of matter referenced or a statement under section 498(2) or (3) of the Companies Act 2006.

The consolidated financial statements of the Group for the year ended 31 December 2020 were approved by the Board of Directors on 2 March 2021 and have not yet been delivered to the registrar.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in preparing the historical financial information are set out below. These accounting policies have been consistently applied in all material respects to all periods presented except for the changes described in Note 4.

Basis of preparation

The audited consolidated financial statements of the Group have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

The consolidated financial statements have been prepared on a historical cost basis and are presented in US dollars. All values are rounded to the nearest 0.1 million ($'m), except where otherwise indicated.

The Group uses the direct method of consolidation, under which the 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 arising from the COVID-19 pandemic, management has performed a detailed going concern review and analysis of the accounts and considers that the Group has adequate resources to continue business for the foreseeable future, and a period from the signing of the financial statements through 30 June 2022.

Group's financial covenants

The Group's Term Loan Credit Agreement includes a single financial covenant that is triggered at any time when $35m or more is outstanding under the revolving credit agreement for a period ending on 30 June or 31 December. 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. 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 1.4x at 31 December 2020 and there is no reason to believe that the Group would have any material risk against the ceiling of 6.5x. As of 31 December 2020, the $40m committed was undrawn under the revolving credit facility (see Note 27).

Reverse stress testing

To make the going concern assessment, the Directors have reviewed the latest budget and forecast through 30 June 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 an extreme scenario in which the Consumer Direct Desktop billings 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 financial statements through 30 June 2022 and not to be in breach of the financial covenant. The Group would only run out of available cash in an extreme situation where practically no further Consumer Direct Desktop billings would be realised after March 2021, 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). Such a situation is considered very remote.

Our business remains resilient because:

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

- The renewal rate remains steady in Consumer Direct Desktop.

- Flexible cost base – a significant portion of the 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 paying customers (up 997,000 since the end of 2019).

- Our deferred revenue balance is growing (deferred revenue up +6.5% vs FY 2019, excluding Jumpshot) supporting attractive future revenue growth and good future revenue visibility. Deferred revenue balance as of 31 December 2020 of $496.5m includes $458.8m to be released into revenue in the following 12 months.

- We continuously monitor and invest into market needs. In FY 2020 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 mitigating 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 financial statements.

Impact of COVID-19 on financial statements at 31 December 2020

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 impairment against the Group's receivables recorded as of 31 December 2020.

At 31 December 2020, the Group tested goodwill and intangible assets for impairment and considered 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 capitalisation over net assets is significant. There is no reason to believe that impairment would be required. See Note 23 for further details of the impairment test.

Revenue recognition

Revenue is measured based on the fair value of consideration specified in the contract with a customer, and excludes taxes and duty. The Group recognises the revenue when it transfers control over a product and service to a customer. Each contract is evaluated to determine whether the Group is the principal in the revenue arrangements.

Revenues from individual products and services are aggregated into the following categories:

Consumer
Direct
The principal revenue stream of the Group is derived from the sale of its software and related services for desktop and mobile which protect users' security, online privacy and device performance. Licence agreements with customers include a pre-defined subscription period during which the customer is entitled to the usage of the products, including updates of the software. The typical length of a subscription period is 1, 12, 24, or 36 months. Antivirus software requires frequent updates to keep the software current in order for it to be beneficial to the customer and the customer is therefore required to use the updated software during the licence period. This provides evidence that the licence grants the right to access the software over time and therefore revenue is recognised evenly over the term of the licence. The software licence, together with the unspecified updates, form a single distinct performance obligation.

The Group mainly sells software licences through direct sales (mainly through e-commerce services providers including Digital River and the Group's e-shop) to customers. However, the Group also sells a small portion through indirect sales via the Group's retailers and resellers.

Deferred revenue represents the contract liability arising from contracts with customers. The portion of deferred revenues that will be recognised as revenue in the 12 months following the balance sheet date is classified as current, and the remaining balance is classified as non-current. Deferred revenue also materially represents the transaction price, relating to sales of software licences, that is allocated to future performance obligations. Some of the Group's products can be used on a one-time basis (VPN and Utilities), in which case sales are recognised immediately as revenue.

The Group uses a practical expedient not to adjust the promised amount of consideration for the effects of a significant financing component if the Group expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

When the Group concludes that it has control over the provided product or service before that product or service is transferred to the customer, the Group acts as principal, and revenues for satisfying the performance obligations are recognised on a gross basis (before deduction of resellers' commissions, payment provider fees and the third party costs). Otherwise revenues are recognised on a net basis.

The Group accounts for sales of products through e-commerce partners on a gross basis before the deduction of the e-commerce partners' commissions and fees. The Group's e-commerce service providers fulfil administrative functions, such as collecting payment and remitting any required sales tax. The Group's e-commerce service providers collect the fees and transfer cash payments to the Group on a monthly basis within 30 days after the end of the month with respect to which payment is being made. The Group sets the retail list prices and has control over the licences before transferring them to the customer.

The Group also sells subscription software licences through an e-shop directly to end customers in cooperation with certain payment gateways providers. Revenue from sales through the e-shop are accounted for on a gross basis before the deduction of payment gateways fees. The Group sets the final retail prices and fully controls the revenue arrangement with the end customers.

Location Labs, LLC ('Location Labs') provides mobile security solutions that partner with Mobile Network Operators ('MNOs') providing locator, phone controls and drive safe products to their customers. Once the product is developed by Avast based on the MNO's requirements, the product is then sold to the end customer via the MNO's subscription plans . The revenues generated by these arrangements are based on revenue share percentages as stated in the MNO agreements. Revenue is recognised on a net basis, after deduction of partners` commissions, based on the delivery of monthly services to the end customers of the MNOs. Avast has no control of the product and no discretion to set the final prices.

The Group reduces revenue for estimated sales returns. End users may return the Group's products, subject to varying limitations, through resellers or to the Group directly for refund within a reasonably short period from the date of purchase. The Group estimates and records provisions for sales returns based on historical experience. The amount of such provisions is not material.

Indirect
Consumer indirect revenues arise from several products and distribution arrangements that represent the monetisation of the user base. These arrangements are accounted for on a net basis in an amount corresponding to the fee the Group receives from the monetisation arrangement. The contracted partner in the arrangement is the customer rather than the end customer. The most significant sources of revenues are:

- Google – The Group has two distribution arrangements with Google Ireland Limited ('Google') pursuant to which the Group is paid fees in connection with the Group's offers to users of Google Chrome or Google Toolbar. The Group recognises revenue from Google in full in the month they are earned as the Group has no subsequent performance obligations after the date of sale.

- Secure Browsing – The Group's Secure browser earns the Group a share of advertising revenue generated by end user search activity. Revenue is recognised immediately as the Group has no performance obligation after the date of sale.

- Advertising – Other Consumer Indirect derived revenues comprise advertising fees and product fees. Advertising fees are earned through advertising arrangements the Group has with third parties whereby the third party is obligated to pay the Group a portion of the revenue they earn from advertisements to the Group's end users. Amounts earned are reflected as revenue in the month the advertisement is delivered to the end user. The Group also receives product fees earned through arrangements with third parties, whereby the Group incorporates the content and functionality of the third party into the Group's product offerings. Fees earned during a period are based on the number of active clients with the installed third-party content or functionality multiplied by the applicable client fee.

- Analytics – The Group offered big data and marketing analytics through its entity, Jumpshot Inc. ('Jumpshot'), generating mostly recurring subscription revenue. Subscriptions were recognised ratably over the subscription period covered by the contract. In January 2020, the Group made a decision to discontinue business of Jumpshot.

Small and Medium-sized Business (SMB)

SMB includes subscription revenue targeted at small and medium-sized businesses. Revenue is generated through the sale of security software and other IT managed solutions (including CloudCare). CloudCare is a cloud-based security suite designed for SMBs and third party managed service providers who can use this tool to manage security on behalf of their clients. Licences are provided in conjunction with hosting services as the customers have no control over the software independently. The licence is not distinct and would be combined with the hosting service as a single performance obligation. The performance obligation is typically satisfied over the subscription term, beginning on the date that service is made available to the customer. Revenues from sales of CloudCare are recognised on a gross basis, before deduction of the payment gateways fees.

Cost of revenues

Expenses directly connected with the sale of products and the provision of services, e.g. commissions, payments and other fees and third party licence costs related to the subscription software licences, are recognised as cost of revenues.

Capitalised contract costs

The Group pays commissions, third party licence costs and payment fees to resellers and payment providers for selling the subscription software licences to end customers. Capitalised contract costs are amortised over the licence period and recognised in the cost of revenues. Capitalised contract costs are subject to an impairment assessment at the end of each reporting period. Impairment losses are recognised in profit or loss.

Taxes

Current income tax assets and liabilities recognised are the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the country where the Group operates and generates taxable income.

Deferred tax is recognised for all temporary differences, except:

- where the deferred tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available, whereby the deductible temporary differences and the carry forward of unused tax credits and unused tax losses, can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date for the respective tax jurisdiction.

Deferred tax items are recognised with respect to the related underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Foreign currency translation

The Group's historical financial information is presented in US dollars (USD or $). The functional currencies of all Group entities are presented in the table below. Each entity in the Group (including branch offices not representing incorporated entities) determines its own functional currency, and items included in the financial statements of each entity are measured using that functional currency. For the purposes of inclusion in the historical financial information, the statement of financial position of entities with non-USD functional currencies are translated into USD at the exchange rates prevailing at the balance sheet date and the income statements are translated at the average exchange rate for each month of the relevant year. The resulting net translation difference is recorded in other comprehensive income.

The functional currencies of the Group's main entities are as follows:

Company or branch	Functional currency
Avast plc	USD
Avast Holding B.V.	USD
Avast Software B.V.	USD
Avast Software s.r.o.	USD
Avast Software, Inc.	USD
Avast Deutschland GmbH	EUR
AVG Technologies UK Limited	GBP
AVG Technologies USA, LLC	USD
FileHippo s.r.o.	CZK
INLOOPX s.r.o.	EUR
Location Labs, LLC	USD
Piriform Group Limited	GBP
Piriform Limited	GBP
Piriform Software Limited	GBP
Piriform, Inc.	USD
Privax Limited	USD
TrackOFF, Inc.	USD

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are recalculated at the functional currency spot rate of exchange valid at the reporting date. All differences are recorded in the statement of profit and loss as finance income and expenses.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in Administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred will be recognised at fair value at the acquisition date. Contingent consideration is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. During the measurement period, which may be up to one year from the acquisition date, the Group may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the Consolidated Statement of Profit and Loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition.

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. The amortisation expense on intangible assets with finite lives is recognised in the Consolidated Statement of Profit and Loss in the expense category consistent with the function of the intangible assets.

Indefinite lived intangibles are not amortised but are tested for impairment annually and for impairment indicators on a quarterly basis. The assessment of indefinite life is reviewed annually to determine whether the indefinite life assumption continues to be appropriate.

The useful economic lives of intangible assets are as follows:

	Years
Developed technology	4-5
Avast Trademark	Indefinite
Piriform Trademark	10
AVG Trademark	6
Customer relationships and user base	4
Other licensed intangible assets	3-5

Research and development costs
Research costs are expensed when incurred when the criteria for capitalisation are not met. Development expenditures are recognised as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- its intention to complete and its ability and intention to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development.

Development expenditure incurred on minor or major upgrades, or other changes in software functionalities, does not satisfy the criteria, as the product is not substantially new in its design or functional characteristics. Such expenditure is therefore recognised as an expense in the Consolidated Statement of Profit or Loss as incurred.

Goodwill
Goodwill is assessed as having an indefinite useful life and is tested for impairment annually.

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Repairs and maintenance costs are charged to the Consolidated Statement of Profit and Loss for the accounting period during which they are incurred.

Depreciation is recorded on a straight-line basis over the estimated useful life of an asset, as follows:

	Years
Leasehold improvements	over the lease term
Machinery and equipment	2-5

Gains or losses arising from the de-recognition of property, plant and equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Consolidated Statement of Profit and Loss when the asset is de-recognised.

Impairment

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal or its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in the Consolidated Statement of Profit and Loss in those expense categories consistent with the function of the impaired asset. For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised

impairment losses may no longer exist or may have decreased. Any reversal of previously recognised impairment is limited so that the carrying amount of the asset does not exceed the lower of its recoverable amount or the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Consolidated Statement of Profit and Loss.

Goodwill and intangible assets with indefinite useful lives are tested for impairment annually as at 31 December at the operating segment level, which is the smallest group of CGUs to which the goodwill and intangible assets with indefinite useful life can be allocated. Goodwill is allocated to the groups of CGUs that correspond with operating segments (Consumer and SMB) according to the allocation from past business combinations – see Note 23. Intangible assets with indefinite useful lives are all allocated to the Group of CGUs that correspond to the Consumer operating segment.

Leases

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Right-of-use assets were measured at the amount of the lease liability on adoption using the incremental borrowing rate at the date of initial application (adjusted for any prepaid or accrued lease expenses and assessed for impairment). The weighted average discount rate was 3.3%.

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into on or after 1 January 2019.

The Group applies a recognition exemption for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets'). Short-term lease payments are recognised as operating expenses in the Consolidated Statement of Profit and Loss on a straight-line basis over the lease term.

Right-of-use assets
The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and are subsequently adjusted (where appropriate) for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

The right-of-use asset is depreciated on a straight-line basis over the lease term or, if it is shorter, over the useful life of the leased asset. The Group currently applies the lease term for depreciation of all right-of-use assets (see Note 21). Related expenses are presented within depreciation, allocated to general and administrative expenses. The Group also assesses the right-of-use asset for impairment when such indicators exist.

Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate and lease payments within extension option periods for which the Group considers it likely that the extension option will be utilised.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

The amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. Lease interest is presented within Interest expenses. In addition, the carrying amount of lease liabilities is re-measured if there is a reassessment of the lease term (using a revised discount rate at the date of the reassessment) or a change in the variable lease payments that depend on an index or rate (using the original discount rate). In such cases, there is a corresponding adjustment to the right-of-use asset.

Employee stock option plans

Employees of the Group receive remuneration in the form of share-based payment transactions whereby employees render services as consideration for equity instruments (equity-settled transactions).

Equity-settled transactions
The cost of equity-settled transactions is determined based on the fair value of the share-based payment award at the date when the grant is made, taking into account the market and non-vesting conditions, using an appropriate valuation model. Non-market vesting conditions are not taken into account in determining the fair value of the award. The cost is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The Consolidated Statement of Profit and Loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in compensation expense.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled transaction are modified, where the modification increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification, additional expense is recognised. When an equity-settled award is cancelled other than by forfeiture, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award. The dilutive effect of outstanding options is reflected in the computation of diluted earnings per share.

Payments for settlement of equity-settled awards are taken to equity up to the fair value of the award at the time of settlement (with any excess recognised in profit or loss).

Deferred tax assets are recognised in connection with a granted stock option in the amount of the expected tax deduction available on exercise, measured using the share price at the end of the period and multiplied by the expired portion of the vesting period. The cumulative related tax benefit is recognised in profit and loss to the extent of the tax rate applied to the cumulative recognised share-based payments expense, with the excess (if any) recognised directly through equity.

Employee benefits

Pension obligations
Contributions are made to the government health, retirement benefit and unemployment plans at statutory rates applicable during the period and are based on gross salary payments. The arrangements of the government health, retirement benefit and unemployment plans qualify as defined contribution plans. The Group has no further payment obligations once the contributions have been paid. The expense for the contributions is charged to profit and loss in the same period as the related salary expense. As a benefit for employees, the Group also makes contributions to defined contribution schemes operated by external (third-party) pension companies. These contributions are charged to profit and loss in the period to which the contributions relate.

Defined contribution plans
The Group maintains a defined contribution 401(k) retirement savings plan for its US employees. Each participant in the 401(k) retirement savings plan may elect to contribute a percentage of his or her annual compensation up to a specified maximum amount allowed under US Internal Revenue Service regulations. The Group matches employee contributions to a maximum of 4% of the participant annual compensation.

Redundancy and termination benefits
Redundancy and termination benefits are payable when employment is terminated before the normal retirement or contract expiry date. The Group recognises redundancy and termination benefits when it is demonstrably committed to have terminated the employment of current employees according to a detailed formal plan without possibility of withdrawal. Benefits falling due more than 12 months after the balance sheet date are discounted to present value. There are currently no redundancy and termination benefits falling due more than 12 months after the balance sheet date.

Key management personnel
The Group discloses the total remuneration of key management personnel ('KMP') as required by *IAS 24 – Related party disclosures*. The Group includes within KMP all individuals who have authority and responsibility for planning, directing and controlling the activities of the Group. KMP includes all members of the Board and the Executive Management team of the Group. Other related parties include family members if applicable. See Note 36 for more details.

Financial instruments

Financial assets and liabilities are recognised on the Group's Consolidated Statement of Financial Position when the Group becomes a contractual party to the instrument. When financial instruments are recognised initially, they are measured at fair value, which is the transaction price plus, in the case of financial assets and financial liabilities not measured at fair value through profit and loss, directly attributable transaction costs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Trade and other receivables

Trade receivables are at initial recognition recorded at the original invoice amount, including value-added tax and other sales taxes. At subsequent reporting dates, the carrying amount is decreased by the expected lifetime loss allowance attributable to the receivable or group of receivables based on a credit assessment of the counterparty or estimate for relevant group of receivables respectively.

The Group uses the expected credit loss model for impairment of receivables. The Group applies practical expedients when measuring the expected credit loss. The Group applies a simplified approach and recognises expected lifetime loss allowances for trade receivables and contract assets. The expected lifetime loss is calculated using the provision matrix, which assigns provision rates to classes of receivables based on the number of days they are overdue, based on the Group's historical credit loss experience adjusted for forward-looking development. The classes of receivables are stratified by types of customer and by operating segments between the Consumer and SMB receivables.

Bad debts are written off in the period in which they are determined to be completely irrecoverable.

Cash and cash equivalents

For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash at bank, cash in hand and short-term deposits with an original maturity of three months or less.

The Group´s Consolidated Statement of Cash Flows is prepared based on the indirect method from the Consolidated Statement of Financial Position and Consolidated Statement of Profit and Loss.

Pledged or restricted assets

Financial assets transferred to third parties as collateral, assets that are pledged and assets as to which the Group has otherwise restricted dispositions are classified as other long-term receivables, if the period until which the restriction ends or return of the assets in question will take place is more than 12 months from the balance sheet date.

Trade payables and other liabilities

Trade payables and other liabilities are recognised at their amortised cost which is deemed to be materially the same as the fair value.

Loans

Loans are initially recognised at their fair value net of transaction costs and subsequently measured at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial liability.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured at fair value at the end of each reporting period. The resulting gain or loss is recognised in profit and loss immediately.

A derivative embedded within a host contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

De-recognition of financial instruments

A financial asset or liability is generally de-recognised when the contract that gives right to it is settled, sold, cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Consolidated Statement of Profit and Loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Onerous contracts

If the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognises any impairment loss that has occurred on assets dedicated to that contract.

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

Interest income and expense

Interest income consists of interest income on deposits. Interest expense consists of interest expense on term loans, including amortisation of arrangement fees, and interest expense on leases.

Other finance income and expense

Other financial income and expenses consist of realised and unrealised foreign exchange gains and losses, changes in fair value of derivatives, unwinding of discounts on non-current provisions and other liabilities discounted to net present value and other financial expenses.

Exceptional items

Exceptional items are material or non-recurring items of income and expense which the Group believes should be separately disclosed to show the business performance of the Group more accurately. Such items are separately disclosed in the notes to the consolidated financial statements. Examples of such items include legal and advisory costs related to acquisition, disposals, integration, costs incurred due to discontinuation of business and COVID-19 donations.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Significant judgements

Leases - Extension options
When the Group has the option to extend a lease, management uses its judgement to determine whether or not an option would be reasonably certain to be exercised. The Group has the option, under some of its leases, to lease the assets for additional terms of up to ten years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew and therefore considers all relevant factors, including long-term business strategy, conditions of the lease, availability of alternative options and potential relocation costs, for it to exercise the renewal. Potential future cash outflows of $7.4m have not been included in the lease liability because it is not reasonably certain that the lease will be extended (or not terminated). There were no changes to the extension options for the year ended 31 December 2020.

Impairment testing
Significant management judgement and estimates are required to determine the individual cash generating units (CGUs) of the Group, the allocation of assets to these CGUs and the determination of the value in use or fair value less cost to sell of these CGUs. Management has concluded that the operating segments used for segment reporting represents the lowest level within the Group at which the goodwill is monitored. Therefore, the operating segments correspond to groups of CGUs at which goodwill is tested for impairment.

Loans
The terms of the Credit Agreement offer the Company significant flexibility, allowing it to prepay, reprice, refinance, substitute, or replace any drawn loans without penalty (except within a six-month period following issue or a repricing, a term intended to provide a degree of protection to the lenders' income). The terms also provide for the Company to be able to request a reduction in the interest rate margin payable. Although any such reduction would, as a matter of form, be made through re-negotiation, the agreement was drawn up on the understanding by both the Company and the lenders that the Company would routinely make such requests where it was supported by appropriate evidence (that market perception of the credit risk of the Company had improved) and that such requests would generally be granted (as has been the experience since 2017). If not granted the Company would be able to obtain replacement financing at the reduced market price, repay the original loan at par and the lenders would lose their income stream.

Consequently, management's judgement is that the term loan is in substance a floating rate loan for which the interest margin is reset every six months to the market rate, provided it is favourable to the Company. The reduction in margin is accounted for as a change in effective interest rate prospectively from the moment the change in estimate takes place rather than by treating it as a modification of terms.

Significant estimates

Deferred tax
Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits.

The Group recognises substantial deferred tax assets from unused tax losses in its US-based subsidiaries excluding Jumpshot Inc. (see Note 13). The management assesses that these deferred tax assets are recoverable, with key elements of judgement being the fact that US tax losses carry over indefinitely, and the

significant business presence of the Group in the US market give the Group the ability to generate sufficient taxable profit for the foreseeable future.

Based on expectations of future profitability, management expects to recover the deferred tax asset over approximately a 25-year time frame. The recovery period is sensitive to the level of profitability of the underlying business; however, there are no significant assumptions that would impact our expectation of recovery.

The Group also recognises substantial deferred tax assets from the 2018 transfer of intellectual property to the Czech Republic, which is being recovered linearly over a 15-year period. The management assesses that this deferred tax asset is recoverable, with key elements of judgement being that the major portion of the Group's profit is generated in the Group's Czech entity and this structure is expected to remain for the foreseeable future.

Provisions

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Other provisions relate to a small number of contractual disputes. The management has provided the best estimate of the provisions, based on the legal advice. Refer to Note 25 for further details.

4. APPLICATION OF NEW AND REVISED IFRS STANDARDS

New and adopted standards

IFRS 3 Business Combinations (Amendments)

The IASB issued amendments in Definition of a business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, with earlier application permitted. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material' (Amendments)

The Amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Amendments clarify the definition of material and how it should be applied. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. In addition, the explanations accompanying the definition have been improved. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to, the Group.

Standards issued but not yet effective and not early adopted

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. In the year of initial application of the IAS 1 amendment, the term loan will be reported as current since both facilities are repayable in full in September 2023 (see Note 27).

Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 & 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). In particular, the amendments provide for a practical expedient when accounting for changes in the basis for determining the

contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted, equivalent to a movement in a market rate of interest. The amendment is effective for annual reporting periods beginning on or after 1 January 2021 with earlier adoption permitted. The Group is currently assessing the impact the amendments will have on current credit agreement.

There are other new and revised standards that are not yet effective and not early adopted which are not relevant to the Group:

- *IFRS 17 Insurance Contracts* - effective on 1 January 2021
- *IFRS 3 Business Combinations* - effective on 1 January 2022
- *IAS 16 Property, Plant and Equipment*- effective on or 1 January 2022
- *IAS 37 Provisions, Contingent Liabilities and Contingent Assets* - effective on 1 January 2022
- *Annual Improvements 2018-2020 (Amendment)*- effective on 1 January 2022

The Group does not currently plan to adopt early any of the new standards issued but not effective as discussed above.

5. SEGMENT INFORMATION AND OTHER DISCLOSURES

Management monitors operating results in two customer segments: consumer products (which generate direct and indirect revenue streams) and products for the SMB market. For management reporting purposes, the operating and reportable segments are determined to be Consumer and Small and Medium-sized Business (SMB). This is the level on which the Chief Operating Decision Maker decides about the allocation of the Group's resources.

The principal products and services offered by each segment are summarised below:

Consumer –The Group's consumer products include direct revenue streams through its offerings for desktop security and mobile device protection and consist of free and premium paid products for the individual consumer market. The Group also has several value-added solutions for performance, privacy, and other tools. The Group also focuses on monetising the user base indirectly by leveraging its user base to partner with third-party vendors. Products and services include secure web browsing, distribution of third-party software, an e-commerce tool, and mobile advertising.

SMB – The Group's SMB segment focuses on delivering high-level security and protection solutions for small and medium sized business customers.

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 Billing, Revenue and Operating profit. Billings are 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:

For the year ended 31 December 2020 ($'m)	*Consumer*	*SMB*	*Total*
Billings	**873.6**	**48.4**	**922.0**
Deferral of revenue	(28.8)	(0.3)	(29.1)
Segment revenue	**844.8**	**48.1**	**892.9**
Segment cost of revenues	(81.1)	(5.8)	(86.9)
Segment sales and marketing costs	(84.3)	(17.5)	(101.8)
Segment research and development costs	(49.2)	(3.5)	(52.7)
Segment general and administrative costs	(1.2)	0.2	(1.0)
Total Segment operating profit	**629.0**	**21.5**	**650.5**
Corporate overhead			(154.9)
Deferred revenue haircut reversal			-
Depreciation and amortisation			(87.6)
Exceptional items			(49.9)
Share-based payments			(21.9)
Employer's taxes on share-based payments			(0.8)
Consolidated operating profit			**335.4**

For the year ended 31 December 2019 ($'m)	*Consumer*	*SMB*	*Total*
Billings	**865.1**	**45.9**	**911.0**
Deferral of revenue	(42.2)	2.3	(39.9)
Revenues	**822.9**	**48.2**	**871.1**
Deferred revenue haircut reversal	0.8	1.0	1.8
Segment revenue	**823.7**	**49.2**	**872.9**
Segment cost of revenues	(84.7)	(5.3)	(90.0)
Segment sales and marketing costs	(78.7)	(18.9)	(97.6)
Segment research and development costs	(57.7)	(4.7)	(62.4)
Segment general and administrative costs	(5.4)	3.1	(2.3)
Total Segment operating profit	**597.2**	**23.4**	**620.6**
Corporate overhead			(137.5)
Deferred revenue haircut reversal			(1.8)
Depreciation and amortisation			(110.0)
Exceptional items			(1.8)
Share-based payments			(20.7)
Employer's taxes on share-based payments			(4.2)
Consolidated operating profit			**344.6**

Corporate overhead costs primarily include the costs of the Group's IT, Technology (R&D), HR, Finance and Central Marketing functions, legal and office related costs, which are not allocated to the individual segments.

The following table presents depreciation and amortisation by segment:

($'m)	Year–ended 31 December 2020	Year–ended 31 December 2019
Consumer	67.4	91.6
SMB	0.1	0.2
Corporate overhead	20.1	18.2
Total depreciation and amortisation	**87.6**	**110.0**

The following table presents further disaggregation of revenue:

($'m)	Year–ended 31 December 2020	Year–ended 31 December 2019
Consumer Direct Desktop	699.7	631.1
Consumer Direct Mobile	72.1	75.4
Consumer Indirect*	67.9	70.4
SMB	48.0	49.2
Other	5.2	45.0
Total	**892.9**	**871.1**

*For the year ended 31 December 2020 and 2019, revenues of Jumpshot of $1m and $36.1m, respectively, were reclassified into Other.

The following table presents the Group´s non-current assets, net of accumulated depreciation and amortisation, by country. Non-current assets for this purpose consist of property and equipment, right-of-use assets and intangible assets.

	31 December 2020		31 December 2019	
			($'m)	(in %)
Czech Republic	193.7	86.0%	257.7	86.2%
UK	13.9	6.1%	20.9	7.0%
USA	12.9	5.7%	16.1	5.4%
Other countries*	4.8	2.2%	4.1	1.4%
Total	**225.3**	**100.0%**	**298.8**	**100.0%**

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

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

	Year–ended 31 December 2020		Year–ended 31 December 2019	
			($'m)	(in %)
USA	349.0	39.1%	358.9	41.2%
UK	81.6	9.1%	75.8	8.7%
France	69.2	7.8%	66.2	7.6%
Germany	60.1	6.7%	56.6	6.5%
Other countries*	332.9	37.3%	313.6	36.0%
Total	**892.9**	**100%**	**871.1**	**100%**

*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:

	Year–ended 31 December 2020		Year–ended 31 December 2019	
	($'m)	(in %)	($'m)	(in %)
Revenues realised through online resellers:				
Digital River	620.1	69.5%	521.8	59.9%

In 2020 and 2019, revenues realised through Digital River significantly increased by $98.3m and $151.7m, respectively, due to the continuing transfer of part of the business from in-house payment processing to the external vendor. The majority of revenues from Digital River were reported in the Consumer segment, while the remaining $22.5m (2019: $12.0m) of revenues were reported in the SMB segment.

6. EXCEPTIONAL ITEMS

The following table presents the exceptional items by activity:

($'m)	Year–ended 31 December 2020	Year–ended 31 December 2019
Exceptional items in operating profit	49.9	1.8
Net gain on disposal of business operation	-	17.5

Exceptional items in operating profit

During the year, the Group incurred $25.4m in relation to the winding down of the operations of Jumpshot. These costs were primarily cash items consisting of restructuring personnel costs, legal fees, refunds to the customer and Ascential exit costs (Note 34). 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 $3.1m 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 and all have been included in the cash flows from operating activities.

In addition, Avast donated $25m to accelerate global R&D programs to help combat COVID-19. Total donations were included in the net cash flows from operating activities and the related tax impact has been included in the tax adjusting items ($4.7m).

Net gain on disposal of a business operation

On 30 January 2019, the Group sold all activities of Managed Workplace business recognising a gain of $17.5m as an exceptional item (Note 16). Proceeds from this transaction, net of cash sold, have been included in cash flows from investing activities.

7. AUDITOR´S REMUNERATION

The Group paid the following amounts to its auditors in respect of the audit of the financial statements and for other non-audit services provided to the Group.

($ 'm)	Year–ended 31 December 2020	Year–ended 31 December 2019
Audit of the financial statements	0.9	0.9
Audit of the financial statements of subsidiaries	0.2	0.2
Total audit fees	**1.1**	**1.1**
Other assurance services	0.1	0.1
Corporate finance services	-	-
Tax services	-	-
Total non-audit fees	**0.1**	**0.1**
Total fees	**1.2**	**1.2**

8. COST OF REVENUES

Cost of revenues consist of the following:

($ 'm)	Year–ended 31 December 2020	Year–ended 31 December 2019
Amortisation	65.9	89.9
Depreciation	8.4	7.2
Personnel costs of product support and virus updates	19.0	19.1
Digital content distribution costs	20.9	16.4
Third party licence costs	5.6	5.3
Other product support and virus update costs	13.4	13.2
Commissions, payment and other fees	60.5	59.6
Impairment	2.3	-
Total	**196.0**	**210.7**

9. OPERATING COSTS

Operating costs are internally monitored by function; their allocation by nature is as follows:

($ 'm)	Year–ended 31 December 2020	Year–ended 31 December 2019
Depreciation	11.3	11.7
Amortisation	2.0	1.2
Personnel expenses	191.2	180.1
Purchases of services from third party vendors	128.3	116.5
Gifts and charities	27.8	5.0
Other operating expenses	0.4	1.3
Impairment	0.5	-
Total	**361.5**	**315.8**

Purchases of services from third party vendors include legal and outsourced services, advertising, paid search and other services.

10. PERSONNEL EXPENSES

Personnel expenses consist of the following:

($ 'm)	Year-ended 31 December 2020		Year-ended 31 December 2019	
	Employees	Non-executive directors	Employees	Non-executive directors
Wages and salaries	137.8	0.8	135.1	0.9
Social security and health insurance*	27.4	-	27.2	-
Pension costs	0.5	-	0.2	-
Social costs	6.7	-	8.0	-
Severance payments and termination benefits	14.3	-	2.9	-
Share-based payments (including employer's costs)	22.7	-	24.9	-
Total personnel expense	**209.4**	**0.8**	**198.3**	**0.9**

*State and government pension costs of Czech employees are also included in the social security and health insurance costs.

The average number of employees by category during the period was as follows:

	Year-ended 31 December 2020	Year-ended 31 December 2019
Sales and marketing	683	635
Research and development	878	911
General and administrative	242	246
Total average number of employees	**1,803**	**1,792**

Decrease in average number of employees in research and development reflects winding down of Jumpshot operations during the year.

11. FINANCE INCOME AND EXPENSES

Interest income:

($ 'm)	Year-ended 31 December 2020	Year-ended 31 December 2019
Interest on bank deposits	0.4	1.5
Total finance income	**0.4**	**1.5**

Interest expense:

($ 'm)	Year-ended 31 December 2020	Year-ended 31 December 2019
Term loan interest expense	(33.4)	(56.4)
Lease interest expense	(2.1)	(2.3)
Total interest expense	**(35.5)**	**(58.7)**

Other finance income and expense (net):

($ 'm)	Year-ended 31 December 2020	Year-ended 31 December 2019
Changes of fair values of derivatives	1.7	(0.8)
Revolving loan - commitment fee	(0.4)	(0.8)
Foreign currency losses	(7.7)	(3.3)
Unrealised foreign exchange gains/(losses) on borrowings	(62.1)	13.9
Other financial expense	4.5	0.7
Total other finance income and expense (net)	**(64.0)**	**9.7**

12. DEPRECIATION AND AMORTISATION

Amortisation by function:

($ 'm)	Year-ended 31 December 2020	Year-ended 31 December 2019
Cost of revenues	65.8	88.3
Total amortisation of acquisition intangible assets	65.8	**88.3**
Cost of revenues	0.6	1.6
Sales and marketing	0.2	0.2
Research and development	0.4	0.1
General and administration	0.9	0.9
Total amortisation of non-acquisition intangible assets	**2.1**	**2.8**
Total amortisation	**67.9**	**91.1**

Depreciation by function:

($ 'm)	Year-ended 31 December 2020	Year-ended 31 December 2019
Cost of revenues	8.4	7.2
Sales and marketing	0.1	0.1
Research and development	0.2	0.6
General and administration*	11.0	11.0
Total depreciation	**19.7**	**18.9**

*$7.9m (2019: $7.7m) is attributable to the depreciation of right-of-use assets (see Note 21).

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.

13. INCOME TAX

In the Consolidated Statement of Financial Position, the Corporate Income tax receivable of $1.9m (2019: $17.2m) is part of the caption Tax receivables.

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

($ 'm)	Year-ended 31 December 2020	Year-ended 31 December 2019
Current income tax		
Related to current year	(68.0)	(54.8)
Related to prior year	0.3	(0.9)
Current income tax total	**(67.7)**	**(55.7)**
Deferred tax		
Related to current year	1.2	(4.8)
Related to prior year	(0.2)	(5.2)
Deferred tax total	**1.0**	**(10.0)**
Total income tax (expense)/income through P&L	**(66.7)**	**(65.7)**

The Group generates a temporary difference relating to an intragroup loan denominated in USD received by Avast Software s.r.o., a subsidiary with a USD functional currency (but with a tax currency of CZK). This loan is subject to hedging in its local statutory books (with the effect that current tax relief does not cover the full period exchange differences). The tax impact related to the loan is a deferred tax expense of $4.4m (2019: benefit $0.4m) and the Group reports a deferred tax asset of $5.7m (2019: $10.1m) related to the loan.

The reconciliation of income tax (expense)/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)	Year-ended 31 December 2020	Year-ended 31 December 2019
Profit before tax	**236.2**	**314.6**
Group effective income tax rate (19.5% in 2020 and 20% in 2019*)	(46.1)	(62.9)
Recurring adjustments		
Non-deductible expenses	(1.8)	(3.7)
Share-based payments	(3.0)	(1.6)
FX effect on intercompany loans	(4.4)	0.4
Non recurring adjustments		
Current year deferred tax assets not recognised	(19.2)	(0.1)
Recognition of previously not recognised deferred tax assets	0.7	4.7
Effect of prior year taxes	0.1	(6.1)
Effect of enacted changes in tax rates on deferred taxes	1.1	0.2
Effect of higher tax rate in the Netherlands	3.4	(0.7)
Remaining impact of tax rate variance and other effects	2.5	4.1
Total income tax	**(66.7)**	**(65.7)**

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

The deferred tax relates to following temporary differences:

($ 'm)	31 December 2020	31 December 2019
Temporary differences	Asset / (Liability)	Asset / (Liability)
Fixed assets	(26.2)	(38.2)
IP transfer tax benefit	119.8	122.9
Deferred revenue and unbilled receivables	1.7	3.5
Tax loss carryforward	50.1	45.8
Tax credits carryforward	7.1	4.2
Loans and derivatives	2.4	2.1
Carryforward of unutilised interest	3.4	2.7
Share-based payments transactions	3.4	5.7
Provisions	2.3	0.8
Tax impact from FX difference on intercompany loans	5.7	10.1
Other	4.5	8.0
Net	**174.2**	**167.6**

Tax losses carried forward are recorded by the following subsidiaries:

($ 'm)	31 December 2020	31 December 2019	
	Deferred tax from tax losses carryforward	Deferred tax from tax losses carryforward	Tax jurisdiction
Avast Software Inc. (tax group incl. Location Labs and AVG Technologies USA)	49.9	44.6	USA
Avast plc	-	0.9	UK
Other	0.2	0.3	-
Total deferred tax from tax losses carryforward	**50.1**	**45.8**	**-**

Tax losses carried forward in the USA are related mainly to share-based payments exercises.

As a result of share-based payments exercises there was a $41.0m (2019: $147.6m) tax deduction in Avast Software, Inc., Location Labs, LLC, Jumpshot, Inc., Avast plc and AVG UK that created a tax benefit of $9.6m (2019: $34.2m). A tax benefit of $7.3m (2019: $31.8m) exceeding related cumulative remuneration expenses is recognised directly in equity, of which the current tax benefit is $0.4m (2019: $3.4m) and deferred tax benefit is $6.9m (2019: $28.4m).

Tax losses reported by Avast Software Inc. can be utilised by all subsidiaries incorporated in the USA (Note 39) excluding Jumpshot, Inc. Tax credit of $4.5m from federal and state tax losses generated during the years 2011 – 2017 can be utilised over 20 years. Tax credit of $45.4m from federal and state tax losses can be carried forward for an indefinite period of time.

The tax deduction for share-based payments is not received until the instruments are exercised. Therefore, a temporary difference arises between the tax deduction (prorated for the period to vesting) and the tax effect of the related cumulative remuneration expense. The deferred tax asset of $3.4m (2019: $5.7m) is measured as an estimated tax deduction at the date of exercise (prorated for the period to vesting), based on the year end share price. As the amount of the deferred tax asset exceeded the tax effect of the related cumulative remuneration expense, the reduction in the excess of the associated deferred tax of $1.4m was recognised directly in equity.

Following the transactions of IP transfer in 2018, the Group reports a deferred tax asset of $119.8m (2019: $122.9m), of which the major part of $116.9m relates to the transfer of the former Dutch AVG business from Avast BV to Avast Software s.r.o. The temporary difference is amortised and deducted from the tax base of Avast Software s.r.o. registered in the Czech Republic linearly over 15 years.

The Group does not recognise the following potential deferred tax asset of $39.6m (2019: $21.1m), mostly related to Jumpshot tax losses $14.9m (2019: $8.9m) and temporary difference related to EUR loan $14.5m (2019: nil), for which the Group considers future recoverability to be uncertain.

($ 'm)	31 December 2020	31 December 2019
	Asset / (Liability)	Asset / (Liability)
Tax losses carried forward - expiration 20 years	6.6	7.2
Tax losses carried forward - indefinite	7.6	1.8
Tax losses carried forward - expiration 1-6 years	5.5	4.5
Temporary differences related to loans and interests - indefinite	18.6	5.2
Other temporary differences - expiration n/a	1.3	2.4
Total deferred tax asset not recognised	**39.6**	**21.1**

The movement in deferred tax balances:

($ 'm)	31 December 2019			31 December 2020
Temporary differences	Asset / (Liability)	Recognised in profit and loss	Recognised in equity	Asset / (Liability)
Fixed assets	(38.2)	12.0	-	(26.2)
IP transfer tax benefit	122.9	(3.1)	-	119.8
Deferred revenue and unbilled receivables	3.5	(1.8)	-	1.7
Tax loss carryforward	45.8	(2.7)	7.0	50.1
Tax credits carryforward	4.2	2.9	-	7.1
Loans and derivatives	2.1	0.3	-	2.4
Carryforward of unutilised interest	2.7	0.7	-	3.4
Share-based payments transactions	5.7	(0.9)	(1.4)	3.4
Provisions	0.8	1.5	-	2.3
Tax impact from FX difference on intercompany loans	10.1	(4.4)	-	5.7
Other	8.0	(3.5)	-	4.5
Net	**167.6**	**1.0**	**5.6**	**174.2**

($ 'm)	31 December 2018				31 December 2019
Temporary differences	Asset / (Liability)	Effect of business combinations (Note 15)	Recognised in profit and loss	Recognised in equity	Asset / (Liability)
Fixed assets	(53.1)	(3.6)	18.5	-	(38.2)
IP transfer tax benefit	142.9	-	(20.0)	-	122.9
Deferred revenue and unbilled receivables	15.9	-	(12.4)	-	3.5
Tax loss carryforward	16.6	-	0.8	28.4	45.8
Tax credits carryforward	3.7	-	0.5	-	4.2
Loans and derivatives	11.0	-	(8.9)	-	2.1
Carryforward of unutilised interest	-	-	2.7	-	2.7
Share-based payments transactions	-	-	2.6	3.1	5.7
Provisions	1.8	-	(1.0)	-	0.8
Tax impact from FX difference on intercompany loans	9.8	-	0.3	-	10.1
Other	0.8	0.3	6.9	-	8.0
Net	**149.4**	**(3.3)**	**(10.0)**	**31.5**	**167.6**

The deferred tax asset increased significantly due to tax losses realised in 2019 and 2018 from significant share-based payments' exercises. Such significant share-based payments' transactions are not expected to repeat in future periods and management expects the underlying business to remain profitable for the foreseeable future.

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 $77.1m (2019: nil). These relate 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. While EU subsidiaries (including the Czech Republic and the Netherlands) have significant reserves, the management has determined that based on the Group structure no material withholding taxes would arise from distributions from these subsidiaries following the UK's exit from the European Union.

14. EARNINGS PER SHARE

Basic earnings per share (EPS) is 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 EPS is calculated by dividing the net profit for the period attributable to equity holders of the Group by the weighted average number of ordinary shares outstanding during the period plus the 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:

	Year-ended 31 December 2020	Year-ended 31 December 2019
Net profit attributable to equity holders ($ 'm)	**169.6**	**248.7**
Basic weighted average number of shares	1,022,001,218	973,788,157
Effects of dilution from share options, performance and restricted share units	14,815,576	44,313,005
Total number of shares used in computing dilutive earnings per share	1,036,816,794	1,018,101,162
Basic earnings per share ($/share)	**0.17**	**0.26**
Diluted earnings per share ($/share)	**0.16**	**0.24**

Adjusted earnings per share measures:

	Year-ended 31 December 2020	Year-ended 31 December 2019
Net profit attributable to equity holders ($ 'm)	**169.6**	**248.7**
Deferred Revenue Haircut reversal / Other	-	1.8
Share-based payments (including employers' costs)	22.7	24.9
Exceptional items	49.9	1.8
Amortisation of acquisition intangible assets	65.8	88.4
Unrealised FX gain/(loss) on EUR tranche of bank loan	62.1	(13.9)
Tax impact from FX difference on intercompany loans	4.4	(0.4)
COGS Deferral Adjustments	-	(0.1)
Tax impact on donations	(4.7)	-
Tax impact on adjusted items	(15.7)	(20.3)
Tax impact of IP transfer	6.3	6.3
Gain on disposal of business operation	-	(17.5)
Tax impact from disposal of business operation	-	2.3
Adjusted net profit attributable to equity holders ($ 'm)	**360.2**	**322.1**
Basic weighted average number of shares	1,022,001,218	973,788,157
Adjusted basic earnings per share ($/share)	**0.35**	**0.33**
Diluted weighted average number of shares	1,036,816,794	1,018,101,162
Adjusted diluted earnings per share ($/share)	**0.35**	**0.32**

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

15. BUSINESS COMBINATIONS

The Group has not made an acquisition during 2020. Below are acquisitions made during 2019:

Acquisition of Emerald Cactus Ventures Inc. ('Tenta')

On 6 November 2019, Avast Software, Inc. purchased a 100% stake in the American company Emerald Cactus Ventures, Inc. that has been offering the Tenta Browser providing a privacy-first mobile web browser to hundreds of thousands of Android users worldwide. Tenta Browser will be paired with the current desktop-based Avast Secure Browser with its tens of millions of active users, resulting in a true multi-platform, people-centric solution for private and secure web browsing.

The transaction represents a business combination with Avast Software, Inc. being the acquirer. The fair value of the consideration including contingent payment at the acquisition date was determined by the Group to be $5.3m.

($ 'm)	Fair Value at 6 November 2019
Intangible assets	2.3
Total Assets	**2.3**
Deferred tax liability	0.5
Total Liabilities	**0.5**
Net assets acquired	**1.8**
Consideration paid	**5.3**
Goodwill	**3.5**

The business combination resulted in the recognition of goodwill of $3.5m, which is allocated to the Consumer CGU and is tested for impairment at least annually. The goodwill of $3.5m comprises the workforce in place and the value of expected synergies arising from the acquisition. The carrying value of goodwill is not expected to be tax deductible.

The business combination resulted in the recognition of intangible assets in the amount of $2.3m that represents the intellectual property of Tenta, and will be amortised over the estimated useful life of five years.

Analysis of cash flows on acquisition:

($'m)	31 December 2020	31 December 2019
Cash consideration	-	(5.3)
Holdback consideration payable in 18 months	-	0.6
Earn-out	(0.8)	1.4
Net cash flow on acquisition	**(0.8)**	**(3.3)**

Transaction costs of $0.2m have been expensed and are included in General and administrative expenses in the statement of profit or loss and are part of operating cash flows in the statement of cash flows.

The revenues and net profit of the Group for the year ended 31 December 2019 would not have been significantly different had the acquisition occurred at the beginning of the reporting period (1 January 2019).

Acquisition of TrackOFF, Inc. ('TrackOFF')

On 24 May 2019, Avast Software, Inc. purchased a 100% stake in the American company TrackOFF, a developer of tools to protect users' identities and personal lives. The Group has acquired TrackOFF to strengthen further development of Avast's Anti-tracking products and other products that help users maintain their privacy online.

The transaction represents a business combination with Avast Software, Inc. being the acquirer. The fair value of the consideration at the acquisition date was determined by the Group to be $13.1m for 100% ownership. The consideration given was paid in cash.

The fair value of assets acquired and liabilities incurred on the acquisition date was determined on final basis as follows:

($'m)	Fair Value at 24 May 2019
ASSETS	
Current Assets	
Cash and cash equivalents	0.6
Trade and other receivables	0.2
Total current assets	**0.8**
Non-current assets	
Intangible assets	11.2
Deferred tax assets	0.4
Total non-current assets	**11.6**
TOTAL ASSETS	**12.4**
LIABILITIES	
Trade payables	0.2
Deferred revenues	1.7
Other current liabilities	0.2
Total current liabilities	**2.1**
Deferred tax liability	2.3
Total non-current liabilities	**2.3**
TOTAL LIABILITIES	**4.4**
Net assets acquired	**8.0**
Consideration paid	**13.1**
Goodwill	**5.1**

The business combination resulted in the recognition of goodwill of $5.1m, which is allocated to the Consumer CGU and is tested for impairment at least annually. The goodwill of $5.1m comprises the workforce in place and the value of expected synergies arising from the acquisition. The carrying value of goodwill is not expected to be tax deductible.

The business combination resulted in the recognition of intangible asset in the amount of $11.2m that represents intellectual property of TrackOFF, and will be amortised over the estimated useful life of 5 years.

Analysis of cash flows on acquisition:

($'m)	31 December 2020	31 December 2019
Cash consideration	-	(13.1)
Net cash acquired with the business (included in cash flow from investing activities)	-	0.6
Holdback consideration payable in 12 months	(0.8)	1.0
Net cash flow on acquisition	**(0.8)**	**(11.5)**

Transaction costs of $0.2m have been expensed and are included in General and administrative expenses in the statement of profit or loss and are part of operating cash flows in the statement of cash flows.

Revenues and net profit of the Group for the twelve months period ended 31 December 2019 would not have been significantly different had the acquisition occurred at the beginning of the reporting period (1 January 2019).

16. DISPOSAL OF A BUSINESS OPERATION

The Group has not made a disposal during 2020. Below is the disposal made during 2019:

On 30 January 2019, Avast Group sold all activities of Managed Workplace business, its remote monitoring and management product, to Barracuda Networks, Inc. ('Barracuda'). The transaction consisted of the sale of a subsidiary AVG Technologies Canada, Inc. ('AVG CAN') owned by Avast Software B.V., sale of intellectual property (IP) owned by Avast Software s.r.o. and sale of other assets, notably receivables, by Avast Deutschland GmbH, Avast Switzerland AG, AVG Technologies Norway A/S and AVG Distribuidora de Tecnologias do Brasil LTDA.

The total selling price for the transaction was $30.0m, on a cash-free, debt-free basis, of which $3.0m 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. As of 31 December 2020, $3.0m was fully released from the escrow to the Group.

As a result, the Group de-recognised all assets and liabilities of sold subsidiary AVG CAN. 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)	**30 January 2019**
Cash and cash equivalents	6.0
Trade and other receivables	1.3
Prepaid expenses	0.2
Current assets	**7.5**
Tangible assets	1.4
Deferred tax assets	0.8
Non-current assets	**2.2**
Total assets	**9.7**
Trade and other payables	0.2
Lease liability	0.2
Deferred revenues	0.9
Other current liabilities	0.2
Current liabilities	**1.5**
Lease liabilities	0.7
Non-current liabilities	**0.7**
Total liabilities	**2.2**
Net assets	**7.5**

Because the sold business was part of the group of CGUs to which the goodwill was allocated, a portion of the goodwill had to be disposed of as part of the transaction. The Group has determined that the appropriate amount of goodwill disposed of is $11.0m which was part of the SMB CGU.

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

($'m)	30 January 2019
Consideration received or receivable:	
Cash	33.0
Receivable – holdback	3.0
Total disposal consideration	**36.0**
Carrying amount of net assets sold	(7.5)
Gain on disposal of a business operation	**28.5**
Other adjustments:	
Goodwill write-off	(11.0)
Net gain on disposal of a business operation	**17.5**

Analysis of cash flows on disposal:

($'m)	31 December 2020	31 December 2019
Cash received	3.0	33.0
Net cash sold of the business (included in cash flow from investing activities)	-	(6.0)
Transaction costs paid	-	(0.3)
Net cash flow on disposal	**3.0**	**26.7**

17. CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, cash and cash equivalents comprise the following**:**

($ 'm)	31 December 2020	31 December 2019
Cash on hand and cash equivalents	0.3	1.4
Cash in bank	175.1	215.2
Total	**175.4**	**216.6**

18. TRADE AND OTHER RECEIVABLES

($ 'm)	31 December 2020	31 December 2019
Trade receivables	13.6	30.4
Unbilled revenues	48.1	48.9
Other receivables	3.5	6.4
Trade receivables, gross	**65.2**	**85.7**
Less: Expected loss allowance on trade receivables, unbilled revenues and other receivables	(2.2)	(6.8)
Trade receivables, net	**63.0**	**78.9**

Trade receivables are non-interest bearing and are generally payable on 30-day terms. The fair value of receivables approximates their carrying value due to their short term maturities. The expected loss allowance relates to trade receivables (with only insignificant amounts relating to other classes of receivable).

Unbilled revenues represent sold products (for which the revenue has been deferred over the term of the product licence) but for which an invoice has not yet been issued.

Other receivables represent mainly advances to, and receivables from, employees.

($ 'm)	Amount
Allowances at 31 December 2018	**6.0**
Additions	1.1
Write-offs	(0.3)
Reversals	-
Allowances at 31 December 2019	**6.8**
Additions	3.7
Write-offs	(5.3)
Reversals	(3.0)
Allowances at 31 December 2020	**2.2**

Movements in the allowances described above relate mainly to trade receivables.

As of 31 December 2019 and 2020, the nominal value of receivables overdue for more than 360 days are $4.5m (carrying value: nil) and $1.2m (carrying value: nil), respectively.

The ageing analysis of trade receivables, unbilled receivables and other receivables was as follows (carrying amounts after valuation allowance):

($ 'm)	Not past due	Past due 1 - 90 days	Past due more than 90 days	Past due more than 180 days	Past due more than 360 days	Total
31 December 2019	72.5	5.9	0.4	0.1	-	**78.9**
31 December 2020	62.0	0.8	0.1	0.1	-	**63.0**

19. CAPITALISED CONTRACT COSTS

($ 'm)	31 December 2020		31 December 2019	
At 1 January		**37.7**		**35.8**
Additions		67.7		65.6
Sales commissions and fees	*61.6*		*60.6*	
Licence fees	*6.1*		*5.0*	
Amortisation		(67.6)		(63.7)
Sales commissions and fees	*(62.1)*		*(58.4)*	
Licence fees	*(5.5)*		*(5.3)*	
At 31 December		**37.8**		**37.7**
Total current		**35.0**		**33.3**
Total non-current		**2.8**		**4.4**

Capitalised contract costs include commissions and 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.

20. PROPERTY, PLANT AND EQUIPMENT

($ 'm)	Equipment, furniture and fixtures	Vehicles	Leasehold improvements	In progress	Total
Cost at 31 December 2018	**45.9**	**0.4**	**10.3**	**2.5**	**59.1**
Additions	17.8	0.1	0.9	7.5	26.3
Transfers	2.5	-	-	(2.5)	-
Net foreign currency exchange difference	0.3	(0.2)	(0.2)	0.4	0.3
Disposals	(4.9)	(0.2)	(1.5)	(0.2)	(6.8)
Cost at 31 December 2019	**61.6**	**0.1**	**9.5**	**7.7**	**78.9**
Additions	9.0	-	0.7	2.7	12.4
Transfers	6.4	-	0.5	(6.9)	-
Disposals	(2.0)	-	-	(0.1)	(2.1)
Cost at 31 December 2020	**75.0**	**0.1**	**10.7**	**3.4**	**89.2**

($ 'm)	Equipment, furniture and fixtures	Vehicles	Leasehold improvements	In progress	Total
Acc. depreciation at 31 December 2018	**(28.2)**	**(0.2)**	**(1.4)**	**-**	**(29.8)**
Depreciation	(9.7)	(0.1)	(1.4)	-	(11.2)
Disposals	4.4	0.2	0.4	-	5.0
Acc. depreciation at 31 December 2019	**(33.5)**	**(0.1)**	**(2.4)**	**-**	**(36.0)**
Depreciation	(10.0)	-	(1.8)	-	(11.8)
Disposals	2.0	-	-	-	2.0
Impairment	(2.2)	-	-	-	(2.2)
Acc. depreciation at 31 December 2020	**(43.7)**	**(0.1)**	**(4.2)**	**-**	**(48.0)**
NBV at 31 December 2019	**28.1**	**-**	**7.1**	**7.7**	**42.9**
NBV at 31 December 2020	**31.3**	**-**	**6.5**	**3.4**	**41.2**

For the year ended 31 December 2020, the Group recorded an impairment loss of $2.2m for idle fixed assets due to discontinuation of Jumpshot's business. These have been impaired to an immaterial recoverable amount. The impairment loss is included in general and administrative expenses in the statement of profit or loss.

There has been no individually significant addition to the property, plant and equipment during the year.

For the information about items of property, plant and equipment pledged as security refer to Note 27.

21. 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)	31 December 2020	31 December 2019
At 1 January	**62.6**	**69.7**
Additions	3.2	0.9
Remeasurements	0.6	(0.1)
Impairment	(0.5)	(0.2)
Disposals	(1.6)	-
Depreciation of right-of-use assets	(7.9)	(7.7)
At 31 December	**56.4**	**62.6**

Lease liabilities

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

($ 'm)	31 December 2020	31 December 2019
At 1 January	**64.8**	**71.7**
Additions	3.2	0.9
Remeasurements	0.6	(0.1)
Terminations	(1.9)	-
Lease interest expense	2.1	2.3
Payments of lease liabilities	(9.3)	(9.2)
Foreign currency exchange difference	5.0	(0.8)
At 31 December	**64.5**	**64.8**

($ 'm)	31 December 2020	31 December 2019
Current	7.0	7.3
Non-current	57.5	57.5
Total	**64.5**	**64.8**

Below are the terms of significant lease contracts as of 31 December 2020:

Significant lease contracts	Carrying amount ($ 'm)	End date	Option to extend	Option to be used
Enterprise Building in Prague, Czech Republic*	23.5	August 2024	24 months two times	Yes – in full
Vlněna Office in Brno, Czech Republic	22.4	January 2026	60 months two times	Yes – in full
Office in Emeryville, California, USA	2.7	June 2024	60 months	No

*Lease payments are subject to indexation based on changes of consumer price index. A 1% increase in the index would not substantially increase total lease payments.

The following table shows the breakdown of the lease expense between amount charged to operating profit and amount charged to finance costs:

($ 'm)	Year-ended 31 December 2020	Year-ended 31 December 2019
Depreciation of right-of-use assets	7.9	7.7
Short-term lease expense	0.5	1.2
Impairment	0.5	0.2
Leases of low-value lease expense	-	-
Charge to operating profit	**8.9**	**9.1**
Lease interest expense	2.1	2.3
Charge to profit before taxation for leases	**11.0**	**11.4**

For maturity of the leases, refer to Note 30.

22. INTANGIBLE ASSETS

($ 'm)	Developed technology	Trade marks	Software	Customer relationship and user base	Other	In progress	Total
Cost at 31 December 2018	**250.5**	**164.1**	**40.0**	**246.6**	**18.8**	**1.5**	**721.5**
Business combination	-	-	-	-	13.5	-	13.5
Additions	-	-	-	-	2.3	1.3	3.6
Cost at 31 December 2019	**250.5**	**164.1**	**40.0**	**246.6**	**34.6**	**2.8**	**738.6**
Additions	-	-	-	-	2.0	0.7	2.7
Transfers	-	-	-	-	0.2	(0.2)	-
Disposal	-	-	-	-	-	(0.4)	(0.4)
Cost at 31 December 2020	**250.5**	**164.1**	**40.0**	**246.6**	**36.8**	**2.9**	**740.9**

($ 'm)	Developed technology	Trade marks	Software	Customer relationship and user base	Other	In progress	Total
Acc. amortisation at 31 December 2018	**(228.7)**	**(33.7)**	**(22.3)**	**(158.3)**	**(11.2)**	**-**	**(454.2)**
Amortisation	(16.7)	(15.2)	(5.0)	(50.1)	(4.1)	-	(91.1)
Acc. amortisation at 31 December 2019	**(245.4)**	**(48.9)**	**(27.3)**	**(208.4)**	**(15.3)**	**-**	**(545.3)**
Amortisation	(5.1)	(15.7)	(4.9)	(37.8)	(4.4)	-	(67.9)
Acc. amortisation at 31 December 2020	**(250.5)**	**(64.6)**	**(32.2)**	**(246.2)**	**(19.7)**	**-**	**(613.2)**
NBV at 31 December 2019	**5.1**	**115.2**	**12.7**	**38.2**	**19.3**	**2.8**	**193.3**
NBV at 31 December 2020	**-**	**99.5**	**7.8**	**0.4**	**17.1**	**2.9**	**127.7**

The Group assesses that the Avast trademark, with a carrying value of $70.3m, has an indefinite useful life, as it is a well established brand. Avast is a core brand and is expected to be a core brand for the foreseeable future, as the Group constantly invests into brand development and brand awareness.

The AVG trademark, with a carrying value of $26.0m, has a remaining useful life of 1.7 years as of 31 December 2020. The Piriform trademark, with a carrying value of $2.4m, has a remaining useful life of 6.5 years as of 31 December 2020.

AVG developed technology has been fully depreciated as of 31 December 2020.

AVG customer relationship has been fully depreciated as of 31 December 2020.

Piriform and FileHippo software, with a carrying value of $7.8m, has a remaining useful life of 1.5 years as of 31 December 2020.

For information about intangible assets pledged as securities, refer to Note 27.

The Group has not capitalised development costs in the year ended 31 December 2020 (2019: nil) as the Company believes the criteria set out in IAS 38 has not been met. See Note 2.

23. GOODWILL AND IMPAIRMENT

($ 'm)	31 December 2020	31 December 2019
At 1 January	**1,991.3**	**1,993.7**
Acquisitions (Note 15)	-	8.6
Disposals (Note 16)	-	(11.0)
At 31 December	**1,991.3**	**1,991.3**

Goodwill was calculated as the difference between the acquisition date fair value of consideration transferred less the fair value of acquired net assets.

Goodwill & intangible assets impairment tests

Goodwill and intangible assets with an indefinite useful life are tested for impairment at least once a year, or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable.

The impairment test as of 31 December 2020 is performed on the basis of two groups of cash generating units that correspond to the two operating segments as below:

($'m)	31 December 2020	31 December 2019
Consumer	1,978.4	1,978.4
SMB	12.9	12.9
Total goodwill	**1,991.3**	**1,991.3**

The Group prepares projected 2021-2023 free cash flow derived from the most current financial plan of the Group approved by the Board which takes into account both historical performance, industry forecasts and expectations for future developments. Cash flow projections are based on management assumptions that include revenue growth of 6 to 8 percent despite an increase in operating costs from the Company's planned on-premises to cloud migration. In performing the value-in-use calculations, the Group has applied pre-tax discount rates to discount the forecast future attributable pre-tax cash flows.

The key assumptions used in the assessments are as follows:

($'m)	31 December 2020	31 December 2019
Terminal growth rate	2.0%	2.0%
Pre-tax discount rate	12.2%	12.9%
After-tax discount rate	10.6%	11.2%

Terminal growth rate does not exceed the long term average growth rate for the market. After-tax discount rate represents the Group's weighted average cost of capital calculated from the cost of equity and cost of debt at a ratio typical for an industry of 70% equity and 30% debt.

The Group has considered sensitivity of the impairment of test results to changes in key assumptions. The recoverable amount of tested assets exceeds their carrying value. As the Group's management is not aware of any other indications of impairment and given the results of the impairment tests, no impairment was recorded.

No reasonable possible change in the calculation assumptions would lead to an impairment.

24. TRADE PAYABLES AND OTHER LIABILITIES

($ 'm)	31 December 2020	31 December 2019
Trade payables	5.4	2.6
Accruals	30.0	28.5
Amounts owed to employees	21.1	22.0
Social security and other taxes	2.0	2.0
Other payables and liabilities	4.6	10.0
Total trade payables and other liabilities	**63.1**	**65.1**

25. 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 2018	**1.4**	**5.6**	**3.0**	**10.0**
Additions	1.7	-	7.8	9.5
Utilisation	(1.4)	(3.0)	(2.6)	(7.0)
As at 31 December 2019	**1.7**	**2.6**	**8.2**	**12.5**
Additions	0.8	7.4	11.6	19.8
Utilisation	(1.7)	(1.7)	(0.6)	(4.0)
As at 31 December 2020	**0.8**	**8.3**	**19.2**	**28.3**

As at 31 December 2019				
Total current	1.7	1.9	8.0	11.6
Total non-current	-	0.7	0.2	0.9
As at 31 December 2020				
Total current	0.8	8.0	18.9	27.7
Total non-current	-	0.3	0.3	0.6

Other provisions predominantly comprise potential claims in relation to contractual indemnities and disputes, including Jumpshot-related and other third parties. The majority of the claims in relation to Jumpshot have been successfully settled as of 31 December 2020. As further disclosure would prejudice the outcome of these negotiations, 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. Any potential future claims or liabilities arising out of communication with relevant regulators or authorities cannot at this time be quantified. There is no provision in relation to this respect as of 31 December 2020.

26. DEFERRED REVENUE

The Group sells consumer and corporate antivirus products for periods of 12, 24 or 36 months with payment received at the beginning of the licence term. Revenues are recognised ratably over the subscription period covered by the agreement. Deferred revenue materially represents the transaction price relating to sales of software licences that is allocated to future performance obligations.

The movements in the deferred revenue were as follows:

($ 'm)	31 December 2020	31 December 2019
At 1 January	**474.8**	**435.5**
Additions – billings	922.0	911.0
Business combination	-	0.3
Deductions – revenue	(892.9)	(871.1)
Disposal of a business operation	-	(0.9)
Jumpshot's release of deferred revenue*	(7.6)	-
Translation and other adjustments	0.2	-
At 31 December	**496.5**	**474.8**

* Jumpshot's release of deferred revenue is included in exceptional costs

Current	458.8	420.5
Non-current	37.7	54.3
Total	**496.5**	**474.8**

Prior year current deferred revenue is recognised as revenue in the current period.

27. TERM LOAN

Term loan balance is as follows:

($ 'm)	31 December 2020	31 December 2019
Current term loan	64.6	58.2
Long-term term loan	769.4	969.5
Total term loans	**834.0**	**1,027.7**

($ 'm)	31 December 2020	31 December 2019
USD tranche principal	113.8	336.5
EUR tranche principal	722.7	699.8
Total principal	**836.5**	**1,036.3**

In June 2020 and September 2020, the Group paid down the USD tranche by $100m each time. Repayments resulted in the partial derecognition of arrangement fees of $2.7m and $2.5m respectively.

In March 2019, the Group upsized the EUR tranche by €177.5m ($202.6m) and paid down the USD tranche by $400m. This resulted in the partial de-recognition of arrangement fees of $8.7m through interest expense.

In April 2019, the Group applied for the margin reduction of 0.25% per annum on both tranches due to favourable leverage ratio results. The repricing of the margin to market terms, which is allowed for in the terms of the loan, was a change in contractual variable payments to be accounted for by altering prospectively the effective interest rate, consistent with the requirements for floating rate loans.

In October 2019, the Group paid down the USD tranche by an additional $100m. Repayment resulted in the partial de-recognition of arrangement fees of $2.7m. Further, the Group reduced the margin on the EUR tranche by 0.25% per annum.

Avast Software B.V. may voluntarily prepay term loans in whole or in part without premium or penalty.

Under the Repricing agreement, the following terms apply to the bank loans:

Facility	Interest	Floor	Margin 31 December 2020	Margin 31 December 2019
USD Tranche	3-month USD LIBOR	1.00% p.a.	2.25% p.a.	2.25% p.a.
EUR Tranche	3-month EURIBOR	0.00% p.a.	2.25% p.a.	2.25% p.a.

Both facilities are repayable in full at the end of the 84-month term on 30 September 2023. 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 (CA) requires the following mandatory repayments in addition to the quarterly amortisation payments: *Excess Cash Flow Payment Amount* ('ECF Payment Amount', defined in the CA as the consolidated net increase in cash and cash equivalents of Avast plc for the period adjusted for potential future business combinations and the results of Jumpshot, Inc., Jumpshot s.r.o. and Avast plc and other adjustments) - 50% of Excess Cash Flow (as defined, and subject to certain reductions and to the extent where ECF Payment Amount exceeds $40m), with a reduction to 25% and elimination based upon the achievement of Total Net First Lien Leverage Ratios ('Net debt ratio') not exceeding 3.5:1 and 3.0:1, respectively. The Net debt ratio is defined as the nominal value of debt less cash on hand as of the relevant date divided by adjusted operating profit for the preceding four calendar quarters. The operating profit is adjusted for amortisation and depreciation, non-cash expenses such as share-based payments, the effects of business combination accounting and other non-cash items. The Net debt ratio was 1.5:1 as of 31 December 2020 so no mandatory repayment was required (see also Note 2).

The following pledge agreements existed as of the date of issuance of these consolidated financial statements:

- Avast Software B.V. pledged its 100% share in Avast Software s.r.o. and 100% share in Avast Operations B.V.
- Avast Software B.V. pledged its receivables
- Avast Software B.V. pledged its securities
- Avast Holding B.V. pledged its 100% share in Avast Software B.V.
- Avast Operations B.V. pledged its receivables from intragroup loan agreements

Avast Software s.r.o. pledged its receivables from bank accounts, trade receivables, receivables from insurance policies, trademarks, receivables from intragroup loan agreements, its movable assets, domain names, source codes and virus databases. Since Avast Software s.r.o. forms a substantial portion of the Group, the estimated value of the pledged assets exceeds the total value of the term loan.

Term loan balance reconciliation

The table below reconciles the movements of the Term loan balance with the statement of cash flow:.

($ 'm)	31 December 2020	31 December 2019
Term loan balance at beginning of period	**1,027.7**	**1,391.5**
Additional loan drawn (gross of fees)	-	202.6
Drawing fees	-	(0.9)
Interest expense	33.4	56.4
Interest paid	(27.5)	(45.1)
Loan repayment	(261.9)	(562.9)
Unrealised foreign exchange loss/(gain)	62.1	(13.9)
Other	0.2	-
Total	**834.0**	**1,027.7**

Revolving facility

Avast Software B.V. 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 30 September 2022. 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 as of 31 December 2020. If the revolving credit facility exceeds this threshold, then the Group must maintain, on a consolidated basis, a leverage ratio of less than 6.5:1. This covenant is tested quarterly at such time as it is in effect.

28. DERIVATIVES

The carrying amount of derivative financial instruments held by the Group was as follows:

($ 'm)	Type	31 December 2020		31 December 2019	
Type of derivative		**Assets**	**Liabilities**	**Assets**	**Liabilities**
Interest rate Cap	Level 3	-	0.4	-	2.0
Total		**-**	**0.4**	**-**	**2.0**
Classified as					
Current financial liability		-	0.4	-	-
Non-current financial liability		-	-	-	2.1
Total		**-**	**0.4**	**-**	**2.1**

The Group has not designated the derivatives as hedging instruments, and therefore changes in the fair value during the period are recorded in the Consolidated Statement of Profit and Loss.

Interest rate cap

On 20 February 2017, Avast Software B.V. entered into an interest rate cap with an effective date from 31 March 2017 until 31 March 2021 (‘Cap’). As of 31 December 2020, the 3-month USD LIBOR is capped at 2.75% p.a. for a notional amount of $708.8m. The fee for the cap is $1.6m annually paid in quarterly installments.

During the reporting period ended 31 December 2020 there were no transfers between the Level 2 and Level 3 fair value measurements.

The movement in fair value of the derivatives was as follows:

($ 'm)	**Interest rate cap**
31 December 2018	**1.0**
Change in fair value through profit and loss	1.1
31 December 2019	**2.1**
Change in fair value through profit and loss	(1.7)
31 December 2020	**0.4**

29. REDEMPTION OBLIGATION

In connection with the sale of 35% fully diluted shares of Jumpshot, Inc. to Ascential Investor on 30 August 2019, the stockholders' agreement gave Ascential Investor the right (the put option) to sell back the shares. Avast therefore recognised a redemption obligation at the present value of the exercise price ($61.6m) discounted by the estimated Avast annual borrowing rate of 3.6%, with a corresponding entry in equity at year end.

In January 2020, the Group decided to discontinue operations of Jumpshot Inc. As a result, the put option was rendered void and redemption obligation was reclassified to the same component of equity that was previously reduced (on initial recognition) as of 31 December 2020.

30. FINANCIAL RISK MANAGEMENT

The Group's classes of financial instruments correspond with the line items presented in the Consolidated Statement of Financial Position.

The management of the Group identifies the financial risks that may have an adverse impact on the business objectives and through active risk management mitigates these risks to an acceptable level.

The specific risks related to the Group's financial assets and liabilities and sales and expenses are interest rate risk, credit risk and exposure to the fluctuations of foreign currency.

Credit risk

The outstanding balances of trade and other receivables are monitored on a regular basis. The Group has been managing receivables effectively and improved collections process by simplifying the billing system structure which is reflected in the overall decrease of total receivables (see Note 18).

The credit quality of larger customers is assessed based on the credit rating, and individual credit limits are defined in accordance with the assessment.

The Group did not issue any guarantees or credit derivatives. The Group does not consider the credit risk related to cash balances held with banks to be material.

A significant portion of sales is realised through the Group's online resellers, mainly Digital River. From 2018, the Group manages its credit exposure by receiving advance payments from Digital River.

The Group evaluates the concentration of risk with respect to accounts receivable as medium, due to the relatively low balance of trade receivables that is past due. The risk is reduced by the fact that its customers are located in several jurisdictions and operate in largely independent markets and the exposure to its largest individual distributors is also medium.

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in foreign currency).

At the parent company level, the functional and presentation currency is the US dollar and the Group's revenue and costs are reported in US dollars. The Group is exposed to translation risk resulting from the international sales and costs denominated in currencies other than US dollars and the resulting foreign currency balances held on the balance sheet. The Group is exposed to material transaction and translation currency risk from fluctuations in currency rates between USD, GBP, CZK and EUR.

The following table shows payments for the Group's products and services by end users (either directly to Group or paid to an e-commerce service provider) in individual currencies. Based on agreements with the Group, e-commerce service providers may convert billings collected on behalf of the Group in specific currencies to a remittance currency (usually USD and EUR) at the existing market rates which does not remove the underlying foreign exchange risk. The table below shows the original currency composition of payments made by end users to illustrate the foreign exchange risk to billings.

	Year-ended 31 December 2020	Year-ended 31 December 2019
USD	46%	49%
EUR	24%	22%
GBP	9%	8%
Other	21%	21%
Total	**100%**	**100%**

As the majority of revenues represent sales of software licences, the revenues are recognised over the duration of the licence period, despite payment being received at the start of the licence period. Because the release of deferred revenues is performed using the exchange rates valid at the start of the licence term, they are not subject to foreign currency risk.

The following table shows financial assets and liabilities in individual currencies, net:

($ 'm)	31 December 2020	31 December 2019
USD*	34.3	(290.1)
EUR*	(766.4)	(714.4)
CZK	(18.5)	(34.3)
GBP	15.9	89.9
Other	11.3	25.6
Total	**(723.4)**	**(923.3)**

*The fluctuation in the currencies are mainly caused by the term loan repayments as further described in Note 27.

Financial assets and liabilities include cash and cash equivalents, trade and other receivables and trade and other payables, term loan, lease liabilities, other current liabilities, and non-current financial assets and liabilities.

The table below presents the sensitivity of the profit before tax to a hypothetical change in EUR, CZK and other currencies and the impact on financial assets and liabilities of the Group. The sensitivity analysis is prepared under the assumption that the other variables are constant. The analysis against USD is based solely on the net balance of cash and cash equivalents, trade and other receivables, trade and other payables and term loan.

($ 'm)	% change	31 December 2020	31 December 2019
EUR	+/-10%	(76.6)/76.6	(71.4)/71.4
CZK	+/-10%	(1.8)/1.8	(3.4)/3.4
GBP	+/-10%	1.6/(1.6)	9.0/(9.0)
Other	+/-10%	1.1/(1.1)	2.6/(2.6)

The sensitivity analysis above is based on the consolidated assets and liabilities, i.e. excluding intercompany receivables and payables. However, Avast Software s.r.o. has a significant intercompany loan from Avast Software B.V. denominated in USD. As the functional currency of Avast Software s.r.o. is the USD but the tax basis of Avast Software s.r.o. is denominated in CZK the income tax gains or losses of Avast Software s.r.o. are exposed to significant foreign exchange volatility. If the CZK depreciates against the USD, the corporate income tax expense would decrease. Avast Software B.V. is not exposed to any similar volatilities as its functional and tax currency is the USD.

Interest rate risk

Cash held by the Group is not subject to any material interest. The only liabilities held by the Group subject to interest rate risk are the loan and derivatives described in Note 27 and 28. Other liabilities and provisions themselves are not subject to interest rate risk. The Group keeps all its available cash in current bank accounts or term deposit contracts (see Note 17) with a fixed interest rate and original maturity not exceeding three months.

As at 31 December 2020, the Group has a term loan with an interest rate of 3-month USD LIBOR plus a 2.25% p.a. mark-up for USD tranche and 3-month EURIBOR plus a 2.25% p.a. mark-up for EUR tranche. The 3-month USD LIBOR and 3-month EURIBOR are subject to a 1% interest rate floor and 0% interest rate floor, respectively. As of 31 December 2020, the 3-month USD LIBOR was 0.22% p.a. and 3-months EURIBOR was -0.50%.

To reduce the interest rate risk, Avast Software B.V. entered into an interest rate cap ('Cap') with certain counterparties on 20 February 2017 effective from 31 March 2017. Under the Cap, 3 month USD LIBOR is limited to 2.75% p.a. for a notional amount of $802.5m at the beginning to $708.8m through 31 March 2021. As of 31 December 2020, the Cap is not effective as the interest rates are significantly lower.

Interest rate sensitivity

A change of 100 basis points in market interest rates would have increased/(decreased) equity and profit and loss before tax by the amounts shown below:

	Year-ended 31 December 2020	Year-ended 31 December 2019
Increase in interest rates	(3.9)	(5.9)
Decrease in interest rates	-	3.4

Liquidity risk

The Group performs regular monitoring of its liquidity position to maintain sufficient financial sources to settle its liabilities and commitments. The Group is dependent on a long-term credit facility and so it must ensure that it is compliant with its terms. As it generates positive cash flow from operating activities, the Group is able to cover the normal operating expenditures, pay outstanding short-term liabilities as they fall due without requiring additional financing and has sufficient funds to meet the capital expenditure requirement. The Group considers the impact on liquidity each time it makes an acquisition in order to ensure that it does not adversely affect its ability to meet the financial obligation as they fall due.

As at 31 December 2020 and 2019, the Group's current ratio (current assets divided by current liabilities including the current portion of deferred revenue) was 0.46 and 0.65. The ratio is significantly impacted by the high current deferred revenue balance due to the sales model, where subscription revenue is collected in advance from end users and deferred over the licence period. The Group's current ratio excluding deferred revenue was 1.76 and 2.57 as at 31 December 2020 and 2019, respectively.

In 2020, Avast's credit rating was upgraded to BB+ from BB with Standard & Poor's while rating with Moody remained at Ba2, driven mainly by the voluntary debt repayments and strong financial performance. The credit ratings are subject to regular review by the credit rating agencies and may change in response to economic and commercial developments.

The following table shows the ageing structure of financial liabilities as of 31 December 2020:

($ 'm)	Due within 3 months	Due between 3 to 12 months	Due between 1 to 5 years	Due in more than 5 years	**Total**
Term loan	16.1	48.4	772.0	-	**836.5**
Interest payment	5.0	14.6	30.1	-	**49.7**
Trade payables and other liabilities	53.6	7.5	-	-	**61.1**
Derivative financial instruments	0.4	-	-	-	**0.4**
Other non-current liabilities	-	-	0.7	-	**0.7**
Lease liability	2.2	6.9	33.8	32.4	**75.3**
Total	**77.3**	**77.4**	**836.6**	**32.4**	**1,023.7**

The following table shows the ageing structure of financial liabilities as of 31 December 2019:

($ 'm)	Due within 3 months	Due between 3 to 12 months	Due between 1 to 5 years	Due in more than 5 years	**Total**
Term loan	14.5	43.6	978.2	-	**1,036.3**
Interest payment	7.5	21.5	69.7	-	**98.7**
Trade payables and other liabilities	54.4	8.7	-	-	**63.1**
Derivative financial instruments	0.4	1.6	-	-	**2.0**
Other non-current liabilities	-	-	1.6	-	**1.6**
Lease liability	2.4	6.9	32.7	42.1	**84.1**
Redemption obligation*	-	-	61.6	-	**61.6**
Total	**79.2**	**82.3**	**1,143.8**	**42.1**	**1,347.4**

*While the redemption liability as per Note 29 is correctly treated as a non-current liability at 31 December 2019, the original transaction was reversed in 2020 because of the repayment to Ascential. This impacted the overall liquidity position.

Fair values

The fair values of financial assets and liabilities are included at the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the end of the reporting period. The following methods and assumptions are used to estimate the fair values:

- Cash and cash equivalents – approximates to the carrying amount
- Term loans – approximates to the carrying amount
- Receivables and payables – approximates to the carrying amount
- Lease liabilities – approximates to the carrying amount

Financial assets and liabilities that are recognised at fair value subsequent to initial recognition are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

In connection with the put option (further described in Note 29), the Group recognised redemption obligation of $61.6m measured at the present value of the redemption exercise price through profit or loss as of 31 December 2019. The Group classified the redemption liability as Level 3 liability. The fair value of the put option itself (as opposed to the gross exercise price) was immaterial. Following the closure of Jumpshot, the put option was rendered void and therefore reclassified to the same component of equity as of 31 December 2020.

On 31 December 2020, the Group had forward foreign exchange contracts which were measured at Level 2 fair value subsequent to initial recognition. The fair value of the liability in respect of foreign exchange contracts was nil at 31 December 2020 (2019: liability of $0.1m).

In addition, the Group had derivatives which were measured at Level 3 fair value. See Note 28 for further information.

Capital management

For the purpose of the Group's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value.

The Group manages its capital structure and makes adjustments to it in the light of changes in circumstances, including economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group currently expects to maintain dividend payments of approximately 40% of Group's levered free cash flow in the short to medium term.

The Group monitors capital using the net liability position and gearing ratio (the net liability position divided by the sum of the net liability position and equity). The Group includes within the net liability position all current and non-current liabilities, less cash and cash equivalents.

($ 'm)	31 December 2020	31 December 2019
Current and non-current liabilities*	1,511.7	1,685.2
Less: cash and short – term deposits	(175.4)	(216.6)
Net liability position	1,336.3	1,468.6
Equity*	1,195.3	1,172.6
Gearing ratio	**52.8%**	**55.6%**

*As of 31 December 2019, the Group excluded redemption obligation of $56.3m from current and non-current liabilities in line with debt covenant calculation and corresponding recognition of put liability of $55.7m from equity.

31. SHARE CAPITAL AND SHARE PREMIUM

Shares issued and fully paid:	Number of shares	Share Capital ($ 'm)	Share Premium ($ 'm)
Share capital at 31 December 2018 (Ordinary shares of £0.10 each)	**953,438,299**	**129.0**	**15.4**
Issuance of shares under share-based payment plans	54,581,736	7.0	40.2
Share capital at 31 December 2019 (Ordinary shares of £0.10 each)	**1,008,020,035**	**136.0**	**55.6**
Issuance of shares under share-based payment plans	20,492,707	2.6	32.0
Share capital at 31 December 2020 (Ordinary shares of £0.10 each)	**1,028,512,742**	**138.6**	**87.6**

32. OTHER RESERVES

The movements in the other reserves were as follows:

($ 'm)	2020	2019
Other reserves at 1 January	**225.1**	**260.5**
Redemption obligation reserve (see Note 29)	55.7	(55.7)
Share-based payments[1]	21.8	20.1
Transfer of share-based payments to retained earnings[2]	(15.4)	-
Other movements	-	0.2
Other reserves at 31 December	**287.2**	**225.1**

[1] The fair value of share awards granted to employees is recorded over the vesting periods of individual options granted as a personnel expense with a corresponding entry to other reserves. Refer to Note 34 for further details of share-based payments.

[2] The amount represents reclassification of accumulated share-based payments reserve into retained earnings as actual shares were issued in regards to the granted awards.

33. DIVIDENDS MADE AND PROPOSED

($ 'm)	2020	2019
Interim 2020 dividend paid of $4.8 cents (2019: $4.4 cents) per share	49.3	43.2
Final 2019 dividend paid of $10.3 cents (May 2018 – Dec 2018: $8.6 cents) per share	105.4	83.7
Total cash dividend paid	**154.7**	**127.0**

Dividend proposed

The Directors propose to pay a final dividend of $11.2 cents per share in respect of the year ending 31 December 2020 (total payment of $115.3m). Combined with the interim dividend of 4.8 cents per share paid in October 2020 (total payment of $49.3m), this gives a total dividend for the financial year of 16.0 cents (total payment of $164.6m), which represents 40% of the Group's levered free cash flow for the period in accordance with the Company's dividend policy.

Subject to shareholder approval, the final dividend will be paid in US dollars on 18 June 2021 to shareholders on the register on 14 May 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 28 May 2021. 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 3 June 2021 and announced shortly thereafter.

34. NON-CONTROLLING INTEREST

In July 2019, Avast entered into an agreement with WGSN, Inc., a wholly owned subsidiary of Ascential plc ('Ascential'), based on which, on 30 August 2019, Avast sold 35% of fully diluted shares of Jumpshot Inc. to Ascential for a consideration of $58.8m (net of $2.8m Avast transaction fees), while retaining control of Jumpshot. Pursuant to the agreement, both Avast and Ascential also made capital contributions to Jumpshot, Inc. of $4.8m and $3.2m, respectively. In addition, as part of the agreement, Avast made a capital contribution to Jumpshot, Inc. of $6.8m, which was used by Jumpshot, Inc. to repurchase a portion of the vested share options held by employees.

The Group accounted for this transaction as a transaction with non-controlling interest while retaining control, with net proceeds from the transaction as increase in total equity of $48.6m as of 31 December 2019. The Group initially measured the non-controlling interest as a proportionate amount of net assets.

In January 2020, the Group decided to wind down the operation of Jumpshot. The Group returned the investments made by Ascential plc into the business, along with associated exit costs, in the amount of $73.0m. Associated exit costs of $8.2m were recorded as general and administrative expenses in the statement of comprehensive income and included in the exceptional costs. The remaining $64.8m was recognised as a decrease in total equity as of 31 December 2020.

As of 31 December 2020, Avast owned almost 100% of Jumpshot Inc. As a result, the non-controlling interest of $7.5m was fully de-recognised.

35. SHARE-BASED PAYMENTS

During the period, the Group has had several equity-settled incentive plans available for employees:

Avast plc, 2018 Long Term Incentive Plan (LTIP)

The purpose of the LTIP is to incentivise employees and Executive Directors whose contributions are essential to the continued growth and success of the business of the Company, in order to strengthen their commitment to the Company and, in turn, further the growth, development and success of the Company. The following types of awards can be granted:

Performance Stock Units (PSUs)
PSUs will be granted to Executive Directors and members of the Executive Management team. Each PSU entitles a participant to receive a share in the Company upon the attainment, over a three year performance period, of challenging performance conditions determined by the Remuneration Committee. The award carries a right to a dividend equivalent.

Restricted Stock Units (RSUs)
RSUs will be granted to key employees of the Group who are not Executive Directors or members of the Executive Management team. Each RSU entitles a participant to receive a share in the Company upon vesting of the RSU. Each award of RSUs will ordinarily vest either in three equal proportions over a three year period or on the third anniversary of grant or over such other period as the Committee may determine, provided the participant remains in service. The award carries no right to a dividend equivalent.

Stock options ('options')
Options may be granted to key employees of the Group who are not Executive Directors or members of the Executive Management team. Each option entitles a participant to the right to acquire a share of the Company upon vesting of the option. Each option will ordinarily become exercisable either in three equal proportions over a three year period or on the third anniversary of the grant, or over such other period as the Remuneration Committee may determine.

Share Matching Plan (SMP)

The purpose of the SMP is to encourage and enable employees and Executive Directors to acquire a significant stake in the Company so that they can share in the future growth, development and success of the Company. Under this plan, employees will be granted one matched share for every three purchased shares after a two-year period.

Deferred Bonus Plan (DBP)

The Company has adopted the Deferred Bonus Plan for only Executive Directors. Where a participant is required to defer a portion of their annual bonus into shares under the terms of the Company's annual bonus arrangements, the Remuneration Committee may grant an award to acquire shares under the DBP in order to facilitate such deferral. Awards will ordinarily vest on the second anniversary of the date of grant. No award under DBP was granted in 2020.

Existing Employee Share plan (formerly known as Avast Holding 2014 Share Option Plan 'Avast Option Plan')

The Avast Option Plan was the primary share option plan of the Group prior to the IPO. No new options have been granted under the Avast Option Plan since the IPO. Furthermore, the Company does not intend to grant any further options under the Avast Option Plan. Options generally vest over a four-year period in four equal installments. Some of the options granted to the key management personnel are performance-based. The contractual life of all options is 10 years.

Jumpshot Inc., 2015 Share Option Plan ('Jumpshot Option Plan')

The Jumpshot Option Plan concluded during the year as a result of Jumpshot's closure and the departure of its employees. Following the departure of all Jumpshot employees, all vested and unvested options lapsed in accordance with the terms of the Jumpshot Option Plan. There are no outstanding options under this plan as of 31 December 2020.

Share-based payment expense

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

($ 'm)	Year-ended 31 December 2020	Year-ended 31 December 2019
LTIP	21.9	14.2
SMP	0.5	0.1
Option plans	(0.5)	6.4
Total share-based payment expense	**21.9**	**20.7**

The Group also recognised additional $0.8m (2019: $4.2m) of employer's costs related to the share-based payments exercise included in operating costs. Total costs related to share-based payments adjusted out from the operating profit amounted to $22.7m (2019: $24.9m).

Share options

The number and weighted average exercise prices of, and movements in, share options of Avast Option Plan in the year is set out below:

	Year-ended 31 December 2020		Year-ended 31 December 2019	
	Number of shares options	Weighted average exercise ($)	Number of shares options	Weighted average exercise ($)
Outstanding – 1 January	**24,757,234**	**2.27**	**68,941,832**	**1.60**
Forfeited	(3,302,223)	3.53	(3,055,422)	3.24
Exercised	(16,692,684)	2.10	(41,129,176)	1.07
Outstanding – 31 December	**4,762,327**	**2.77**	**24,757,234**	**2.27**
Vested and exercisable – 31 December	**2,489,697**	**2.36**	**13,968,428**	**1.52**

The weighted average share price for options exercised during the year was £ pence 390.36 (2019: £ pence 367.94).

Options outstanding at the end of the year had the following range of exercise prices and weighted average remaining contractual life:

	31 December 2020		31 December 2019	
Exercise price:	Number of shares outstanding	Weighted average remaining life (years)	Number of shares outstanding	Weighted average remaining life (years)
$0.77 - $0.94	470,403	3.80	2,171,117	4.70
$1.00 - $1.86	709,601	6.34	12,006,156	7.34
$2.72 – $3.63	3,582,323	7.19	10,579,961	8.22
Outstanding – 31 December	**4,762,327**	**6.73**	**24,757,234**	**7.49**

Replacement options

	Year-ended 31 December 2020		Year-ended 31 December 2019	
	Number of shares	Weighted average exercise ($)	Number of shares	Weighted average exercise ($)
Outstanding – 1 January	**583,435**	**0.18**	**12,266,682**	**0.19**
Exercised	(574,042)	0.19	(11,683,247)	0.19
Outstanding – 31 December	**9,393**	**0.19**	**583,435**	**0.18**
Vested and exercisable – 31 December	**9,393**	**0.19**	**583,435**	**0.18**

Restricted Stock Units

The following table illustrates the number and weighted average share price on date of award, and movements in, restricted stock units granted under the LTIP:

	Year-ended 31 December 2020		Year-ended 31 December 2019	
	Number of shares	Weighted average share price *(£ pence)*	Number of shares	Weighted average share price *(£ pence)*
Outstanding – 1 January	**8,160,349**	**319.76**	**4,927,332**	**234.97**
Granted	5,287,758	529.86	6,130,302	354.05
Forfeited	(1,984,348)	355.32	(1,329,900)	260.99
Vested	(2,994,633)	303.43	(1,567,385)	237.21
Outstanding – 31 December	**8,469,126**	**443.74**	**8,160,349**	**319.76**

The fair value of RSUs granted is measured as at date of grant using Black-Scholes model, the outcome of which is a weighted average fair value of RSUs granted during the year at £ pence 503.77 (2019: £ pence 324.93). Future dividends have been taken into account based on expected cash flow and dividend policy.

Performance Stock Units

The following table illustrates the number and weighted average share price on date of award, and movements in, performance stock units granted under the LTIP:

	Year-ended 31 December 2020		Year-ended 31 December 2019	
	Number of shares	Weighted average share price *(£ pence)*	Number of shares	Weighted average share price *(£ pence)*
Outstanding – 1 January	**5,358,037**	**242.30**	**6,309,881**	**219.60**
Granted	1,185,732	404.60	1,458,494	303.01
Forfeited	(695,099)	219.60	(2,410,338)	219.60
Outstanding – 31 December	**5,848,670**	**277.91**	**5,358,037**	**242.30**

The vesting of the awards under LTIP is subject to the attainment of performance conditions as described in the Directors’ remuneration report.

The fair value of PSUs granted is measured as at date of grant using Black-Scholes model, the outcome of which is a weighted average fair value of PSUs granted during the year was £ pence 404.60 (2019: £ pence 303.01).

Share Matching Plan

During 2020, the Group has issued 231,348 (2019: 201,928) shares to the employees under the Share Matching Plan and an additional 76,555 (2019: 66,914) will be issued after the matching period (which is two years). The cost of the additional shares is to be recognised against the other reserves over the matching period and amounted to $0.5m in total for all tranches as of 31 December 2020 (2019: $0.1m). The weighted average fair value of additional shares was £ pence 454.70 for the year ended 31 December 2020 (2019: £ pence 289.78).

36. RELATED PARTY DISCLOSURES

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Compensation of key management personnel (including Directors)

($ 'm)	Year-ended 31 December 2020		Year-ended 31 December 2019	
	Key management personnel	Other related parties	Key management personnel	Other related parties
Short term employee benefits (including salaries)	10.5	0.2	11.9	0.1
Termination benefits	0.2	-	1.2	-
Share-based payments	6.4	-	10.0	-
Total	**17.1**	**0.2**	**23.1**	**0.1**

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 party disclosures*.

Other Related Parties

Nadační fond AVAST ('AVAST Foundation')

The foundation was established by Avast Software s.r.o. and it distributes the gifts to other charities and foundations 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.

On 13 March 2018, the Board approved that the annual donation will be CZK 100.0m ($5.0m). The donation is paid in quarterly instalments during the year.

During the twelve months ended 31 December 2020, Avast Software s.r.o. paid donations of CZK 90.0m ($4.0m) [2019: CZK 100.0m ($4.4m)] to the Foundation. Further $21.0m were paid to the Foundation, which was part of total $25m donations on COVID-19 initiatives. As of 31 December 2020, the Company recorded an accrual of CZK 51.8m ($2.4m) [2019: CZK 56.6m ($2.5m)].

Nadační fond Abakus ('Abakus Foundation')

On 29 September 2020, Avast's founders Messrs. Baudiš and Kučera established the new foundation Abakus. 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. The foundation will distribute the gifts to other charities and foundations in the Czech Republic. The Group will contribute to the operation of the Abakus Foundation. There have been no transactions between the Group and Abakus during the period from the date of the foundation's establishment through 31 December 2020. Subsequent to year end, Abakus Foundation merged with AVAST Foundation (see Note 38).

Enterprise Office Center

On 15 November 2016, Enterprise Office Center (owned by Starship Enterprise, a.s.) where Avast Software s.r.o. resides was sold by a third party to a group of investors, including co-founders of Avast Group, Eduard Kučera and Pavel Baudiš for $119.5m (ca. €110m). The term of lease ends in August 2024 and offers two options to extend for another 24 months under the same conditions. The annual rent is €3.3m ($4.0m).

37. PRINCIPAL EXCHANGE RATES

	Year-ended 31 December 2020	Year-ended 31 December 2019
Translation of Czech crown into US dollar ($:CZK1.00)		
Average	0.0431	0.0437
Closing	0.0468	0.0442
Translation of Sterling into US dollar ($:£1.00)		
Average	1.2860	1.2757
Closing	1.3648	1.3203
Translation of Euro into US dollar ($:€1.00)		
Average	1.1384	1.1212
Closing	1.2271	1.1233

38. SUBSEQUENT EVENTS

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 will be reported together with the desktop business within Consumer Direct, due to a rise of multi-device subscriptions. Consumer Indirect will consist of revenues generated via the carrier channel (named as Partner) alongside with Mobile advertising and Platform revenue. The Consumer reporting change has no impact on the overall Group result. There is no change to the operating segments which are consistently reported as Consumer and SMB.

On 1 January 2021, Abakus Foundation merged as a successor company with 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.

On 4 January 2021, all Avast employees were granted RSUs under the Avast plc 2018 Long Term Incentive Plan. The grant date of these options is 4 January 2021 with vesting generally over a period of 1-3 years. The Group is still analyzing the fair value of the RSU. As of the date of these financial statements, the Group expects the total costs of the RSUs over the vesting period to be approximately $30.4m.

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 the Avast's core mission of protecting people in the digital world. The Foundation is considered a related party according to IAS 24 as some of the key management personnel of Avast are members of the Foundation's Board.

Responsibility statement of the Directors in respect of the Annual Financial report (Page 134 of 2020 Annual Report)

The Annual Report & Accounts for the year ended 31 December 2020 includes the following responsibility statement.

The directors confirm, to the best of their knowledge, that:

- the Group financial statements, prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union and in accordance with applicable law, give a true and fair view of the assets, liabilities, financial, position and profit of the Company and the undertakings included in the consolidation taken as a whole; and

- the Strategic Report and Directors' Report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The annual report and the financial statements, taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

On behalf of the Board

Ondrej Vlcek
Chief Executive Officer
2 March 2021

39. FULL LIST OF SUBSIDIARIES AS OF 31 DECEMBER 2020

AVG Technologies UK Limited (06301720), Piriform Software Ltd (08235567) and Privax Limited (07207304) will take advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the year ended 31 December 2020.

Country of incorporation	Registered office	Registered address	Class of shares held	Percentage of share held
Netherlands	Avast Holding B.V.	Databankweg 26, Amersfoort, 3821 AL, The Netherlands	Ordinary	100%
	Avast Software B.V.	Databankweg 26, Amersfoort, 3821 AL, The Netherlands	Ordinary	100%
	AVG Ecommerce CY BV	Databankweg 26, Amersfoort, 3821 AL, The Netherlands	Ordinary	100%
Czech Republic	Avast Software s.r.o.	Pikrtova 1737/1a, 140 00 Prague 4, Czech Republic	Ordinary	100%
	Jumpshot s.r.o.	Pikrtova 1737/1a, 140 00 Prague 4, Czech Republic	Ordinary	99.9%
	FileHippo s.r.o.	Pikrtova 1737/1a, 140 00 Prague 4, Czech Republic	Ordinary	100%
Germany	Avast Deutschland GmbH	Otto-Lilienthal-Straße 6, 88046 Friedrichshafen, Germany	Ordinary	100%
UK	AVG Technologies UK Limited	7th Floor 110 High Holborn, London, England, WC1V 6JS	Ordinary	100%
	Privax Limited	7th Floor 110 High Holborn, London, England, WC1V 6JS	Ordinary	100%
	Piriform Software Ltd	7th Floor 110 High Holborn, London, England, WC1V 6JS	Ordinary	100%
USA	AVAST Software, Inc.**	2625 Broadway Street, Redwood City, County of San Mateo, CA 94063, USA	Ordinary	100%
	Remotium Inc.	2625 Broadway Street, Redwood City, County of San Mateo, CA 94063, USA	Ordinary	100%
	TrackOFF, Inc.	3700 O'Donnell St, Baltimore, MD 21224	Ordinary	100%
	Sybil Software LLC	Corporation Service Company 251 Little Falls Drive, Wilmington, DE 19808, USA	Ordinary	100%
	Jumpshot, Inc.	2625 Broadway Street, Redwood City, County of San Mateo, CA 94063, USA	Ordinary	99.9%
	AVG Technologies USA, LLC	2625 Broadway Street, Redwood City, County of San Mateo, CA 94063, USA	Ordinary	100%
	Location Labs, LLC	2100 Powell St, Emeryville, CA 94608, USA	Ordinary	100%
	Piriform Inc.	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808, USA	Ordinary	100%
Hong Kong	AVAST Software (Asia) Limited	10/F, Guangdong Investment Tower, 148 Connaught Road Central, Hong Kong	Ordinary	100%
Israel	AVG Mobile Technologies Ltd*	2 HaShlosha Street, Tel Aviv Yaffo 6706054, Israel (PO BOX 9244)	Ordinary	100%
Cyprus	Piriform Group Ltd	1 Constantinou Skokou St, Capital Chambers, 5th Floor, Agios Antonios, 1061 Nicosia, Cyprus	Ordinary	100%
	Piriform Limited	1 Constantinou Skokou St, Capital Chambers, 5th Floor, Agios Antonios, 1061 Nicosia, Cyprus	Ordinary	100%
Australia	AVG Technologies AU Pty Ltd	C/- Intertrust Australia Pty Ltd, Suite 2, Level 25, 100 Miller Street, North Sydney NSW 2060" Australia	Ordinary	100%
Brasil	AVG Distribuidora de Tecnologias do Brasil Ltda.	Conj 38, R. Amazonas, 669 - Santa Paula, São Caetano do Sul - SP, 09520-070, Brasil	Ordinary	100%
Norway	AVG Technologies Norway AS	Lysaker Torg 5, 1366 Lysaker, Bærum, Norway	Ordinary	100%
Slovak Republic	INLOOPX s.r.o. ***	Poštová 1, 010 08 Žilina, Slovakia	Ordinary	100%
Switzerland	Avast Switzerland AG	Grosspeteranlage 29, 4052 Basel, Switzerland	Ordinary	100%
Serbia	Privax d.o.o. Beograd	Bulevar Mihaila Pupina 6, 11070 Belgrade-Novi Beograd, Serbia	Ordinary	100%
Japan	Avast Software Japan Godo Kaisha	1F and 2F Otemachi Building, 1-6-1 Otemachi, Chiyoda-ku, Tokyo, Japan	Ordinary	100%
Romania	Avast Software Romania S.R.L.	Municipiul Iasi, Strada Palas Nr. 7B-7C, Clădirea C1, United Business Center 3, Etaj 8, Judet Iasi, Romania	Ordinary	100%
Ireland	Avast Software Ireland Limited	5th Floor Beaux Lane House, Mercer Street, Lower Dublin 2 D02 DH60, Ireland	Ordinary	100%
Italy	Avast Software Italy s.r.l.	Viale Abruzzi 94 CAP 20131, Milano, Italy	Ordinary	100%

* In liquidation.
** As of 17 December 2020, Emerald Cactus Ventures, Inc. merged into AVAST Software, Inc.
***As of 11 January 2021, Inloop s.r.o. changed its legal name to Avast Slovakia s.r.o.

The Company's directly held subsidiary is Avast Holding B.V. All other subsidiaries are indirectly held.

GLOSSARY

Adjusted Billings	Adjusted 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. Adjusted Billings represents the Group's billings.
Adjusted Revenue	Adjusted Revenue represents the Group's reported revenue adjusted for the Deferred Revenue Haircut Reversal, the Gross-Up Adjustment. These historical adjustments are negligible from 2019. A reconciliation is included in the 'PRESENTATION OF RESULTS AND DEFINITIONS'.
Adjusted Billings/Revenue excluding FX	Growth rate excluding exchange rate impact calculated by restating 2020 actuals to 2019 FX rates. Deferred revenue is translated to USD at the date of invoice and is therefore excluded when calculating the impact of FX on revenue. For the FX rates applied, see 'Principal exchange rates applied'.
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, the net change in deferred cost of goods sold, and the reversal of the COGS Deferral Adjustments. A full reconciliation is included in the 'PRESENTATION OF RESULTS AND DEFINITIONS'.
Adjusted Cost of Revenues/Operating costs	Adjusted Cost of Revenues/Operating costs represent the Group's cost of revenues/operating costs adjusted for depreciation and amortisation charges, share-based payments charges, exceptional items, COGS deferral adjustment and the gross-up adjustment. A full reconciliation is included in the 'Costs' section of the 'FINANCIAL REVIEW'.
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, amortisation of acquisition intangible assets, the Deferred Revenue Haircut Reversal and the COGS Deferral Adjustments. A full reconciliation is included in the 'PRESENTATION OF RESULTS AND DEFINITIONS'.
Adjusted EBITDA margin	Adjusted EBITDA as a percentage of Adjusted Revenue.
Adjusted effective tax rate	Adjusted Income tax as a percentage of Adjusted Profit before tax (defined as Adjusted Net Income before deduction of Adjusted Income tax) For the Adjusted Income Tax reconciliation see 'Income Tax' section of 'FINANCIAL REVIEW'.
Adjusted EPS	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. For the reconciliation see 'Earnings per share' in the 'FINANCIAL REVIEW' section.
Adjusted Net Income	Adjusted Net Income represents statutory net income plus the Deferred Revenue Haircut Reversal, share-based payments, exceptional items, amortisation of acquisition intangible assets, unrealised foreign exchange gain/loss on the EUR tranche of the bank loan, the COGS Deferral Adjustments, the tax impact from the unrealised exchange differences on intercompany loans and the tax impact of the foregoing adjusting items, IP transfer and donations, less gain on disposal of business operation. For the reconciliation see 'PRESENTATION OF RESULTS AND DEFINITIONS' section.
Amortisation of acquisition intangibles	Represents the amortisation of intangible assets acquired through business combinations which does not reflect the ongoing normal level of amortisation in the business.
Average Products Per Customer (APPC)	APPC defined as the Consumer Direct Desktop simple average valid licences or subscriptions for the financial period presented divided by the simple average number of Customers during the same period. See 'Consumer Direct Desktop Operational KPIs'.
Average Revenue Per Customer (ARPC)	ARPC is defined as the Consumer Direct Desktop revenue for the financial period divided by the average number of Customers during the same period. See 'Consumer Direct Desktop Operational KPIs'.
Cash conversion	Unlevered Free Cash Flow as a percentage of Adjusted Cash EBITDA. See 'Cash flow' section of 'FINANCIAL REVIEW'.
COGS Deferral Adjustments	There was no deferred cost of goods sold (COGS) balance consolidated by the Group in the acquisition balance sheet of AVG in 2016 and thus no subsequent expense was recorded as the revenue in respect of pre-acquisition date billings was recognised. The 'COGS Deferral Adjustments' refers to an adjustment to reflect the recognition of deferred cost of goods sold expenses that would have been recorded in 2016 and 2017 in respect of pre-acquisition date AVG billings, had the AVG and the Group's businesses always been combined and had AVG always been deferring cost of goods sold. See 'PRESENTATION OF RESULTS AND DEFINITIONS'.
Deferred Revenue Haircut Reversal	Under IFRS 3, Business Combinations, an acquirer must recognise assets acquired and liabilities assumed at fair value as of the acquisition date. The process of determining the fair value of deferred revenues acquired often results in a significant downward adjustment to the target's book value of deferred revenues. The reversal of the downward adjustment to the book value of deferred revenues of companies the Group has acquired during the periods under review is referred to as the 'Deferred Revenue Haircut Reversal'. See 'PRESENTATION OF RESULTS AND DEFINITIONS'.
Discontinued Business	In January 2020 Avast decided to terminate the provision of anonymised data to its data analytics business, Jumpshot, having concluded that the business was not consistent in 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'). These revenues were negligible by the end of 2020 in line with expectations. The Discontinued Business does not represent a discontinued operation as defined by IFRS 5 since it has either not been disposed of but is being continuously scaled down, or it is considered to be neither a separate major line of business, nor geographical area of operations.

Exceptional items	Exceptional items are material and non-recurring items of income and expense, which the Group believes should be separately disclosed to show the underlying business performance of the Group more accurately. For details see 'Exceptional items' of 'FINANCIAL REVIEW' and Note 6.
Gross debt	Represents the sum of the total book value of the Group's loan obligations (i.e. sum of loan principals). A reconciliation is included in the 'Financing' section of the 'FINANCIAL REVIEW'.
Gross-Up Adjustment	The 'Gross-Up Adjustment' refers to the estimated impact of the additional amount of 2015 and 2016 revenue and expenses and their deferral that would have been recognised by Avast had the contractual arrangements with certain customers qualified to have been recognised on a gross rather than a net basis prior to 2017 (AVG had historically recognised billings and revenues on a gross basis, whereas Avast recognised them on a net basis). See 'PRESENTATION OF RESULTS AND DEFINITIONS'.
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. See 'Cash flow' section of 'FINANCIAL REVIEW' for reconciliation.
Net debt	Net debt indicates gross debt netted by the Company's cash and cash equivalents. A reconciliation is included in the 'Financing' section of the 'FINANCIAL REVIEW'.
Number of customers	Users who have at least one valid paid Consumer Direct Desktop subscription (or licence) at the end of the period.
Organic growth	Organic growth represents growth figures excluding the impact of FX, acquisitions, business disposals and Discontinued Business. Excludes current period revenue of acquisitions until the first anniversary of their consolidation. As such, organic revenue refers to revenue normalised as described here.
Unlevered Free Cash Flow	Represents Adjusted Cash EBITDA less capex, 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) and taxation. Changes in working capital and taxation are as per the cash flow statement on an unadjusted historical basis and unadjusted for exceptional items. In 2019, cash tax excluded a significant Dutch exit tax paid as this was treated as an exceptional item. In 2020, the Jumpshot wind-down costs were treated as an exceptional item, thus excluded from the Unlevered Free Cash Flow. See 'Cash flow' section of 'FINANCIAL REVIEW' for reconciliation.
Unrealised FX on EUR tranche of bank loan	In the reported financials, the Group retranslates into USD at each balance sheet date the Euro value of the Euro tranche of the bank debt, with the unrealised FX movement going to the income statement. This adjustment reverses this unrealised element of the FX gain/ loss.