Unity IPR ApS

Niels Hemmingsens Gade 24, 1
1153 Copenhagen
Central Business Registration
No 30719883

Annual report 2018

The Annual General Meeting adopted the annual report on 11.06.2019

Chairman of the General Meeting

DocuSigned by:
Kim Jabal
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Name: Kimberly Ann Jabal

Contents

Entity details

Entity

Unity IPR ApS

Niels Hemmingsens Gade 24, 1

1153 Copenhagen

Central Business Registration No (CVR): 30719883

Registered in: Copenhagen

Financial year: 01.01.2018 - 31.12.2018

Executive Board

Brett Arthur Bibby

Anders Peter K. Johansen

Kimberly Ann Jabal

Entity auditors

KPMG Statsautoriseret Revisionspartnerselskab

Dampfærgevej 28

2100 Copenhagen

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Unity IPR ApS for the financial year 01.01.2018 - 31.12.2018.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and parent company financial statements give a true and fair view of the Group’s and Parent Company’s assets, liabilities and financial position at 31.12.2018 and of the Group’s and Parent Company’s operations and the Group's cash flows for the financial year 01.01.2018 - 31.12.2018.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 11.06.2019

Executive Board

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Brett Arthur Bibby

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Anders Peter K. Johansen

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Kimberly Ann Jabal

Independent auditor's report

To the shareholder of Unity IPR ApS

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Unity IPR ApS for the financial year 1 January – 31 December 2018 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group as well as for the Parent Company and a cash flow statement for the Group. The consolidated financial statements and parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the consolidated financial statements and the parent company financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent company financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the consolidated financial statements and the parent company financial statements unless Management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements

Our objectives are to obtain reasonable assurance as to whether the consolidated financial statements and the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional

Independent auditor's report

requirements in Denmark will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of financial statement users made on the basis of these consolidated financial statements and parent company financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent company financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control

Independent auditor's report

that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the consolidated financial statements and the parent company financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent company financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the consolidated financial statements or the parent company financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act.

In 2016 Management discovered that the consolidated financial statements for 2015 included a material error regarding recognition of balances with certain group entitles. The total effect hereof, DKK 39.5 Million was adjusted in the consolidated Income statement for 2015. We have not been presented with documentation that the entire effect of the identified errors is related to the related to the consolidated income for 2015 or whether a portion thereof should be adjusted in previous years. Consequently, we point out that the Group financial highlights and ratios for the years 2014-2015 may be misstated as a consequence hereof.

We did not identify any material misstatement of the Management's review.

Copenhagen, 11.06.2019

KPMG

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 25578198

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State Authorised Public Accountant
Identification No (MNE) mne30154

Management commentary

	2018 DKK'000	2017 DKK'000	2016 DKK'000	2015 DKK'000	2014 DKK'000
Financial highlights					
Key figures					
Revenue	1.598.088	1.111.114	738.025	681.450	443.643
Gross profit/loss	(210.571)	(214.053)	(55.450)	86.551	201.160
Operating profit/loss	(734.846)	(601.892)	(327.828)	(85.996)	99.263
Net financials	(20.085)	(17.908)	3.967	(19.276)	55.040
Profit/loss for the year	(733.737)	(618.792)	(346.618)	(80.556)	117.021
Total assets	848.392	750.499	653.212	452.789	586.000
Investments in property, plant and equipment	75.034	51.651	57.599	8.046	2.627
Equity	(233.471)	(3.419)	256.057	75.966	155.058
Cash flows from (used in) operating activities	(483.507)	(138.422)	(374.813)	29.093	13.323
Cash flows from (used in) investing activities	(100.172)	(210.829)	(64.763)	(20.204)	(2.627)
Cash flows from (used in) financing activities	506.710	361.676	527.674	-	-
Average numbers of employees	690	579	427	286	177
Ratios					
Return on equity (%)	N/A	(489,9)	(208,9)	(69,8)	121,3
Equity ratio (%)	(27,5)	(0,5)	39,2	16,8	26,5

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Calculation formula reflects
Return on equity (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity x 100}}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

Unity IPR ApS is an international software technology Group that builds, markets and sells software tools primarily to video game development companies and individual game developers. Unity builds and sells game engine software, also called the Unity Editor, which greatly simplifies the process of building mobile game apps as well as console and computer based games. The unity Editor is sold by both an offline sales team, and through the Group's Online Store at unity3d.com.

Development in activities and finances

The Group has realised a loss of DKK 733.737 thousand. The loss for the year has increased compared to last year, but is in line with the revised expectations for 2018. Revenues have continued to grow substantially, although the profitability of the years is negatively affected by a substantial increase in the Group's external costs. The increase in external costs is driven by a strengthend focus on the Group's R&D activities from the continued development and investment in the Unity product.

On 28 October 2018 the Danish subsidiary Unity Technologies ApS acquired 100% of the issued share capital of Digital Monarch Media Ltd. (Canada). Digital Monarch Media Ltd. offers a virtual cinematography platform used in the motion picture and film industries. The acquisition offers strategic opportunities through increased market share and product offerings while adding strong competencies and experiences into the group.

Capital resources

On 25 January 2018 the shareholder made a capital increase by nominally DKK 1,000 at a price per share of 2,262,197 corresponding to a capital increase of DKK 22,621,970. On 31 May 2018 the shareholder made an additional capital increase by nominally DKK 1,000 at a price per share of 16,090,587 corresponding to a capital increase of DKK 160,905,869. On 13 July 2018 the shareholder made another capital increase by nominally DKK 1,000 at a price per share of 16,001,734 corresponding to a capital increase of DKK 160,017,340. On 5 December 2018 the shareholder made another capital increase by nominally DKK 1,000 at a price per share of 16,292,250 corresponding to a capital increase of DKK 162,922,500.

Due to the loss for the year the Parent Company has lost more than half of the subscribed capital and is therefore subject to the capital loss provisions in the Danish Companies Act. Therefore, in connection with issuing the consolidated financial statement a letter of comfort has been received from Unity Software Inc. (ultimate Parent Company) dated 1 February 2019. Unity Software Inc. has announced its intention to support Unity IPR ApS financially in all respects, so Unity IPR ApS will be able to settle its obligations as they are due. The letter of comfort is valid in the period up to 31 January 2020.

Additionally, on 7 May 2019, Unity Software Inc. authorized the sale and issuance of Series E Preferred Stock and Common Stock in Unity Software Inc. A total of 5,681,818 preferred shares and 5,000,000 common shares were authorized at a purchase price of $22.00 per share and $20.00 per share, respectively. All of the shares are issued and outstanding as of the date these financial statements were issued.

Management commentary

Interest rate and currency risk
The Group's currency risk relates primarily to sales revenues and costs. Sales are transacted in USD, whereas costs in local currency, which gives rise to a currency risk in case of fluctuations in the USD exchange rate. The Group has no interest rate or other currency risks except for the common interest and currency movements of the significant rates used for the Group's commercial transactions.

Uncertainty relating to recognition and measurement
The Group has a total deferred tax asset of DKK 345,517 thousand. Due to significant uncertainty regarding the timeline for future usage, DKK 348,379 has been written-down. A specification is shown in note 14 to the consolidated financial statements. The Group will assess whether to recognize the tax asset in the coming periods.

There are no other financial matters where estimates have or will affect the Group's result or balance sheet significantly.

Unsual circumstances affecting recognition and measurement
During the financial year the Group's operation has not been affected by other matters.

Outlook
For the next year, the Group expects to continue its investment plan. The Group expects to be loss making in 2019, same level as 2018.

Intellectual capital resources
The Group is committing considerable resources on maintaining and developing competencies, including continuously updated knowledge of internal and external matters and quality assurance.

Environmental performance
As the Group is a software based business its primary environmental policy concerns the work environment. The Group's health and safety policies are fully compliant with the local laws and regulations.

The Groups is investing in education of its Health and Safety committee to ensure it is compliant with the current development in work environment community and local laws.

Research and development activities
In 2018, the Group expensed significant research and development costs relating to the Group's core product. Investments in R&D will ensure that the Group can maintain and improve its market position in the coming years.

Statutory report on corporate social responsibility
At the current stage, the Group has not implemented any formal policies, impacts on climate change, human rights and environment as the group supports these efforts through the following programs.

Management commentary

The Group's social responsibility falls under two categories: compliance and being proactive. Compliance refers to the Group's commitment to lawfulness and willingness to respect community values. We are proactive in our initiatives to promote human rights, support local communities and protect our natural environment.

We will respect the law and will always conduct business with integrity and respect to human rights. We are a committed equal opportunity employer and will abide by all fair labor practices.

The Group understands the need to protect the natural environment. We'll always follow best practices regarding waste and recycling by providing trash, recycling and composting bins throughout the workplace. We're committed to reducing our carbon foot print by providing high quality video conferencing tools to all employees so they are able to travel less and reduce carbon emissions by allowing employees to telecommute. Throughout the office we have installed energy-efficient lights, reduced the use of plastics, provide bike storage, and when possible choose locally produced and organic foods in our canteen.

We strive to create a workplace that supports diversity and inclusion through a thoughtful events program and workshops. We encourage our employees to volunteer and support non-profit organizations that promote cultural and economic development of global and local communities.

During 2018, we have not had any reports of breaches to our commitments to social responsibility.

Upon conducting an evaluation of social responsibility risks according to our business activities, we have not found any material risks.

Anti-Corruption

The Group expects its employees to conduct business using good judgment, integrity, high ethical standards, and by complying with applicable laws. These values are communicated to employees in the Group's Code of Business Conduct and Ethics and a stand-alone Anti-Corruption Policy, which specifically requires employees to comply with the U.S. Foreign Corrupt Practices Act, and other applicable anti-corruption laws.

In addition to requiring all employees comply with the Group's Code and of Business Conduct and Ethics, public facing employees in the sales and marketing business units are required, on a quarterly basis, to certify their compliance with the Group's Anti-Corruption Policy and to confirm they are not aware of any violations. In the event an employee is aware of a violation, the employee should either contact the compliance team to report the violation, or contact the Ethics Hotline if they would like to remain anonymous. We are confident in the effectiveness of these initiatives as the Group did not receive anti-corruption related reports in 2018. One of our key risks is specifically related with potential breaches to the Group's Code and of Business Conduct, where we continue to integrate through various initiatives and monitor our employees' performance.

Staff matters

Our employees are the backbone of our company, and their well-being, health and safety in the work place is crucial to our success as a business.

Management commentary

One of our key initiatives in 2018 year was the detailed planning of a launch Unity Engagement Survey. In order to ensure the correct survey design was used so it best supported our staff in 2018 we did a detailed review of several providers and a small pilot to ensure we had the correct design of the questions before launching the survey in January 2019. The survey covering various topics and factors such as company confidence, leadership, managers, people, the Group is giving the employees the opportunity to provide their anonymous feedback and ensure that a good working environment with motivated and productive employees is in place. Such surveys are conducted on an annual basis (beginning of the year) with a short pulse survey in July. People Managers are held accountable to the results of the survey having to build action plans to ensure we respond and address the feedback received. The results of the survey reflect a high level of employee engagement and satisfaction.

The Group has then launched the employee learning and organizational development programme - "Grow at Unity", as well as "Effective Presentation Skills" and "Unity Leadership" to secure employees have the chance to grow, expand their skills or build depth expertise by making available tailor-made training sessions.

Furthermore, the Group established workouts sessions during the day (meditation, running club), to keep its employees healthy, as well as designed chill out areas around the office and changed the snacks it provides to our employees to more health options to support healthy lifestyle choices.

As the Group relies on the knowledge of the employees attractions and retention of the right employees is a potential risk. Thus, the entity has a high focus on strong talent attraction methods, learning and development, internal career mobility, and the general well-being of its employees as described above.

Statutory report on the underrepresented gender

The Group is working to increase the number of female managers in the Group. The status is now that one of the members of the Executive Board in the Group is woman, middle management is represented by 19 female managers of 95 managers in total, which represents 20% of total employees in middle management.

We continue our strong commitment to increasing female representation in our management levels. This is enforced through our actions targeting the recruitment process in the Group to ensure that female candidates are applying for such positions.

The Group has a target to hire one female as a member of the Executive Board before the end of 2021. The Group has reached the target in 2019. Even though, we operate in a male dominated industry, we will maintain high focus on meeting our target for the composition of the Executive Board.

Consolidated income statement for 2018

	Notes	2018 DKK'000	2017 DKK'000
Revenue	2	1.598.088	1.111.114
Variable costs		(253.205)	(176.327)
Other external expenses	3	(1.555.454)	(1.148.840)
Gross profit/loss		**(210.571)**	**(214.053)**
Staff costs	4	(457.600)	(355.903)
Depreciation, amortisation and impairment losses	5	(62.769)	(25.320)
Other operating expenses		(3.906)	(6.616)
Operating profit/loss		**(734.846)**	**(601.892)**
Other financial income	6	1.390	6.470
Other financial expenses	7	(21.475)	(24.378)
Profit/loss before tax		**(754.931)**	**(619.800)**
Tax on profit/loss for the year	8	21.194	1.008
Profit/loss for the year	9	**(733.737)**	**(618.792)**

Consolidated balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017 DKK'000
Acquired intangible assets		37.087	45.544
Goodwill		117.938	125.715
Software in progress		2.138	0
Intangible assets	10	**157.163**	**171.259**
Other fixtures and fittings, tools and equipment		113.027	74.451
Property, plant and equipment under construction		1.370	0
Property, plant and equipment	11	**114.397**	**74.451**
Deposits		18.580	11.807
Fixed asset investments	12	**18.580**	**11.807**
Fixed assets		**290.140**	**257.517**
Trade receivables		194.462	225.014
Receivables from group enterprises		118.560	205
Other receivables		20.798	5.317
Income tax receivable		23.460	0
Prepayments	13	32.655	17.160
Receivables		**389.935**	**247.696**
Cash		**168.317**	**245.286**
Current assets		**558.252**	**492.982**
Assets		**848.392**	**750.499**

Consolidated balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017 DKK'000
Contributed capital		146	142
Retained earnings		(233.617)	(3.561)
Equity		**(233.471)**	**(3.419)**
Deferred tax	14	2.862	0
Provisions		**2.862**	**0**
Trade payables		71.238	59.117
Payables to group enterprises		536.958	327.065
Income tax payable		69	2.070
Other payables		99.177	72.439
Deferred income	16	371.559	293.227
Current liabilities other than provisions		**1.079.001**	**753.918**
Liabilities other than provisions		**1.079.001**	**753.918**
Equity and liabilities		**848.392**	**750.499**
Events after the balance sheet date	1		
Contingent liabilities	17		
Transactions with related parties	18		
Group relations	19		

Consolidated statement of changes in equity for 2018

	Contributed capital DKK'000	Share premium DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	142	0	(3.561)	(3.419)
Increase of capital	4	506.464	0	506.468
Tax free contribution from shareholder	0	0	242	242
Exchange rate adjustments	0	0	(3.025)	(3.025)
Transfer to reserves	0	(506.464)	506.464	0
Profit/loss for the year	0	0	(733.737)	(733.737)
Equity end of year	**146**	**0**	**(233.617)**	**(233.471)**

In connection with issuing the financial statements a letter of comfort has been received from Unity Software Inc. (ultimate Parent Company) dated 1 February 2019. Unity Software Inc. has announced its intention to support Unity IPR ApS financially in all respects, so Unity IPR ApS will be able to settle its obligations as they are due. The letter of comfort is valid in the period up to 31 January 2020.

Changes in contributed capital:

	2018 DKK'000
Contributed capital 1st January 2012	140
Increase of capital, cash in 2017	2
Increase of capital, cash in 2018	4
	146

The contributed capital is not divided into classes. During the year, new shares has been subscribed for each share with a nominal value of DKK 1,000.

Consolidated cash flow statement for 2018

	Notes	2018 DKK'000	2017 DKK'000
Operating profit/loss		(734.846)	(601.892)
Amortisation, depreciation and impairment losses		62.769	25.320
Working capital changes	15	202.697	448.788
Other operating costs		3.906	6.616
Cash flow from ordinary operating activities		**(465.474)**	**(121.168)**
Financial income received		1.390	6.470
Financial expenses paid		(21.475)	(24.378)
Income taxes refunded		5.684	6.171
Income taxes paid		(3.632)	(5.517)
Cash flows from operating activities		**(483.507)**	**(138.422)**
Acquisition etc of intangible assets		(18.365)	(159.902)
Acquisition etc of property, plant and equipment		(75.034)	(51.651)
Increase/decrease in deposits		(6.773)	724
Cash flows from investing activities		**(100.172)**	**(210.829)**
Cash increase of capital		506.468	361.676
Tax free contribution from shareholder		242	0
Cash flows from financing activities		**506.710**	**361.676**
Increase/decrease in cash and cash equivalents		**(76.969)**	**12.425**
Cash and cash equivalents beginning of year		245.286	232.861
Cash and cash equivalents end of year		**168.317**	**245.286**

Notes to consolidated financial statements

1. Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

	2018 DKK'000	2017 DKK'000
2. Revenue		
Revenue by geographical market		
Denmark	5.601	3.098
Other countries	1.592.487	1.108.016
	1.598.088	**1.111.114**
Revenue by activity		
Contract sales	319.442	202.364
Products and websales	1.278.646	903.592
Other revenue	0	5.158
	1.598.088	**1.111.114**

	2018 DKK'000	2017 DKK'000
3. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	2.990	1.530
Other services	0	300
	2.990	**1.830**

	2018 DKK'000	2017 DKK'000
4. Staff costs		
Wages and salaries	410.884	319.420
Pension costs	17.320	20.619
Other social security costs	29.396	15.864
	457.600	**355.903**
Average number of employees	**690**	**579**

	Remuneration of management 2018 DKK'000	Remuneration of management 2017 DKK'000
Executive Board	5.046	6.225
	5.046	**6.225**

One member of the Executive Board is receiving remuneration from another group enterprise outside the Group and the amount charged to the Group for this service in 2018 is DKK 0 (2017: DKK 0).

Notes to consolidated financial statements

Special incentive programmes

The Ultimate Parent Company has set up a special incentive scheme applying to the Group's full time employees with the option, based on job level and title, during the period 10 September 2009 - 10 September 2019. These are granted at hiring date, subject to Board approval and based on performance in subsequence years. Only active full time employees are entitled to vest the shares over the period of 4 years.

All costs related to the incentive scheme are carried by the Ultimate Parent Company. Under the 2009 Stock Plan/Program, 65,875,122 shares are authorized for the Group, covering the period 10 September 2009 - 31 December 2018, whereas 23,146,724 are specifically granted for Unity IPR ApS consolidated group, with 1.511.900 shares granted in 2018.

During the period 10 September 2009 - 31 December 2018, 903 full time employees were granted with shares, an average of 25.633 units per employee. The exercise price is variable representing the fair value of the shares in the respective quarter, subject to Board approval. The market value is based on a valuation performed quarterly by external vendor.

	2018 DKK'000	2017 DKK'000
5. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	31.984	4.088
Depreciation of property, plant and equipment	30.785	21.232
	62.769	**25.320**

	2018 DKK'000	2017 DKK'000
6. Other financial income		
Exchange rate adjustments	0	971
Other financial income	1.390	5.499
	1.390	**6.470**

	2018 DKK'000	2017 DKK'000
7. Other financial expenses		
Financial expenses to group enterprises	2.401	1.461
Exchange rate adjustments	18.467	17.269
Other financial expenses	607	5.648
	21.475	**24.378**

	2018 DKK'000	2017 DKK'000
8. Tax on profit/loss for the year		
Current tax	2.292	2.070
Change in deferred tax	382	0
Adjustment concerning previous years tax special incentive programme	(16.753)	0
Adjustment concerning previous years current tax	(1.615)	2.422
Income from tax special incentive programme	(5.500)	(5.500)
	(21.194)	**(1.008)**

Notes to consolidated financial statements

	2018 DKK'000	2017 DKK'000
9. Proposed distribution of profit/loss		
Retained earnings	(733.737)	(618.792)
	(733.737)	**(618.792)**

	Acquired intangible assets DKK'000	Goodwill DKK'000	Software in progress DKK'000
10. Intangible assets			
Cost beginning of year	50.006	136.338	0
Exchange rate adjustments	0	(808)	0
Additions	9.959	6.268	2.138
Cost end of year	**59.965**	**141.798**	**2.138**
Amortisation and impairment losses beginning of year	(4.462)	(10.623)	0
Exchange rate adjustments	0	331	0
Amortisation for the year	(18.416)	(13.568)	0
Amortisation and impairment losses end of year	**(22.878)**	**(23.860)**	**0**
Carrying amount end of year	**37.087**	**117.938**	**2.138**

	Other fixtures and fittings, tools and equipment DKK'000	Property, plant and equipment under construction DKK'000
11. Property, plant and equipment		
Cost beginning of year	102.221	0
Exchange rate adjustments	(1.056)	0
Additions	73.664	1.370
Disposals	(11.587)	0
Cost end of year	**163.242**	**1.370**
Depreciation and impairment losses beginning of year	(27.770)	0
Exchange rate adjustments	659	0
Depreciations for the year	(30.785)	0
Reversal regarding disposals	7.681	0
Depreciation and impairment losses end of year	**(50.215)**	**0**
Carrying amount end of year	**113.027**	**1.370**

Notes to consolidated financial statements

	Deposits DKK'000
12. Fixed asset investments	
Cost beginning of year	11.807
Additions	6.773
Cost end of year	**18.580**
Carrying amount end of year	**18.580**

13. Prepayments

	2018 DKK'000	2017 DKK'000
Software licens	20.275	12.898
Rent	2.869	1.336
Other	9.521	2.926
	32.665	**17.160**

14. Deferred tax

	2018 DKK'000	2017 DKK'000
Deferred tax beginning of year	218.281	94.569
Adjustment concerning previous years	(28.679)	0
Addition from purchase of subsidiary	(2.480)	0
Change in deferred tax not recognised in profit/loss for the year	158.777	123.712
Change in deferred tax recognised in profit/loss for the year	(382)	0
Deferred tax before write down	345.517	218.281
Write down	(348.379)	(218.281)
Deferred tax end of the year	**(2.862)**	**0**

	2018 DKK'000	2017 DKK'000
Intangible assets	(1.639)	354
Property, plant and equipment	8.340	5.272
Other adjustments	131	0
Tax loss carry forwards	338.685	212.655
Deferred tax before write down	345.517	218.281
Write down	(348.379)	(218.281)
	(2.862)	**0**

Notes to consolidated financial statements

	2018 DKK'000	2017 DKK'000
15. Change in working capital		
Increase/decrease in receivables	(118.779)	91.697
Increase/decrease in trade payables etc	327.084	354.693
Other changes	(5.608)	2.398
	202.697	**448.788**

16. Deferred income

Deferred income consists of deferred revenue regarding contract- and websales.

17. Contingent liabilities

The Group has concluded rental commitments of a total of DKK 271.641 thousand for the period of interminability until 31 May 2029. The Group has provided bank guarantee for the rentals and the third parties payables amounts to DKK 2.780 thousand.

18. Transactions with related parties

	2018 DKK'000	2017 DKK'000
Sale of services to group enterprises	311.406	254.301
Purchase of services from group enterprises	(1.220.564)	(865.353)
	(909.158)	**(611.052)**

Remuneration to the Group's Executive Board is disclosed in note 4.

Intercompany balances to group enterprises are disclosed in the balance sheet and interest expense is disclosed in note 7.

19. Group relations

Name and registered office of the Parent Company preparing consolidated financial statements for the largest group: Unity Software Inc., USA.

Name and registered office of the Parent Company preparing consolidated financial statements for the smallest group: Unity Technologies Singapore Pte. LTD., Singapore.

Ultimate Parent Company Unity Software Inc. Has at the date of this financial statement, not issued their financial statement for 2018.

Parent income statement for 2018

	Notes	2018 DKK'000	2017 DKK'000
Other external expenses		(2.080)	(2.179)
Gross profit/loss		**(2.080)**	**(2.179)**
Depreciation, amortisation and impairment losses	2	(693)	(693)
Operating profit/loss		**(2.773)**	**(2.872)**
Income from investments in group enterprises		(729.597)	(614.087)
Other financial income	3	461	464
Other financial expenses	4	(1.828)	(2.265)
Profit/loss before tax		**(733.737)**	**(618.760)**
Tax on profit/loss for the year	5	0	(32)
Profit/loss for the year	6	**(733.737)**	**(618.792)**

Parent balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017 DKK'000
Goodwill		4.385	5.078
Intangible assets	7	**4.385**	**5.078**
Investments in group enterprises		148.785	61.225
Other financial assets	8	**148.785**	**61.225**
Fixed assets		**153.170**	**66.303**
Receivables from group enterprises		111	83.114
Income tax receivable		5.500	0
Receivables		**5.611**	**83.114**
Cash		**6.730**	**296**
Current assets		**12.341**	**83.410**
Assets		**165.511**	**149.713**

Parent balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017 DKK'000
Contributed capital		146	142
Retained earnings		(233.617)	(3.561)
Equity		**(233.471)**	**(3.419)**
Provisions for investments in group enterprises	9	374.497	0
Non-current liabilities other than provisions		**374.497**	**0**
Trade payables		758	3
Payables to group enterprises		23.718	152.952
Other payables		9	177
Current liabilities other than provisions		**24.485**	**153.132**
Liabilities other than provisions		**398.982**	**153.132**
Equity and liabilities		**165.511**	**149.713**
Events after the balance sheet date	1		
Deferred tax	10		
Contingent liabilities	11		
Transactions with related parties	12		
Group relations	13		

Parent statement of changes in equity for 2018

	Contributed capital DKK'000	Share premium DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	142	0	(3.561)	(3.419)
Increase of capital	4	506.464	0	506.468
Tax free contribution from shareholder	0	0	242	242
Exchange rate adjustments	0	0	(3.025)	(3.025)
Transfer to reserves	0	(506.464)	506.464	0
Profit/loss for the year	0	0	(733.737)	(733.737)
Equity end of year	**146**	**0**	**(233.617)**	**(233.471)**

In connection with issuing the financial statements a letter of comfort has been received from Unity Software Inc. (ultimate Parent Company) dated 1 February 2019. Unity Software Inc. has announced its intention to support Unity IPR ApS financially in all respects, so Unity IPR ApS will be able to settle its obligations as they are due. The letter of comfort is valid in the period up to 31 January 2020.

Changes in contributed capital:	**2018 DKK'000**
Contributed capital 1st January 2012	140
Increase of capital, cash in 2017	2
Increase of capital, cash in 2018	4
	146

The contributed capital is not divided into classes. During the year, new shares has been subscribed for each share with a nominal value of DKK 1,000.

Notes to parent financial statements

1. Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

	2018 DKK'000	2017 DKK'000
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	693	693
	693	**693**

	2018 DKK'000	2017 DKK'000
3. Other financial income		
Financial income to group enterprises	461	457
Other financial income	0	7
	461	**464**

	2018 DKK'000	2017 DKK'000
4. Other financial expenses		
Financial expenses to group enterprises	461	457
Exchange rate adjustments	1.367	1.808
	1.828	**2.265**

	2018 DKK'000	2017 DKK'000
5. Tax on profit/loss for the year		
Adjustment concerning previous years	0	32
	0	**32**

	2018 DKK'000	2017 DKK'000
6. Proposed distribution of profit/loss		
Retained earnings	(733.737)	(618.792)
	(733.737)	**(618.792)**

Notes to parent financial statements

	Goodwill DKK'000
7. Intangible assets	
Cost beginning of year	6.926
Cost end of year	**6.926**
Amortisation and impairment losses beginning of year	(1.848)
Impairment losses for the year	(693)
Amortisation and impairment losses end of year	**(2.541)**
Carrying amount end of year	**4.385**

	Invest-ments in group enterprises DKK'000
8. Other financial assets	
Cost beginning of year	893.972
Additions	512.654
Cost end of year	**1.406.626**
Value adjustments beginning of year	(899.726)
Exchange rate adjustments	(3.025)
Share of profit/loss for the year	(729.447)
Adjustment to previous years share of profit/loss for the year	(150)
Investments with negative equity value provisioned for in other provisions	374.497
Other adjustments	10
Value adjustments end of year	**(1.257.841)**
Carrying amount end of year	**148.785**

Notes to parent financial statements

	Registered in	Equity interest %
Investments in group enterprises:		
Unity Technologies ApS	Denmark	100,0
Unity Software Limited	UK	100,0
Unity Technologies LT, UAB	Lithuania	100,0
Unity Technologies Canada Company	Canada	100,0
Unity Technologies SARL	France	100,0
Unity Technologies AB	Sweden	100,0
Unity Technologies S.A.S.	Colombia	100,0
Subsidiaries to Unity Technologies ApS		
Digital Monarch Media Ltd.	Canada	100,0
Multiplay Ltd.	UK	100,0

9. Provisions for investment in group enterprises

A provision has been made for group enterprises with negative equity, where the Parent Company has a legal or constructive obligation to cover the liabilities of the group enterprises.

10. Deferred tax

	2018 DKK'000	2017 DKK'000
Deferred tax beginning of year	1.346	319
Change in deferred tax not recognised in profit/loss for the year	876	1.027
Deferred tax before write down	2.222	1.346
Write down	(2.222)	(1.346)
Deferred tax end of the year	**0**	**0**

	2018 DKK'000	2017 DKK'000
Intangible assets	341	188
Tax loss carry forwards	1.881	1.158
Deferred tax before write down	2.222	1.346
Write down	(2.222)	(1.346)
	0	**0**

Notes to parent financial statements

11. Contingent liabilities

The Entity has provided a joint and several guarantee regarding the subsidiaries Unity Technologies ApS' bank commitments. The guarantee is unlimited.

Joint taxation

The Entity participates in a Danish joint taxation arrangement in which the Entity serves as the administration Entity. The Entity is therefore proportionately liable for tax claims in the joint taxation arrangement.

The Entity is jointly proportional to any obligation to withhold tax on interest, royalties and dividends for the jointly taxed entities.

12. Transactions with related parties

Intercompany balances to group enterprises are disclosed in the balance sheet and interest income and interest expense is disclosed in note 3 and 4.

No remuneration has been paid to members of the Executive Board in 2018 (2017: DKK 0).

13. Group relations

Name and registered office of the Parent Company preparing consolidated financial statements for the largest group: Unity Software Inc, USA.

Ultimate Parent Company Unity Software Inc. has at the date of this financial statement not issued their financial statement for 2018.

Accounting policies

Reporting class
This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

The accounting policies applied to these consolidated financial statements and parent company financial statements are consistent with those applied last year.

Reclassification of comparative figures:
Minor reclassifications have been made in individual items in the consolidated income statement and consolidated balance sheet, including in the specification in the consolidated notes. This has not affected the result and equity of this year and last year and has been made solely to ensure the comparability of the individual items in the consolidated financial statements.

Recognition and measurement
Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Group, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Group, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Consolidated financial statements
The consolidated financial statements comprise the Parent Company and the group enterprises (subsidiaries) that are controlled by the Parent Company. Control is achieved by the Parent Company, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

Basis of consolidation
The consolidated financial statements are prepared on the basis of the financial statements of the Parent Company and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses

Accounting policies

on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

Foreign currency translation

Translations in foreign currencies are translated the exchange rates at the transaction date. Gains and losses due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. If the transactions are considered as hedging of future cash flows the exchange adjustments are recognised directly in Group.

Receivables, debt and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses.

Fixed assets acquired in foreign currencies are measured at the exchange rate of the date of the transaction.

Income statement

Revenue

For contracts sales the Group provides software integration and support services to strategic customers and partners. The revenue from services related to achieving certain milestones in the agreement is recognized when the milestone in the agreement is met. Otherwise, the revenue from contract sales is recognized on a straight-line basis over the period or contract term.

For products and web sales the Group offers subscriptions to customers. The revenue from subscriptions is recognized on a straight-line basis over the period of subscription.

Other revenue besides subscriptions is recognized when the service is delivered to the customer.

Revenue is recognized net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Variable costs

Variable costs comprises of expenses, including costs of foreign assistance, incurred to achieve the revenue for the year.

Other external expenses

Other external expenses include expenses related to distribution, sale, advertising, administration, premises, bad debts, development, lease payments under operating leases, etc.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension.

Accounting policies

Depreciation, amortisation and impairment losses
Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Other operating expenses
Other operating expenses comprises items secondary to the activities of the Group, including losses on the disposal of intangible assets and property, plant and equipment.

Income from investments in group enterprises
The item "income from investments in group enterprises" in the income statement includes the proportionate share of the profit/loss after tax in the subsidiaries after fulll elimination of inter-group gains/losses and amortisation of goodwill.

Other financial income
Financial income and expenses are recognised in the income statement with the amounts related to the financial year. Financial items comprise interest, realised and unrealised gains and losses on payables and transactions in foreign currency, as well as additions and repayments under the on account taxation scheme, etc.

Tax on profit/loss for the year
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet
Goodwill
Goodwill are measured at cost with deduction of accreud depreciation. Goodwill is amortised over the estimated useful lives of the assets which are estimated based on Management's experience with the business area. Goodwill are depreciated on a straight line basis over the estimated financial useful life of 10 years.

Intellectual property rights etc
Intellectual property rights acquired intellectual property rights and software in progress.

Acquired intangible assets and software are measured at the lower of cost less accumulated amortisation and recoverables amounts. Acquired intangible assets and software are amortised over the lincese period, and client agreements are amortised over the agreeements period; however, not exceeding 3-5 years.

Accounting policies

Property, plant and equipment
Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation, etc. Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line de-preciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3-5 years

Estimated useful lives and residual values are reassessed annually.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling prices less selling costs and the carrying amount at the date of disposal. Gains and losses are recog-nised in the income statement as other operating income or other operating costs, respectively.

Investments in group enterprises
Investments in group enterprises are recognised and measured according to the equity method. The item "Investment in group enterprises" in the balane sheet includes the proportionate ownership share of the net asset value of the enterprises calculated under the accouting policies of the Parent Company plus or minus unrealised intra-group gains or losses and plus or minus residual value of positive and negative goodwill calculated in accordance with acquistion method.

Group enterprises with negative equity value are measured at DKK 0, and any receivables from these entities are written down to the extent that the receivables are deemed irrecoverable. To the extent that the Parent Company has a legal or construction obligation to cover a negative balance exceeding the receivable, the residual amounts is recognised as provisions.

The total net revaluation of investments in group enterprises is transferred upon distribution of profit to "Reserve for net revaluation under the "equity method" under equity".

Net revaluation of equity investments in group enterprises is tied as a net revalution reserve under equity according to the equity method to the extent the carrying amount exceeds cost. Dividens that are expected to be received before the balance sheet date are not tied to the reserve. The reserve can be eliminated in case of loss, realisation of equity investments or changes to accouting estimates. The reserve cannot be recognised at a negative amount.

Accounting policies

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment and investment in group enterprises is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the assets or the group of assets, including forecast net cash flows from the disposal of the asset or the gorup of assets after the end of the useful life.

Previously recognised write-downs are reversed when the basis for the write-down no longer exists. Write-down of goodwill is not reversed.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-base value of assets and liabilities, for which the taxbased value of assets is calculated based on the planned use of each assets.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognized in the balance sheet at their estimated realizable value, either as a set-off against deferred tax liabilities or as net tax assets.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deffered tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognized in the income statement or equity, respectively.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Income tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Accounting policies

Cash

Cash comprises cash in hand and bank deposits.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Deferred income

Deferred income recognized under liabilties comprises payments received in respect of income in subsequent years.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.