

Unity IPR ApS

Niels Hemmingsens Gade 24, 1.
1153 Copenhagen K
CVR no. 30719883

Annual report 2022

The Annual General Meeting adopted the
annual report on 12 July 2023

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Luis Felipe Visoso Lomelin

Chairman of the General Meeting

Contents

Entity details	2
Statement by Management	3
Independent auditor's report	4
Management commentary	6
Income statement for 2022	8
Balance sheet 31.12.2022	9
Statement of changes in equity 2022	11
Notes to the annual report	12
Accounting policies	15

Entity details

Entity

UNITY IPR APS
Niels Hemmingsens Gade 24, 1.
1153 Copenhagen K

CVR No.:30719883

Date of foundation: 30.06.2007

Registered office: Copenhagen

Financial year: 01.01.2022 - 31.12.2022

Executive Board

Luis Felipe Visoso Lomelin
Andrew Howell

Auditors

EY Godkendt Revisionspartnerselskab
Dirch Passers Allé 36
2000 Frederiksberg

Statement by management

The Executive Board have today discussed and approved the annual report of Unity IPR ApS for the financial year 01.01.2022 - 31.12.2022.

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


In our opinion, the financial statements give a true and fair view of the company's financial position at 31.12.2022 and of the results of the company's operations for the financial year 01.01.2022 - 31.12.2022.

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, 12 July 2023

Executive Board

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Andrew Bowell

Independent auditor's report

To the shareholder of Unity IPR ApS

Opinion

We have audited the financial statements of UNITY IPR ApS for the financial year 1 January 2022 – 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2022 and of the results of the Company's operations for the financial year 1 January 2022 – 31 December 2022 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Management's responsibilities for the financial statements

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

In preparing the financial statements, Management is responsible for assessing the 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 financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the 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 additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can 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 users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and 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 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.

Independent auditor's report

- 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 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 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 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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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 that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the 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 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 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 financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 12 July 2023

EY Godkendt Revisionspartnerselskab

CVR No. 30700228



Kennet Hartmann

State Authorised Public Accountant

Identification no. (MNE) mne40036



Anders Knudsen

State Authorised Public Accountant

Identification no. (MNE) mne49064

Management commentary

	2022	2021	2020	2019	2018
	USD'000	USD'000	USD'000	USD'000	USD'000
Financial highlights					
Key figures					
Operating profit/loss	-1.066	-1.090	-888	-916	-424
Net financials	13	611	-1.419	-947	-183
Profit/loss for the year	-337.512	-255.791	-116.981	-93.214	-100.964
Total Assets	309.146	262.963	87.790	60.275	25.409
Investment in Fixed Assets	—	—	—	—	—
Equity	299.591	261.069	-20.925	-66.289	-35.035
Financial ratios					
Return on equity (%)	(115)%	(213)%	268 %	184 %	576 %
Equity ratio (%)	84 %	99 %	(24)%	(110)%	(138)%

The financial ratios are calculated in accordance with the description below:

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

Primary activities

Unity IPR ApS is holding company for entities with activity within software technology. Unity 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 Online Store at unity3d.com.

Development in activities and finances

The Entity has realised a loss of USD 337.512 thousand. The loss for the year has decreased compared to last year, and it is in line with the revised expectations for 2022. The performance of the Entity is dependent on the performance from the Entity's subsidiaries. The income from investments in group enterprises are driven by a continued growth in revenue, although the profitability of the year is negatively affected by a substantial increase in the external costs. The increase in external costs is driven by a strengthened focus on the R&D activities from the continued development and investment in the Unity product. The Entity has during 2022 received substantial capital contribution and has a positive share capital despite the loss for the year. The Unity group expects to be profitable in near future as a result of the focus on R&D activities.

Capital resources

On 28th of September 2022 the shareholder made a capital increase by nominally DKK 1,000 at a subscription rate of 289.937.360 corresponding to a price per share (of nominally DKK 1.00) of DKK 2.899.373,60 corresponding to a capital increase of DKK 2.899.373.600 equivalent to USD 375.999.870.

The company is dependent on the income from investments in group enterprises. Furthermore, the Entity will continue to receive capital injection to support the Entity's financial obligations.

Correction of material misstatement

The comparative figures for 2021 are corrected as a result of correction of a material misstatement.

Refer to Accounting Policies for further description of the correction.

Outlook

The Entity through its subsidiaries expects to be profitable in 2023 due to the transfer pricing setup. For the financial year 2023, the Company expects a profit before tax in the range of USD 0-80 million

Events after the balance sheet date

There are no material events after the balance sheet date that materially affects the business.

Income statement for 2022

	Note	2022 USD'000	2021 USD'000
Other external expenses		(971)	(995)
Gross profit/loss		(971)	(995)
Depreciation, amortisation and impairment losses	3	(95)	(95)
Operating profit/loss		(1.066)	(1.090)
Income from investments in group enterprises	5	(336.459)	(255.311)
Other financial income		28	611
Other financial expenses		(15)	0
Profit/loss before tax		(337.512)	(255.791)
Profit/loss for the year	10	(337.512)	(255.791)

Balance sheet 31.12.2022

Assets

	Note	2022 USD'000	2021 USD'000
Goodwill		213	308
Intangible assets	4	213	308
Investments in group enterprises	5	306.977	259.931
Long-term Income tax Receivable		788	0
Other financial assets		307.765	259.931
Long-term assets		307.978	260.239
Income tax receivable	6	788	1.674
Prepayments		0	15
Receivables from group enterprises		0	612
Receivables		788	2.301
Cash		380	422
Assets		309.146	262.963

Equity and Liabilities

	Note	2022 USD'000	2021 USD'000
Contributed capital		26	26
Retained earnings		299.565	261.043
Equity		299.591	261.069
Other provisions	7	7.470	0
Provisions		7.470	0
Payables to group enterprises		788	0
Non-current liabilities other than provisions		788	0
Trade payables		1	43
Payables to group enterprises		361	0
Joint taxation contribution payable		788	1.674
Other payables		147	176
Current liabilities other than provisions		1.297	1.893
Liabilities other than provisions		2.085	1.893
Equity and liabilities		309.146	262.963
Going concern	1		
Events after the Balance sheet date	2		
Contingent liabilities	8		
Related parties	9		
Proposed distribution of profit and loss	10		

Statement of changes in equity for 2022

	Contributed capital	Share premium	Reserve for net revaluation according to the equity method	Retained earnings	Total
	USD'000	USD'000	USD'000	USD'000	USD'000
Equity at 31 December 2021	26	0	0	237.288	237.314
Correction of material misstatement	0	0	0	23.755	23.755
Equity at 1 January 2022	26	0	0	261.043	261.069
Increase of capital	0	376.000	0	0	376.000
Contribution from Group Enterprises	0	34	0	0	34
Transfer to reserves	0	(376.034)	0	376.034	0
Profit/loss for the year	0	0	0	(337.512)	(337.512)
Equity at 31 December 2022	26	0	0	299.565	299.591

Capital resources

On 28th of September 2022 the shareholder made a capital increase by nominally DKK 1,000 at a subscription rate of 289.937.360 corresponding to a price per share (of nominally DKK 1.00) of DKK 2.899.373,60 corresponding to a capital increase of DKK 2.899.373.600 equivalent to USD 375.999.870.

Contributed capital

The contributed capital is not divided into classes. During the year, 1.000 new shares were subscribed with a value per share of DKK 2.899.373,60

Notes

1 Going concern

In connection with issuing the financial statement a letter of comfort has been received from Unity Software Inc. (ultimate Parent Company) dated 23 May 2023. 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 for at least one year from the date of approval of the 2022 Financial Statements by the directors of the Company.

2 Events after the balance sheet date

There are no material events after the the balance sheet date that materially affects the business.

3 Depreciation, amortisation and impairment losses

	2022 USD'000	2021 USD'000
Amortisation of intangible assets	95	95
	95	95

4 Intangible assets

	Goodwill USD'000
Cost beginning of year	1.000
Cost end of year	1.000
Amortisation and impairment losses beginning of year	(692)
Amortisation for the year	(95)
Amortisation and impairment losses end of year	(787)
Carrying amount end of year	213

5 Financial assets

	Investments in group enterprises USD'000
Cost beginning of year	860.044
Additions	376.034
Cost end of year	1.236.078
Impairment losses beginning of year	(600.112)
Exchange rate adjustments	(25.689)
Share of profit/loss for the year	(317.637)
Other regulations	—
Impairment losses end of year	(936.571)
Investments with negative equity value - provision made	7.470
Carrying amount end of year	306.977

Investments in subsidiaries	Registered in	Equity interest %
Unity Technologies ApS	Denmark	100
<ul style="list-style-type: none"> • Graphine NV • RestAR Ktd. • Unity Technologies Finland OY • Metaverse Technologies France SARL • Metaverse Technologies Ireland Limited • Unity Technologies BVI 		
Unity Software Limited	United Kingdom	100
Unity Technologies LT, UAB	Lithuania	100
Unity Technologies Canada Company	Canada	100
Unity Technologies SARL	France	100
Unity Technologies AB	Sweden	100
Unity Technologies S.A.S.	Colombia	100
Graphine NV	Belgium	100
RestAR Ltd	Israel	100
Unity Technologies Finland OY	Finland	100
Metaverse Technologies France SARL	France	100
Metaverse Technologies Ireland Limited	Ireland	100
Unity Germany GmbH	Germany	100
Unity Technologies (BVI) Ltd	United Kingdom	100

6 Income tax receivable

No deferred tax asset has been recognized in the financial statement, due to uncertainty regarding the timeline for future usage. The Entity will assess whether to recognize the tax asset in the coming periods.

Corporate income tax receivable for the Danish jointly taxed companies amounted to USD 788 thousand at 31 December 2022 (2021: USD 1.674 thousand).

7 Other provisions

	2022
	USD'000
Other provisions	7.470
	7.470

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

8 Contingent liabilities

The Entity is the administration company for Danish jointly, taxed companies. The administration company has unlimited, joint and several liability together with the other jointly taxed companies for all corporate income taxes arising under the joint taxation scheme. Corporate income tax receivable for the Danish jointly taxed companies amounted to USD 788 thousand at 31 December 2022 (2021: USD 1.674thousand).

The Entity has issued a surety towards the subsidiary Unity Technologies ApS.

9 Related parties

Parties exercising control over the Company is:

- Unity Technologies Singapore Pte. Ltd. registered in Singapore (Parent of Unity IPR ApS)
- Unity Software Inc. registered in United States of America (Parent of Unity Technologies Singapore Pte. Ltd.)

Name and registered office of the Parent preparing consolidated financial statements for the smallest and largest group:

Unity Software Inc., USA

Copies of the consolidated financial statements of Unity Software Inc may be ordered at the following address:

30 3rd St, San Francisco, CA 94103, USA

Ultimate Parent Unity Software Inc. has at the date of this financial statement, issued their financial statement for 2022.

Other than additions on investments in subsidiaries and capital increases, there are no other material transactions with related parties.

Payables to group entities amounts to USD'000 361 (2021: zero).

Receivables from group entities amount to USD'000 zero (2021: USD'000 612).

Transactions with wholly owned subsidiaries are not disclosed referring to section 98 c(3) of the Danish Financial Statements Act.

10 Proposed distribution of profit/loss

	2022	2021
	USD'000	USD'000
Transfer to retained earnings	(337.512)	(255.791)
	(337.512)	(255.791)

Accounting policies

Reporting class

The annual report has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities.

Previously, the Company's annual report has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities.

No comparative figures are adjusted following the change in reporting class.

The accounting policies used in preparation of the financial statement are otherwise consistent with those of last year.

Correction of material misstatement

In 2021, a reversal of impairment losses on investments in group enterprises of USD 23.755 thousand was mistakenly not included in the financial statements.

In accordance with the Danish Financial Statements Act, the misstatement is corrected in equity as of 31 December 2021 and comparative figures for 2021 are corrected.

As a result of the correction of material misstatement, profit/loss for the year 2021 increased USD 23.755 thousand, total assets and equity at 31 December 2021 increased 23.755 thousand.

Consolidated financial statements

Referring to section 112(2) of the Danish Financial Statements Act, no consolidated financial statements have been prepared. The financial statements of Unity IPR ApS and group entities are included in the consolidated financial statements of Unity Software Inc., USA.

Omission of cash-flow statements

With reference to Section 86(4) of the Danish Financial Statements Act, no cash flow statement is prepared.

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 Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity 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 Entity, 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.

Foreign currency translation

Reporting currency is US Dollar (USD'000)

The exchange rate between USD and DKK was 6,97 on 31 December 2022 and 6,56 on 31 December 2021.

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivables or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Other external expenses

Other external expenses include expenses relating to ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes write downs of receivables recognised in current asset.

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, and gains and losses from the sale 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 full elimination of intergroup profit losses and amortisation of goodwill.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment 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 is the positive difference between cost and fair value of assets and liabilities arising from acquisitions.

Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful lives are reassessed annually. The amortisation periods used are 10 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

In the parent financial statements, investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits and losses.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount. Group enterprises with negative equity value are measured at USD 0, and any receivables from these entities are written down to the extent that the receivables are deemed irrecoverable. To the extent that the Entity has a legal or construction obligation to cover a negative balance exceeding the receivable, the residual amounts is recognised as provisions.

Goodwill is calculated as the difference between cost of the investments and fair value of the pro rata share of assets and liabilities acquired. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful lives are reassessed annually. The amortisation periods used are 5-10 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Receivables

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

Income tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed 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.

Cash

Cash comprises bank deposits.

Equity

Net revaluation reserve according to the equity method

The net revaluation reserve according to the equity method comprises net revaluations of equity investments in group entities and associates and participating interests compared to cost comprising i.a. recognised shares of profit/loss and foreign exchange adjustments less dividends.

The reserve can be eliminated in case of losses, realisation of equity investments or changes in accounting estimates. The reserve cannot be recognised at a negative amount

Proposed dividend

Proposed dividend is recognised as a liability at the date when it is adopted at the annual general meeting (declaration date). Dividend expected to be distributed for the year is presented as a separate line item in equity.

Other provisions

Other provisions comprise provisions for investments in group enterprises. Refer to "Investments in group enterprises".

Other financial liabilities

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

Joint taxation contributions payable or receivable

Current joint taxation contributions receivable or joint taxation contributions payable are recognised in the balance sheet, calculated as tax computed on the taxable income of the year, which has been adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.