Unity Technologies ApS
Niels Hemmingsens Gade 24, 1.
1153 Copenhagen
Central Business Registration No
30719913

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 Technologies ApS
Niels Hemmingsens Gade 24, 1.
1153 Copenhagen

Central Business Registration No (CVR): 30719913
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 Executive Board have today considered and approved the annual report of Unity Technologies 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 financial statements give a true and fair view of the Entity's assets, liabilities and financial position at 31.12.2018 and of the results of its operations 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	Anders Peter K. Johansen	Kimberly Ann Jabal

Independent auditor's report

To the shareholder of Unity Technologies ApS

Opinion

We have audited the financial statements of Unity Technologies ApS for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant 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 Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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 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 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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 about 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 the 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 these 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:

Independent auditor's report

- 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.

- 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 Entity’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 Entity’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 Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 commentary
Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Independent auditor's report

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act.

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

We did not identify any material misstatement of the management commentary.

Copenhagen, 11.06.2019

KPMG

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 25578198

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David Olafsson
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David Olafsson
State Authorised Public Accountant
Identification No (MNE) mne19737

DocuSigned by:
Kenn Wolff Hansen
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Kenn Wolff Hansen
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	1.498.866	1.105.956	738.025	681.450	443.643
Gross profit/loss	(555.294)	(427.861)	(204.860)	(3.322)	157.002
Operating profit/loss	(768.851)	(620.357)	(343.053)	(95.421)	96.550
Net financials	(4.634)	(11.193)	868	(20.517)	54.810
Profit/loss for the year	(762.485)	(626.050)	(362.469)	(90.317)	113.992
Total assets	706.829	654.114	601.701	393.019	403.207
Investments in property, plant and equipment	9.305	23.303	30.240	4.741	1.595
Equity	(374.497)	(66.979)	200.019	48.847	139.168
Average numbers of employees	210	211	185	122	87
Ratios					
Return on equity (%)	N/A	(941,1)	(291,3)	(96,2)	138,7
Equity ratio	(53,0)	(10,2)	33,2	12,4	34,5

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 enity.

Management commentary

Primary activities

Unity Technologies ApS is an International software technology entity 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 Entity's Online Store at unity3d.com.

Development in activities and finances

The Entity has realized a loss of DKK 762,485 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 year is negatively affected by a substantial increase in the Entity's external costs. The increase in external costs is driven by a strengthened focus on the Entity's R&D activities from the continued development and investment in the Unity product.

On 28 October 2018 the Company 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 31 May 2018 the shareholder made a 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 20 July 2018 the shareholder made an additional capital increase by nominally DKK 1,000 at a price per share of 15,623,436 corresponding to a capital increase of DKK 156,234,360. On 18 December 2018 the shareholder made another capital increase by nominally DKK 1,000 at a price per share of 13,850,000 corresponding to a capital increase of DKK 138,500,000.

Due to the loss for the year the 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 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 Technologies ApS financially in all respects, so Unity Technologies 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 risks

The Entity'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 Entity 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

No deferred tax asset has been recognized in the financial statements, due to uncertainty regarding the timeline for future usage. The Entity 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 Entity's result or balance sheet significantly.

Unusual circumstances affecting recognition and measurement

During the financial year the Entity's operation has not been affected by other matters.

Outlook

For the next year, the Entity expects to continue its investment plan. Therefore, the Entity expects to be loss making also in 2019, same level as 2018.

Intellectual capital resources

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

The Entity is investing in the 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 Entity expensed significant research and development costs relating to the core product. Investments in R&D will ensure that the Entity can maintain and improve its market position in the coming years.

Statutory report on corporate social responsibility

At the current stage, the Entity has not implemented any formal policies, impacts on climate change, human rights and the environment, as the Entity supports these efforts through the following programs.

Management commentary

The Entity's social responsibility efforts falls under two categories: compliance and being proactive. Compliance refers to the Entity'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 labour practices.

The Entity understands the need to protect the natural environment and climate. We will always follow best practices regarding waste and recycling by providing trash, recycling and composting bins throughout the workplace. We are 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 Entity 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 Entity'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 Entity'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 Entity'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 Entity did not receive anti-corruption related reports in 2018. One of our key risks is specifically related with potential breaches to the Entity's Code and of Business Conduct, where we continue to integrate through various initiatives and monitor our employees' performance.

Management commentary

Staff matters

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

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 questions before launching the survey in January 2019. The survey covering various topics and factors such as company confidence, leadership, managers, people, the company is giving the employees the opportunity to provide their anony-mous 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 Entity 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 Entity 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 entity 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 Entity is working to increase the number of female managers in the Entity. The status is now that one of our three members of the Executive Board in the Entity is woman, middle management is represented by 10 female managers of 42 managers in total, which represents 24% of total employees in middle manage-ment.

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 Entity to ensure that female candidates are applying for such positions. The Entity has a target to hire one female as a member of the Executive Board before the end of 2021. The Entity has reached the target in 2019. Even though we operate in a male dominated industry, we will maintain high focus on keeping the composition of the Executive Board.

Income statement for 2018

	Notes	2018 DKK'000	2017 DKK'000
Revenue	2	1.498.866	1.105.956
Variable costs		(206.594)	(166.091)
Other external expenses		(1.847.566)	(1.367.726)
Gross profit/loss		**(555.294)**	**(427.861)**
Staff costs	3	(185.130)	(171.746)
Depreciation, amortisation and impairment losses	4	(28.381)	(14.415)
Other operating expenses		(46)	(6.335)
Operating profit/loss		**(768.851)**	**(620.357)**
Income from investments in group enterprises		12.980	693
Other financial income	5	0	5.417
Other financial expenses	6	(17.614)	(17.303)
Profit/loss before tax		**(773.485)**	**(631.550)**
Tax on profit/loss for the year	7	11.000	5.500
Profit/loss for the year	8	**(762.485)**	**(626.050)**

Balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017 DKK'000
Acquired intangible assets		6.394	9.682
Goodwill		779	1.185
Software in progress		2.138	0
Intangible assets	9	**9.311**	**10.867**
Other fixtures and fittings, tools and equipment		26.462	30.928
Property, plant and equipment under construction		1.370	0
Property, plant and equipment	10	**27.832**	**30.928**
Investments in group enterprises		178.595	164.942
Deposits		10.554	6.722
Fixed asset investments	11	**189.149**	**171.664**
Fixed assets		**226.292**	**213.459**
Trade receivables		183.001	221.997
Receivables from group enterprises		123.867	30.094
Other receivables		11.413	1.400
Prepayments	12	24.854	13.600
Receivables		**343.135**	**267.091**
Cash		**137.402**	**173.564**
Current assets		**480.537**	**440.655**
Assets		**706.829**	**654.114**

Balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017 DKK'000
Contributed capital		506	503
Reserve for equity investments		84	0
Retained earnings		(375.087)	(67.482)
Equity		**(374.497)**	**(66.979)**
Trade payables		58.763	39.925
Payables to group enterprises		579.026	331.312
Other payables		72.989	58.954
Deferred income	13	370.548	290.902
Current liabilities other than provisions		**1.081.326**	**721.093**
Liabilities other than provisions		**1.081.326**	**721.093**
Equity and liabilities		**706.829**	**654.114**

Events after the balance sheet date	1
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Statement of changes in equity for 2018

	Contributed capital DKK'000	Share premium DKK'000	Reserve for equity investments DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	503	0	0	(67.482)	(66.979)
Increase of capital	3	455.637	0	0	455.640
Exchange rate adjustments	0	0	0	(673)	(673)
Trasfer to reserves	0	(455.637)	0	455.637	0
Profit/loss for the year	0	0	84	(762.569)	(762.485)
Equity end of year	506	0	84	(375.087)	(374.497)

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 Technologies ApS financially in all respects, so Unity Technologies 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	500
Increase of capital, cash in 2016	1
Increase of capital, cash in 2017	2
Increase of capital, cash in 2018	3
	506

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

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	1.493.265	1.102.858
	1.498.866	**1.105.956**
Revenue by activity		
Contract sales	319.442	202.364
Products and web sales	1.179.424	903.592
	1.498.866	**1.105.956**

	2018 DKK'000	2017 DKK'000
3. Staff costs		
Wages and salaries	171.809	158.421
Pension costs	13.321	12.927
Other social security costs	0	398
	185.130	**171.746**
Average number of employees	**210**	**211**

	Remuneration of management 2018 DKK'000	Remuneration of management 2017 DKK'000
Executive Board	4.360	5.441
	4.360	**5.441**

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

Notes

Special incentive programmes

The Ultimate Parent Company has set up a special incentive scheme applying to Entity'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 13,368,312 are specifically granted for Unity Technologies ApS, with 433,930 shares granted in 2018.

During the period 10 September 2009 - 31 December 2018, 360 full time employees were granted with shares, an average of 37.134 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
4. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	4.093	1.233
Depreciation of property, plant and equipment	12.355	12.199
Amortisation of goodwill	11.933	983
	28.381	**14.415**

	2018 DKK'000	2017 DKK'000
5. Other financial income		
Other interest income	0	5.417
	0	**5.417**

	2018 DKK'000	2017 DKK'000
6. Other financial expenses		
Financial expenses to group enterprises	2.401	1.462
Other interest expenses	44	13.240
Exchange rate adjustments	15.169	2.601
	17.614	**17.303**

Notes

	2018 DKK'000	2017 DKK'000
7. Tax on profit/loss for the year		
Adjustment concerning previous years tax special incentive programme	(5.500)	0
Income from tax special incentive programme	(5.500)	(5.500)
	(11.000)	**(5.500)**

	2018 DKK'000	2017 DKK'000
8. Proposed distribution of profit/loss		
Reserve for equity investments	84	0
Retained earnings	(762.569)	(626.050)
	(762.485)	**(626.050)**

	Acquired intangible assets DKK'000	Goodwill DKK'000	Software in progress DKK'000
9. Intangible assets			
Cost beginning of year	12.805	2.240	0
Additions	399	0	2.138
Cost end of year	**13.204**	**2.240**	**2.138**
Amortisation and impairment losses beginning of year	(3.123)	(1.055)	0
Amortisation for the year	(3.687)	(406)	0
Amortisation and impairment losses end of year	**(6.810)**	**(1.461)**	**0**
Carrying amount end of year	**6.394**	**779**	**2.138**

Notes

	Other fixtures and fittings, tools and equipment DKK'000	Property, plant and equipment under construction DKK'000
10. Property, plant and equipment		
Cost beginning of year	45.179	0
Additions	7.935	1.370
Disposals	(2.816)	0
Cost end of year	**50.298**	**1.370**
Depreciation and impairment losses beginning of year	(14.251)	0
Depreciation for the year	(12.355)	0
Reversal regarding disposals	2.770	0
Depreciation and impairment losses end of year	**(23.836)**	**0**
Carrying amount end of year	**26.462**	**1.370**

	Invest-ments in group enterprises DKK'000	Deposits DKK'000
11. Fixed asset investments		
Cost beginning of year	165.232	6.722
Additions	13.279	3.832
Cost end of year	**178.511**	**10.554**
Value adjustments beginning of year	(290)	0
Exchange rate adjustments	(673)	0
Amortisation of goodwill	(11.933)	0
Share of profit/loss for the year	13.130	0
Adjustment to previous years share of profit/loss for the year	(150)	0
Value adjustments end of year	**84**	**0**
Carrying amount end of year	**178.595**	**10.554**
Goodwill included in the carrying amount	**111.637**	**0**

Notes

	Registered in	Corporate form	Equity interest %	Equity DKK'000
Investments in group enterprises comprise:				
Multiplay Ltd.	UK	Ltd.	100,0	56.553
Digital Monarch Media Ltd.	Canada	Ltd.	100,0	10.405

Digital Monarch Media Ltd. was acquired from third party on 28 October 2018.

12. Prepayments

	2018 DKK'000	2017 DKK'000
Software licenses	16.232	11.238
Rent	25	0
Other	8.597	2.362
	24.854	**13.600**

13. Deferred income

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

Notes

14. Deferred tax

	2018 DKK'000	2017 DKK'000
Deferred tax beginning of year	216.842	94.250
Change in deferred tax not recognised in profit/loss for the year	157.994	122.592
Adjustment concerning previous years	(28.679)	0
Deferred tax before write down	346.157	216.842
Write down	(346.157)	(216.842)
Deferred tax end of the year	**0**	**0**

	2018 DKK'000	2017 DKK'000
Intangible assets	1.067	166
Property, plant and equipment	8.323	5.272
Tax loss carry forwards	336.767	211.404
Deferred tax before write down	346.157	216.842
Write down	(346.157)	(216.842)
	0	**0**

15. Contingent liabilities

The Entity has concluded rental commitments of a total of DKK 53.231 thousand for the period of interminability until 31 December 2022. The Entity has provided bank guarantee for the rentals and third parties payables amounts to DKK 866 thousand.

Joint Taxation

The Entity participates in a Danish joint taxation arrangement in which Unity IPR ApS 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.

16. Transactions with related parties

	2018 DKK'000	2017 DKK'000
Sale of services to group enterprises	315.552	263.149
Purchase of services from group enterprises	(1.603.963)	(1.160.970)
	(1.288.411)	**(897.821)**

Notes

Remuneration to the Executive Board is disclosed in note 3.

Intercompany balances with the group enterprises are disclosed disclosed in the balance sheet and interest expense is disclosed in note 6.

17. Group relations

Name and registered office of the Parent Company preparing consolidated financial statements for the smallest group: Unity IPR ApS, Central Business Registration No. 30719883.

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 financial statements are consistent with those applied last year.

Reclassification of comparative figures:

Minor reclassifications have been made in individual items in the income statement and balance sheet, including in the specification in the 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 financial statements.

Omission of consolidated financial statements

Pursuant to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared. The financial statements of Unity Technologies ApS and group entities are included in the consolidated financial statements of Unity IPR ApS, Central Business Registration No. 30719883.

Omission of the cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, the Entity has not prepared a cash flow statement. The Entity is part of the cash flow statement prepared for the Parent Company Unity IPR ApS.

Omission of disclosure of fee for auditors appointed at the general meeting

Pursuant to Section 96(3) of the Danish Financial Statements Act, the Entity has not disclosed fee for auditors appointed at the general meeting. The information is disclosed in the financial statements for the Parent Company Unity IPR Aps.

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.

Accounting policies

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

Foreign currency translation

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

Receivables, debts and othe monetary items in foreign currencies that have not been settled on the balance sheet date are measured to the exchange rate at the balance sheet date. The difference between the rates at the balance sheet date and the rates rulling at the time when the receivable or debt have arised are recognised in financial in financial income and expenses in the income statement.

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

Income statement

Revenue

For contract sales the Entity 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 product and web sales the Entity 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 cost 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 costs to social security and pension.

Accounting policies

Depreciation, amortisation and impairment losses
Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise depreciation, amortisation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sales 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 full elimination of inter-group gains/losses and amortisation of goodwill.

Other financial income/expenses
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.

The Entity is part of a joint taxation arrangement with the Parent Company Unity IPR ApS. Unity IPR ApS is administrator for the joint taxation.

Balance sheet
Goodwill
Goodwill are measured at cost with deduction of accrued depreciation. Goodwill is amortised over the estimated useful lives of the assets which are estimated based on Managements's experience within 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 etc comprise acquired intangible assets and software in progress.

Acquired intangible assets and software are measured at the lower of cost less accumulated amortisation and recoverables amounts. Software are amortised over the lincese period, and client agreements are amortised over the agreements 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 depreciations, etc. Cost comprises the acquisition price, costs, directly attributable to the acquisition and preparation costs of the assets 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 depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tool 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 price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised 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 “Investments in group enterprises” in the balance 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 the acquisition 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 computed onm this year's taxable income, adjusted or prepaid tax.

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

Cash
Cash comprises cash in hand and bank deposits.

Accounting policies

Other financial liabilities

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

Deferred income

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