UNITY TECHNOLOGIES ApS

Niels Hemmingsens Gade 24, 1
1053 Copenhagen K
Business Registration No
30719913

Annual report 2020

The Annual General Meeting adopted the annual report on 25 June 2021

Chairman of the General Meeting

Name: Luis Felipe Visoso Lomelin

Contents

Entity details

Entity

Unity Technologies ApS

Niels Hemmingsens Gade 24, 1
1153 Copenhagen K

Central Business Registration No (CVR) : 30719913
Registered in : Copenhagen
Financial year : 01.01.2020 - 31.12.2020

Executive Board
Brett Arthur Bibby
Anders Peter Kierbye Johansen
Luis Felipe Visoso Lomelin
Laura Jeffords Greenberg

Entity auditors

EY Godkendt Revisionspartnerselskab
Dirch Passers Allé 36
2000 Frederiksberg

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 01.01.2020 - 31.12.2020.

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 31.12.2020 and of the results of its operations for the financial year 01.01.2020 - 31.12.2020.

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 25 June 2021

Executive Board

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Brett Bibby
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Brett Arthur Bibby

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Anders Peter Kierbye Johansen
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Anders Peter Kierbye Johansen

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Luis Felipe Visoso Lomelin

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Laura Jeffords Greenberg
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Laura Jeffords Greenberg

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 01.01.2020 - 31.12.2020, which comprise the income statement, balance sheet, statement of changes in equity, notes and 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 31.12.2020 and of the results of the Company's operations for the financial year 01.01.2020 - 31.12.2020 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' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

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 theeconomic decisions of users taken on the basis of the financial statements.

Independent auditor's report

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.
- 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 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 commentary

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.

Independent auditor's report

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

Copenhagen, 25 June 2021

EY Godkendt Revisionspartnerselskab
CVR No. 30700228

Alex Petersen
State Authorised Public Accountant
Identification No (MNE) mne28604

Management commentary

	2020	2019	2018	2017	2016
	USD'000	USD'000	USD'000	USD'000	USD'000
Financial highlights					
Key figures					
Revenue	383.451	303.459	234.041	167.888	109.618
Gross profit	(65.531)	(71.623)	(73.206)	(64.874)	(30.428)
Operating profit/loss	(112.277)	(104.062)	(104.849)	(94.060)	(50.953)
Net financials	(17.008)	(1.863)	(2.506)	(1.697)	129
Profit/loss for the year	(128.376)	(105.101)	(105.687)	(94.924)	(53.837)
Total Assets	435.213	177.308	108.820	105.371	85.314
Investment in property, plant and equipment	1.985	3.957	1.496	3.754	4.288
Equity	(105.785)	(123.930)	(56.706)	(10.790)	28.360
Average number of employees	297	240	210	211	185
Ratios					
Return on equity (%)	113 %	116 %	313 %	(1081)%	(303)%
Equity ratio (%)	(23,9)	(69,9)	(52,1)	(10,2)	33,2

The financial ratios are calculated in accordance with the Danish Finance Society's recommendations and guidelines. For definitions, see the summary of significant accounting policies.

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 by the owners
Equity ratio (%)	$\frac{\text{Equity x 100}}{\text{Total assets}}$	The financial strength of the entity

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 realised a loss of USD 128.376 thousand. The loss for the year has increased slightly compared to last year, but is in line with the revised expectations for 2020. Revenue 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. The Entity continues to have a negative share capital with 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, until then the negative share capital and all obligations for the Entity are covered by the comfort letter issued by the ultimate Parent Company.

On the 11th of December 2020 the Entity acquired 100% of the issued share capital of RestAR for the price of 17,6 million USD, an Israeli limited liability company. RestAR is a world leading platform for creating and operating real-time 3D (RT3D) content. RestAR platform provides power to brands, retailers, and consumers by democratizing digital marketing for any product. The acquisition offers strategic opportunities, and will be adding strong technical competencies and technical expertise into the group.

Capital resources

On 19th of November 2020 the shareholder made a capital increase by nominally DKK 1.000 at a subscription rate of 94,487,243 corresponding to a price per share (of nominally DKK 1,00) of DKK 944,872 corresponding to a capital increase of DKK 944,872,425 equivalent to USD 148,250,484.

Due to the loss for the year the Entity 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 7th of June 2021. 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 for at least one year from the date of approval of the 2020 Financial Statements by the directors of the Entity.

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, primarily in DKK, which give rise to a currency risk in case of fluctuations in the DKK 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 statement, 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

The Entity has recognised an impairment loss of USD 14 million during the year. The impairment loss is a write down of part of the goodwill from the acquisition of Multiplay. The Management decision of the impairment loss was triggered by the dissolution process of Multiplay in 2020.

Management Commentary

Outlook

The Entity expects to continue investing in the development of the product and capital resources, and therefore, anticipates it will remain in a loss making position for 2021. The expected Revenue for the year 2021 is above 420 million USD and the Operating income for the year 2021 is expected to be a loss on the same level as 2020.

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

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's compliant with the current development in the work environment community and local laws.

Research and development activities

In 2020, the Entity incurred 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

The Entity has based on a risk-based assessment not implemented any formal policies within human rights, environmental issues or climate issues.

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 2020. 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.

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 company.

A key take away from 2020 was the conducted employee-survey. The survey was performed early 2020 and it's primary goal was to cover various topics and factors such as company confidence, leadership, managers, people. The Entity is striving to give its 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.

Management Commentary

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 the chance to grow, expand their skills or build depth expertise by making available tailor-made training sessions. Furthermore, the Entity established workout 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 it 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 the members of the Executive Board in the Entity is a woman (25%), middle management is represented by 22 female managers of 56 managers in total, which represents 39% of total employees in middle management. This is an increase of 12 % point from 2019. 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 in the prior years aimed at hiring an additional female for the Executive Board, hence this has been reached in 2019 and throughout 2020. Even though we operate in a male dominatedindustry. We will maintain high focus on meeting our target for the composition of the Executive Board.

COVID-19

Our business and operations could be adversely affected by health epidemics, including the current COVID-19 pandemic, impacting the markets and communities in which we, our partners and customers operate. The COVID-19 pandemic has caused and continues to cause significant business and financial markets disruption worldwide and there is significant uncertainty around the duration of this disruption on both a nationwide and global level, as well as the ongoing effects on our business.

The full extent to which the COVID-19 pandemic will directly or indirectly impact our business, results of operations and financial condition will depend on future developments that are highly uncertain and cannot be accurately predicted, and we may be unable to accurately forecast our revenue or financial results. Although we have and may continue to experience a modest adverse impact on our sales of Create Solutions as well as our Strategic Partnerships, we have seen an increase in demand for our portfolio of products and services within Operate Solutions following the implementation of shelter-in- place orders to mitigate the outbreak of COVID-19, which has resulted in higher levels of end-user engagement in Operate Solutions. However, this increased demand for our Operate Solutions will likely moderate over time, particularly as a vaccine becomes widely available, and as shelter-in-place orders and other related measures and community practices evolve. Additionally, COVID-19 protocols and precautions reduced spending on events and facilities in 2020, which savings will likely not be repeated infuture years causing our expenses to increase. Further, as certain of our customers or partners experience downturns or uncertainty in their own business operations or revenue resulting from the COVID-19 pandemic, they may decrease or delay their spending, request pricing concessions or seek renegotiations of their contracts, and decrease advertising spend, any of which may result in decreased revenue for us. The COVID-19 pandemic has also resulted in a dramatic increase in unemployment that could result in end users having less discretionary income to spend on games, which could have a negative impact on the gaming industry. In addition, we may experience customer or strategic partner losses, including due to bankruptcy or our customers or strategic partners ceasing operations, which may result in an inability to collect receivables from these parties. A decline in revenue or the collectability of our receivables could harm our business.

Management Commentary

In addition, in response to the COVID-19 pandemic, we are requiring or have required substantially all of our employees to work remotely to minimize the risk of the virus to our employees and the communities in which we operate, and we may take further actions as may be required by government authorities or that we determine are in the best interests of our employees, customers and business partners. There is no guarantee that we will be as effective while working remotely because our team is dispersed, employees may have less capacity to work due to increased personal obligations (such as childcare, eldercare, or caring for family members who become sick), may become sick themselves and be unable to work, or may be otherwise negatively affected, mentally or physically, by the COVID-19 pandemic and prolonged social distancing. Decreased effectiveness and availability of our team could adversely affect our results due to slow-downs in our sales cycles and recruiting efforts, delays in our entry into customer contracts, delays in addressing performance issues, delays in product development, delays and inefficienciesamong various operational aspects of our business, including our financial organization, or other decreases in productivity that could seriously harm our business. Furthermore, we may decide to postpone or cancel planned investments in our business in response to changes in our business as a result of the spread of COVID-19, which may impact our ability to attract and retain customers and our rate of innovation, either of which could harm our business. In addition, our facilities needs are evolving based on continuing changes and impact on work environments as a result of the COVID-19 pandemic, and we may not be able to alter our contractual commitments to accommodate such changes, whichcould cause us to incur additional costs or otherwise harm our business. More generally, the COVID-19 outbreak has adversely affected economies and financial markets globally, which could decrease technology spending and adversely affect demand for our platform.

The global impact of the COVID-19 pandemic continues to rapidly evolve, and we will continue to monitor the situation and the effects on our business and operations closely. We do not yet know the full extent of potential impacts on our business, operations or the global economy as a whole, particularly if the COVID-19 pandemic and related public health measures continue and persist for an extended period of time. Given the uncertainty, we cannot reasonably estimate the impact on our future results of operations,cash flows or financial condition. While the spread of the COVID-19 pandemic may eventually becontained or mitigated, there is no guarantee that a future outbreak of this or any other widespread epidemics will not occur, or that the global economy will recover, either of which could harm our business.

Subsequent events

On 30th of March 2021 the shareholder made a capital increase by nominally DKK 1.000 at a subscription rate of 94,654,500 corresponding to a price per share (of nominally DKK 1,00) of DKK 946,545 corresponding to a capital increase of DKK 946,545,000 equivalent to USD 150,000,000.

Income statement for 2020

	Note	2020 USD'000	2019 USD'000
Revenue	3	383.451	303.459
Cost of sales		(14.445)	(12.641)
Other external expenses	4	(434.537)	(362.441)
Gross profit/loss		**(65.531)**	**(71.623)**
Staff costs	5	(41.958)	(28.979)
Depreciation, amortisation and impairment losses	6	(4.787)	(3.448)
Other operating expenses		—	(12)
Operating profit/loss		**(112.277)**	**(104.062)**
Income from investments in group enterprises		(14.714)	(1.230)
Other financial income	7	—	318
Other financial expenses	8	(2.293)	(951)
Profit/loss before tax		**(129.284)**	**(105.925)**
Tax on profit/loss for the year	9	908	824
Profit/loss for the year	10	**(128.376)**	**(105.101)**

Balance sheet as at 31.12.2020

	Notes	2020 USD'000	2019 USD'000
Assets			
Completed development projects		4.641	3.662
Acquired intangible assets		54.828	717
Goodwill		24	55
Intangible assets	11	**59.493**	**4.434**
Other fixtures and fittings, tools and equipment		3.052	2.870
Leasehold improvements		2.950	3.101
Property, plant and equipment in progress		71	124
Property, plant and equipment	12	**6.073**	**6.095**
Investments in group enterprises		31.418	29.667
Deposits		1.060	944
Other long-term receivables		1.703	0
Fixed asset investments	13	**34.631**	**30.611**
Fixed assets		**99.747**	**41.140**
Trade receivables		41.391	45.908
Receivables from group enterprises		224.021	68.453
Other receivables		8.526	406
Joint taxation contribution receivable		0	824
Prepayments		6.256	5.044
Receivables		**280.193**	**120.635**
Cash		**53.542**	**15.534**
Current assets		**333.735**	**136.169**
Assets		**433.482**	**177.309**

	Notes	2020 USD'000	2019 USD'000
Contributed capital		94	94
Reserve for net revaluation according to the equity method		0	1.138
Reserves for currency adjustment		(1.730)	0
Reserve for development expenditure		3.620	2.856
Retained earnings		(107.769)	(128.018)
Equity		**(105.785)**	**(123.930)**
Payables to group enterprises		119.111	75.000
Income tax payable		1.437	0
Other payables	15	19.099	876
Non-current liabilities other than provisions	16	**139.647**	**75.876**
Trade payables		11.079	9.822
Payables to group enterprises		280.587	132.177
Other payables		20.223	13.772
Deferred income	17	87.731	69.592
Current liabilities other than provisions		**399.620**	**225.363**
Liabilities other than provisions		**539.268**	**301.239**
Equity and liabilities		**433.482**	**177.309**

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Statement of changes in equity for 2020

	Contributed capital USD'000	Share premium USD'000	Reserve for net revaluation according to the equity method USD'000	Reserve for development expenditure USD'000
Equity beginning of year	94	—	1.138	2.856
Increase of capital	—	148.251	—	—
Exchange rate adjustment	—	—	(1.730)	
Transfer to reserves	—	(148.251)	(1.138)	764
Profit/loss for the year	—	—	—	—
Equity end of year	**94**	**—**	**(1.730)**	**3.620**

	Retained earnings USD'000	Total USD'000
Equity beginning of year	(128.017)	(123.929)
Increase of capital	—	148.251
Exchange rate adjustment		(1.730)
Transfer to reserves	148.624	—
Profit/loss for the year	(128.376)	(128.376)
Equity end of year	**(107.769)**	**(105.785)**

Negative share capital

The Entity continues to have a negative share capital with 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, until then the negative share capital and all obligations for the Entity are covered by the comfort letter issued by the ultimate Parent Company.

On 19th of November 2020 the shareholder made a capital increase by nominally DKK 1.000 at a subscription rate of 94,487,242.50 corresponding to a price per share (of nominally DKK 1,00) of DKK 944,872.43 corresponding to a capital increase of DKK 944,872.425 equivalent to USD 148,250,483.50.

In connection with issuing the financial statement a letter of comfort has been received from Unity Software Inc. (ultimate Parent Company) dated 7th of June 2021. 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 for at least one year from the date of approval of the 2020 Financial Statements by the directors of the Entity.

Changes in contributed capital:

	USD’000
Contributed capital 1st January 2012	94
Increase of capital, cash in 2017	—
Increase of capital, cash in 2018	—
Increase of capital, cash in 2019	—
Increase of capital, cash in 2020	—
	94

The contributed capital is not divided into classes. During the year, 1,000 new shares were subscribed with a value per share of DKK 944,872.

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 7th of June 2021. 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 for at least one year from the date of approval of the 2020 Financial Statements by the directors of the Entity.

2. Events after the balance sheet date

Our business and operations could be adversely affected by health epidemics, including the current COVID-19 pandemic, impacting the markets and communities in which we, our partners and customers operate. The COVID-19 pandemic has caused and continues to cause significant business and financial markets disruption worldwide and there is significant uncertainty around the duration of this disruption on both a nationwide and global level, as well as the ongoing effects on our business.

The full extent to which the COVID-19 pandemic will directly or indirectly impact our business, results of operations and financial condition will depend on future developments that are highly uncertain and cannot be accurately predicted, and we may be unable to accurately forecast our revenue or financial results. Although we have and may continue to experience a modest adverse impact on our sales of Create Solutions as well as our Strategic Partnerships, we have seen an increase in demand for our portfolio of products and services within Operate Solutions following the implementation of shelter-in- place orders to mitigate the outbreak of COVID-19, which has resulted in higher levels of end-user engagement in Operate Solutions. However, this increased demand for our Operate Solutions will likely moderate over time, particularly as a vaccine becomes widely available, and as shelter-in-place orders and other related measures and community practices evolve. Additionally, COVID-19 protocols and precautions reduced spending on events and facilities in 2020, which savings will likely not be repeated infuture years causing our expenses to increase. Further, as certain of our customers or partners experience downturns or uncertainty in their own business operations or revenue resulting from the COVID-19 pandemic, they may decrease or delay their spending, request pricing concessions or seek renegotiations of their contracts, and decrease advertising spend, any of which may result in decreased revenue for us. The COVID-19 pandemic has also resulted in a dramatic increase in unemployment that could result in end users having less discretionary income to spend on games, which could have a negative impact on the gaming industry. In addition, we may experience customer or strategic partner losses, including due to bankruptcy or our customers or strategic partners ceasing operations, which may result in an inability to collect receivables from these parties. A decline in revenue or the collectability of our receivables could harm our business.

In addition, in response to the COVID-19 pandemic, we are requiring or have required substantially all of our employees to work remotely to minimize the risk of the virus to our employees and the communities in which we operate, and we may take further actions as may be required by government authorities or that we determine are in the best interests of our employees, customers and business partners. There is no guarantee that we will be as effective while working remotely because our team is dispersed, employees may have less capacity to work due to increased personal obligations (such as childcare, eldercare, or caring for family members who become sick), may become sick themselves and be unable to work, or may be otherwise negatively affected, mentally or physically, by the COVID-19 pandemic and prolonged social distancing. Decreased effectiveness and availability of our team could adversely affect our results due to slow-downs in our sales cycles and recruiting efforts, delays in our entry into customer contracts, delays in addressing performance issues, delays in product development, delays and inefficienciesamong various operational aspects of our business, including our financial organization, or other decreases in productivity that could seriously harm our business. Furthermore, we may decide to postpone or cancel planned investments in our business in response to changes in our business as a result of the spread of COVID-19, which may impact our ability to attract and retain customers and our rate of innovation, either of which could harm our business. In addition, our facilities needs are evolving based on continuing changes and impact on work environments as a result of the COVID-19 pandemic, and we may not be able to alter our contractual commitments to accommodate such changes, whichcould cause us to incur additional costs or otherwise harm our business.

Notes

More generally, the COVID-19 outbreak has adversely affected economies and financial markets globally, which could decrease technology spending and adversely affect demand for our platform.

The global impact of the COVID-19 pandemic continues to rapidly evolve, and we will continue to monitor the situation and the effects on our business and operations closely. We do not yet know the full extent of potential impacts on our business, operations or the global economy as a whole, particularly if the COVID-19 pandemic and related public health measures continue and persist for an extended period of time. Given the uncertainty, we cannot reasonably estimate the impact on our future results of operations,cash flows or financial condition. While the spread of the COVID-19 pandemic may eventually becontained or mitigated, there is no guarantee that a future outbreak of this or any other widespread epidemics will not occur, or that the global economy will recover, either of which could harm our business.

	2020	**2019**
3. Revenue	**USD'000**	**USD'000**
Revenue by geographical market		
Denmark	10.816	1.339
Other countries	372.635	302.120
	383.451	**303.459**
Revenue by activity		
Create Solutions	190.637	152.558
Strategic Partnerships and Other	192.814	150.901
	383.451	**303.459**

	2020	2019
	USD'000	**USD'000**
4. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	192	84
	192	**84**

Notes

	2020	2019
	USD'000	**USD'000**
5. Staff costs		
Wages and Salaries	40.008	28.274
Pension costs	3.075	2.387
Other social security costs	179	140
Staff costs classified as assets	(1.304)	(1.783)
	41.958	**28.979**
Average number of employees	297	240

	Remuneration of management 2020	Remuneration of management 2019
	USD'000	**USD'000**
Executive Board	924	731
	924	**731**

Special incentive program

The Ultimate Parent Company has set up a special incentive scheme applying to Entity's full-time employees with grants of stock options and, beginning in 2020, restricted stock units, based on job level and title, during the period 18 September 2020 - 31 December 2020.

These are granted at hiring date, subject to Board approval, and based on performance in subsequent years. Only active full-time employees are entitled to vest the shares over a period of 4 years.

The Ultimate Parent Company carries all costs related to the incentive scheme.

In succession to the 2019 Stock Plan, our board of directors approved our 2020 Stock Plan in September 2020. The 2020 Stock Plan provides for the grant of stock options, stock appreciation rights, restricted stock, restricted stock units, and other stock or cash awards to employees, consultants, and directors. Under the 2020 Stock Plan, 78,992,241 shares are authorized for the Group, whereas 946,020 shares are reserved specifically for awards granted for Unity Technologies ApS, with 822,728 stock options granted and 123,292 restricted stock units granted in 2020.The value of the outstanding shares is USD 937,050 thousand as of end of December 2020.

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 the daily change in the stock price on the NYSE.

Notes

	2020	2019
	USD'000	USD'000
6. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	1.557	1.396
Depreciation of property, plant and equipment	3.230	2.052
	4.787	**3.448**

	2020	2019
	USD'000	USD'000
7. Other financial income		
Other interest income	—	318
	—	**318**

	2020	2019
8. Other financial expenses	USD'000	USD'000
Financial expenses from group enterprises	1.302	470
Exchange rate adjustments	991	481
	2.293	**951**

	2020	2019
	USD'000	USD'000
9. Tax on profit/loss for the year		
Refund in joint taxation arrangement	(908)	(824)
	(908)	**(824)**
Change in deferred tax:		
Refund in joint taxation arrangement	25.300	22.658
Impairment for the year	(25.300)	(22.568
	0	**0**

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. Refund in joint taxation arrangement is related to reimbursement of the tax value of tax losses from development costs according to the Danish tax credit system, subject to approval from the Danish tax authorities. Reimbursement related to 2019 was approved by the Danish tax authorities and refund received in the beginning of November 2020.

Corporate income tax receivable for the Danish jointly taxed companies amounted to USD (908) thousand at 31 December 2020 (2019: USD (824) thousand).

	2020	2019
	USD'000	USD'000
10. Proposed distribution of profit/loss		
Reserve for equity investments and development projects	764	3.606
Transfer to retained earnings	(129.140)	(108.706)
	(128.376)	**(105.100)**

Notes

11. Intangible assets	Completed development projects USD'000	Acquired intangible assets USD'000	Goodwill USD'000
Cost beginning of year	4.385	2.348	330
Transfers	—	—	—
Additions	1.702	56.703	—
Cost end of year	**6.087**	**59.051**	**330**
Amortisation and impaiment losses beginning of year	(723)	(1.631)	(275)
Amortisation for the year	(723)	(2.592)	(31)
Amortisation and impairment losses end of year	**(1.446)**	**(4.223)**	**(306)**
Carrying amount end of year	**4.641**	**54.828**	**24**

Completed development projects
The section Intellectual property rights etc under Accounting policies includes this information.

Management assessment of impairment
The Management has reviewed the intangible assets, the goodwill and the development projects for impairment as of December 2020. The Management considered the following facts: the Entity is loss making in year 2020, the Entity has focused on investments in the Unity product, the Entity has a large annually revenue growth, the Entity is fully financially supported by the ultimate Parent company, the outlook for the Unity group is a trend towards profitability and positive cash flow and there is no change of events for the intangibles in question. The Management concludes that the positive outlook and strong growth gives no evidence for impairment losses as of December 2020.

Notes

	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress
	USD'000	USD'000	USD'000
12. Property, plant and equipment			
Cost beginning of year	7.677	3.730	124
Transfers	—	53	-53
Additions	1.765	220	—
Disposals	-1.063	—	—
Cost end of year	**8.379**	**4.003**	**71**
Depreciation and impairment losses beginning of year	-4.807	-629	—
Depreciation for the year	-1.583	-424	—
Reversals regarding disposals	1.063	—	—
Depreciation and impairment losses end of year	**-5.327**	**-1.053**	**—**
Carrying amount end of year	**3.052**	**2.950**	**71**

Notes

	Investments in group enterprises	Deposits
	USD'000	USD'000
13. Fixed asset investments		
Cost beginning of year	30.511	944
Exchange rate adjustments	—	116
Additions	17.764	—
Cost end of year	**48.275**	**1.060**
Revaluations beginning of year	1.138	—
Exchange rate adjustments	(1.299)	—
Correction to prior year	(18)	—
Share of profit/loss for the year	(641)	—
Amortisation of goodwill	(218)	—
Revaluations end of year	**(1.038)**	**—**
Impairment losses beginning of year	(1.980)	—
Impairment losses for the year	(13.839)	—
Impairment losses end of year	**(15.819)**	**—**
Carrying amount end of year	**31.418**	**1.060**
Goodwill or negative goodwill recognized during the financial year	**17.331**	

	Registered in	Corporate form	Equity interest %	Equity USD'000
Investments in group enterprises comprise:				
Multiplay Ltd.	UK	Ltd.	100,0	10.044
Digital Monarch Media Ltd.	CA	Ltd.	100,0	990
Graphine NV	BE	NV	100,0	1.962
RestAR Ltd	IL	Ltd.	100,0	135

RestAR Ltd was acquired on 11 December 2020.

Notes

Management assessment of impairment

The Management has reviewed the goodwill from the investments in Digital Media Monach, Graphine, and Multiplay as of December 2020. The Management considered the following facts: Digital Media Monach is dormant and is expected to go through dissolvement during 2021. Therefore, management concludes that there is an impairment loss of USD847 thousand, thereby the total goodwill in Digital Media Monach is USD 0. Graphine is profitable and positive cash flow generating in 2020. There are positive outlooks for the Entity and no events happened nor indications of impairment loss of goodwill. The management concludes that the strong outlook and growth gives no evidence for impairment losses as of December 2020.

The Management has reviewed the goodwill from the investment in Multiplay as of December 2020. The Multiplay subsidiary is dormant at 31 December 2020 due to the transfer of activity to other affiliates in the Unity group. In 2021 the subsidiary Multiplay is going through dissolution. This event is an indicator for impairment loss. Due to this event management has decided to impair the goodwill to USD 0. The impairment loss in 2020 is therefore USD 12.994 thousand.

14. Prepayments

	2020 USD'000	2019 USD'000
Software license	4.155	4.117
Other	2.101	927
	6.256	**5.044**

	2020 USD'000	2019 USD'000
15. Other long-term payables		
Holiday pay obligation	—	876
Other payables	19.099	—
	19.099	**876**

16. Liabilities other than provisions	Outstanding after 5 years USD'000
Payables to group enterprises	119.111
	119.111

Notes

17. Deferred income

Deferred income comprises revenue related to contract- and websales, received for recognition in subsequent financial years. Deferred income is measured at costs.

18. Contingent assets and liabilities

The Entity has a not recognized deferred tax asset as 31 December 2020. The tax asset totals USD 99.720 thousands and relates to tax losses carried forward and temporary differences between valuations for accounting and taxation purposes. The tax losses can be carried forward indefinitely.

The Entity has concluded rental commitments of a total of USD 3.491 thousand for the period of interminability until 31 December 2022.

The Entity has issued 3 payment guarantees totaling USD 143 thousand. One payment guarantee amounting to USD 111 thousand expires end 2021.

Joint tax

The Entity participates in a Danish joint taxation arrangement where UNITY IPR ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. Corporate

Income tax receivable for the Danish jointly taxed companies amounted to USD -908 thousand at 31 December 2020 (2019: USD -824 thousand).

19. Related parties with controlling interest

Unity Software Inc., San Francisco, CA, USA, controlling shareholder (ultimate parent)

UNITY IPR ApS, Copenhagen, Denmark, controlling shareholder

Unity Technologies Singapore Pte. Ltd., Singapore, controlling shareholder

20. Transactions with related parties

	2020 USD'000	2019 USD'000
Cost plus	6.762	—
Reseller	14.683	(12)
Licensing	21.286	13.467
Platform and Data Services	70.045	44.891
ROS	3.798	6.686
Other sales of services to group enterprises	8.980	8.787
	125.554	**73.819**

Purchase of services from group enterprises

	2020 USD'000	2019 USD'000
Cost plus	382.272	303.630
License Fee	249	986
	382.521	**304.616**

Intercompany balances with the group enterprises are disclosed in the balance sheet and interest expense is disclosed in note 8.

Notes

21. Group relations

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

Unity Software Inc.,
30 3rd St, San Francisco, CA,94103, USA

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

Unity Software Inc.,
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 2020.

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).

Effective from the financial year 2020, the Company has implemented amending act no. 1716 of 27 December 2018 to the Danish Financial Statements Act. The implementation of the amending act has not affected the Company's accounting policies on recognition and measurement of assets and liabilities but has solely entailed new and amended presentation and disclosure requirements. The accounting policies used in the preparation of the financial statements are consistent with those of last year.

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 Software Inc, USA.

Foreign currency translation

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising 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.

Receivables, payables, and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement.

Income statements of foreign subsidiaries and associates that are translated at transaction date rates or approximated average exchange rates. Balance sheet items are translated at the exchange rates at the balance sheet date. Exchange rate adjustments arising at the translation of the opening equity and exchange rate adjustments arising from the translation of the income statements at the exchange rates at the balance sheet date are recognised directly in equity.

Income statement

Revenue

Revenue is recognized upon the transfer of control of promised products and services to customers in an amount that reflects the consideration Unity expect to receive in exchange for those products and services. The Entity is recognizing revenue based on IFRS 15.

Unity evaluate and recognize revenue by:

- Identifying the contract(s) with the customer,
- Identifying the performance obligation(s) in the contract(s);
- Determining the transaction price;
- Allocating the transaction price to performance obligation(s) in the contract(s); and
- Recognizing revenue as each performance obligation is satisfied through the transfer of a promised good or service to a customer (“transfer of control”).
-

Unity generate revenue through two sources: (1) Create Solutions, which is comprised of our subscription offerings and professional services; (2) Strategic Partnerships and Other, which is primarily arrangements with strategic partners for the customization and development of our software for platform partners. Unity recognize revenue as our contractual performance obligations are satisfied. When contracts with our customers contain multiple performance obligations, Unity allocate the overall transaction price, which is the amount of consideration to which Unity expect to receive in exchange for promised goods or services, to each of the distinct performance obligations based on their estimated relative standalone selling prices.

Create Solutions

Create Solution Subscriptions

Our subscriptions, mainly consisting of Unity Pro and Unity Plus (collectively the “Create Solution Subscriptions”) are a fully integrated content development solution that enable customers to build interactive or media-based applications. These Create Solution Subscriptions provide customers with the rights to a software license with embedded cloud functionality and multi-platform support. Under IFRS 15, Unity have concluded that the software license is significantly affected by the Entity's ongoing supportand updates and therefore have concluded that our Create Solutions Subscriptions represent a single performance obligation.

Accounting policies

The transaction price is determined based on the consideration that Unity will be entitled to receive in exchange for transferring our Create Solution Subscriptions to the customer, and Unity do not have material variable consideration. Unity recognize the single performance obligation ratably over the contract term beginning when the license key is delivered.

Enterprise customers may purchase an enhanced support offering ("Enterprise Support") that is sold separately from the Create Solution Subscriptions, Enterprise Support is generally billed in advance and is recognized ratably over the support term. When an arrangement includes Enterprise Support and Create Solution Subscriptions, which have the same pattern of transfer to the customer (the services transfer to the customer over the same period), Unity account for those performance obligations as if theyare a single performance obligation. If an arrangement includes Enterprise Support and Create Solution Subscriptions that do not have the same pattern of transfer, Unity allocate the transaction price to the distinct performance obligations and recognizes them ratably over their respective terms.

Create Solution Subscriptions primarily have a term of one to three years and are generally billed in advance and recognized ratably over the term.

Professional Services
Our professional services revenue is primarily composed of consulting, integration, training, and custom application and workflow building. Professional services may be billed in advance or on a time and materials basis and Unity recognize the related revenue as services are rendered.

Unity typically invoice our customers up front or when promised services are delivered, and the payment terms vary by customer type and location. The term between billing and payment due dates is not significant. As a result, Unity have determined that our contracts do not include significant financing component.

Customer billings related to taxes imposed by and remitted to governmental authorities on revenue producing transactions are reported on a net basis.

Strategic Partnerships and Other
Unity enter into strategic contracts with owners of hardware, operating system, and device manufacturers, gaming platforms and augmented and virtual reality platforms to customize our software licenses to allow interoperability with the platforms ("Strategic Partnerships"). This allows customers using our Create Solution Subscriptions to build and publish content to more than one platform without having to significantly customize developed content or utilize a third-party plug-in software. Unity consider the platform partners as our customers and generally provide them with the following promises in platform contracts: (i) development and customization of our software to integrate with the customer's platform and (ii) post-integration ongoing support and updates. Unity generally view these promises as one single performance obligation as the customized software license that is integrated with the customer's platform requires continuous updates that are critical to the utility of the customized software.

The transaction price is determined based on the consideration that Unity will be entitled to receive in exchange for transferring our goods and services to the customer. Unity do not have material variable consideration. When Strategic Partnerships contain non-monetary consideration, Unity measure and record the transaction price at the estimated fair value of the non-cash consideration received from the customer.

Typically, Unity recognize revenue for these contracts over time as service is performed using the input method to measure progress of the satisfaction of the performance obligation.

Cost of sales
Cost of sales comprises variable costs measured at cost, including costs of foreign assistance, incurred to achieve the revenue for the year.

Accounting policies

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 assets.

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

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, 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 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 Entity.

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 income
Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

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.

Intellectual property rights etc
Intellectual property rights etc comprise acquired intangible assets, software in progress and development projects.

Acquired intangible assets and software are measured at the lower of cost less accumulated amortisation

Accounting policies

and recoverables amounts. Software are amortised over the license period, and client agreements are amortised over the agreements period; however, not exceeding 3-5 years.

Development projects are capitalized implementation costs incurred in cloud computing service arrangements related to enterprise software solutions ("capitalized implementation costs") and costs associated with customized internal use software systems that have reached the application development stage. Such capitalized costs include external direct costs utilized in developing or obtaining the applications and payroll and payroll related expenses for employees, who are directly associated with the development of the applications.The Entity capitalize such costs during the application development stage, which begins when the preliminary project stage is complete and ceases at the point in which the project is substantially complete and is ready for its intended purpose. Costs related to preliminary projectactivities and post-implementation activities are expensed as incurred.

Capitalized software costs are amortized on a straight-line basis over their estimated useful life, generally two to three years. Management evaluates these assets' useful lives on an annual basis and tests for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets Capitalized implementation costs are expensed over the term of the hosting arrangement, which is the fixed, noncancellable term of the arrangement, plus any reasonably certain renewal periods.

The amount of capitalized software implementation costs was USD 4,385 thousand during the year ended 31 December 2020. The amount of amortised software implementation costs was USD 722 thousand during the year ended 31 December 2020 and is included in depreciation, amortisation and impairment losses on the income statement.

Property, plant and equipment and leasehold improvements
Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

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 depreciation 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.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

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 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. 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

Accounting policies

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 enterpriseswith 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 separateassets. 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.

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 tax based 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 deferred 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 recorded at the invoiced amount. There is maintained an allowance for doubtful accounts for any receivables that may be unable to collect, based on historical loss patterns, the number of days that billings are past due, and an evaluation of the potential risk of loss associated with delinquent accounts. In addition, the accounts receivable amounts due from customers that are past due to identify specific customers with known disputes or collectability issues are reviewed. In determining the amount ofthe reserve, judgments are made about the creditworthiness of customers based on ongoing credit evaluations. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

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.

Joint taxation contributions receivable or payable
Current joint taxation contributions receivable or payable are 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.

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.

Accounting policies

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

Cash flow statement

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 consolidated financial statements of Unity Software Inc, USA.