

UNITY TECHNOLOGIES APS

Niels Hemmingsens Gade 24, 1
1153 Copenhagen K
Business Registration No
30719913

Annual report 2022

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

Chairman of the General Meeting

DocuSigned by:

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Name: Luis Felipe Visoso Lomelin

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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 : 01.01.2022 - 31.12.2022

Executive Board

Andrew Howell

Luis Felipe Visoso Lomelin

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 01.01.2022 - 31.12.2022.

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 31.12.2022 and of the results of its operations for the financial year 01.01.2022 - 31.12.2022.

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


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

Copenhagen 12 July 2023

Executive Board

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Luis Felipe Visoso Lomelin

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Andrew Howell

Independent auditor's report

To the shareholders of Unity Technologies ApS

Opinion

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

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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's review

Management is responsible for the Management's review.

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

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

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

Independent auditor's report

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, 12 July 2023

EY Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28



Kennet Hartman
State Authorised Public Accountant
Identification No (MNE) mne40036



Anders Knudsen
State Authorised Public Accountant
Identification no. (MNE) mne49064

Management commentary

	2022	2021	2020	2019	2018
	USD'000	USD'000	USD'000	USD'000	USD'000
Financial highlights					
Key figures					
Revenue	509.120	449.577	383,451	303.459	234.041
Gross profit	(298.017)	(238.245)	(65,531)	(71.623)	(73.206)
Operating profit/loss	(366.235)	(303.008)	(112,277)	(104.062)	(104.849)
Net financials	(32.882)	10.977	(17,007)	(1.863)	(2.506)
Profit/loss for the year	(398.329)	(291.167)	(128,376)	(105.101)	(105.687)
Total Assets	540.852	534.109	433,482	177.308	108.820
Investment in property, plant and equipment	7.156	2.312	1,985	3.957	1.496
Equity	(7.470)	19.572	(105,785)	(123.930)	(56.706)
Average number of employees	341	330	297	240	210
Ratios					
Return on equity (%)	(6638)%	675 %	112%	116 %	313 %
Equity ratio (%)	(1,0)	3,7	(24,4)	(69,9)	(52,1)

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

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

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 USD 401.658 thousand. The loss for the year has increased compared to last year, In the financial statements for 2021, we expected revenue for 2022 of USD 520 million. Realized revenue for 2022 amounts to USD 502 million. The difference to expectation is due to changes in the business climate and is in line with the revised expectations for 2022. Revenue has 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 Unity group expects to be profitable in near future as a result of the focus on R&D activities, until then the Entity is covered by the comfort letter issued by the ultimate Parent Company.

Revenue has 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 Unity group expects to be profitable in near future as a result of the focus on R&D activities, until then the Entity is covered by the comfort letter issued by the ultimate Parent Company.

Capital resources

On 29th of September 2022 the shareholder made a capital increase by nominally DKK 1,000 at a subscription rate of DKK 291,562,400 corresponding to a price per share (of nominally DKK 1,00) of DKK 2,915,624 corresponding to a capital increase of DKK 2,915,624,000 equivalent to USD 374,999,871.

In 2023 the Entity will change business model and be subject to cost plus method. The Entity will be profitable and during 2023 will be financially covered by letter of comfort issued by Unity Software Inc (ultimate Parent Company). The letter of comfort is dated 23rd of May 2023 and is valid for at least one year from approval of the 2022 financial statements by the directors of the Company.

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.

Outlook

The Entity expects to continue to invest in development of products in 2023. In 2023 the business model will change and the expected revenue for the year 2023 is USD 350 million and the operating income for

Management Commentary

the year 2023 is expected in the range of USD 40 million, the Entity will be subject to cost plus method. The Entity will be profitable in 2023.

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 2022, 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

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.

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 2022. 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. In 2023 we will continue to enforce our Code of Business Conduct and Ethics to avoid potential breaches.

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.

Management Commentary

A key take away from 2022 was the conducted employee-survey. The survey was performed early 2022 and it's primary goal was to cover various topics and factors such as company confidence, leadership, managers, people. The result of the survey indicated a lower satisfaction score of the overall working environment and the company is working on improving this in 2023. The company 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 and will continue to do so in 2023.

People Managers are defined as people with employee responsibilities and are held accountable to the results of the survey having to build action plans to ensure we respond and address the feedback received.

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 at the end of 2022 there was a female member of the Executive Board, however, in May 2023 the employee is no longer employed by Unity. Therefore, the Executive Board is represented by two males. There is currently no intention to change this. Middle management defined as people with employee responsibilities and is represented by 22 female managers of 77 managers in total, which represents 29% of total employees in middle management. We continue our strong commitment to increasing female representation in our management levels. This is enforced through our actions targeting the recruitment process in the Entity to ensure that female candidates are applying for such positions. The entity is focused on hiring additional female to increase the versatility in the Entity.

Data ethics

The company currently do not have a data ethics policy. The Company only collects and processes data to a necessary extent in the group's main activity, hence a policy is not developed. The company is constantly carrying out initiatives to support and continued commitment to maintain strong data ethics. A number of internal procedures are reviewed and updated relating to data retention policy and deletion procedure to ensure that the company does not store personal data longer than strictly necessary. We will ensure compliance with applicable data protection laws and have a strong focus on the principles of self-determination, human dignity, responsibility, equality and fairness, progressiveness, and diversity in general. We always keep people in focus, and when we develop new products and services, we focus on privacy by design and standard.

Subsequent events

There are no significant events after the reporting period.

Income statement for 2022

	Note	2022 USD'000	2021 USD'000
Revenue	3	509.120	449.577
Cost of sales		(49.912)	(25.697)
Other external expenses	4	(757.225)	(662.125)
Gross profit/loss		(298.017)	(238.245)
Staff costs	5	(47.784)	(47.450)
Depreciation, amortisation and impairment losses	6	(20.434)	(17.313)
Operating profit/loss		(366.235)	(303.008)
Result from investments in group enterprises		(33.970)	17.149
Other financial income	7	2.239	3
Other financial expenses	8	(4.480)	(6.175)
Profit/loss before tax		(402.446)	(292.031)
Tax on profit/loss for the year	9	788	864
Profit/loss for the year	10	(401.658)	(291.167)

Balance sheet as at 31.12.2022

		2022	2021
	Notes	USD'000	USD'000
Assets			
Completed development projects		3.458	4.202
Acquired intangible assets		41.007	57.574
Intangible assets	11	44.465	61.776
Other fixtures and fittings, tools and equipment		2.415	2.240
Leasehold improvements		3.414	2.546
Property, plant and equipment in progress		1.327	1.365
Property, plant and equipment	12	7.156	6.151
Investments in group enterprises		63.242	100.631
Deposits		1.064	1.004
Other long-term receivables		17	83
Fixed asset investments	13	64.323	101.718
Fixed assets		115.944	169.645
Trade receivables		64.873	50.780
Receivables from group enterprises		174.350	186.872
Other receivables		10.432	8.743
Joint taxation contribution receivable		—	1.674
Prepayments	14	8.193	9.599
Receivables		257.847	257.668
Cash		164.578	106.796
Current assets		422.425	364.463
Assets		538.369	534.109

	Notes	2022 USD'000	2021 USD'000
Contributed capital		94	94
Revaluation reserve		-	(1.730)
Reserve for development expenditure		2.697	3.277
Retained earnings		(10.261)	17.931
Equity		(7.470)	19.572
Payables to group enterprises		25.358	31.945
Other payables	15	8.363	15.057
Non-current liabilities other than provisions	16	33.721	47.002
Trade payables		15.462	16.759
Payables to group enterprises		363.019	326.823
Income tax payable		757	33
Other payables		18.106	19.753
Deferred income	17	114.773	104.167
Current liabilities other than provisions		512.118	467.535
Liabilities other than provisions		545.839	514.537
Equity and liabilities		538.369	534.109
Going concern	1		
Events after the balance sheet date	2		
Proposed distribution of profit/loss	10		
Contingent liabilities	18		
Related parties with controlling interest	19		
Transactions with related parties	20		
Group relations	21		

Statement of changes in equity for 2022

	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	—	(1.730)	3.277
Increase of capital	—	375.000	—	—
Exchange rate adjustments	—	—	1.730	—
Transfer to reserves	—	(375.000)	—	(580)
Profit/loss for the year	—	—	—	—
Equity end of year	94	—	—	2.697

	Retained earnings USD'000	Total USD'000
Equity beginning of year	17.931	19.572
Increase of capital	—	375.000
Exchange rate adjustments	(2.114)	(384)
Transfer to reserves	375.580	—
Profit/loss for the year	(401.658)	(401.658)
Equity end of year	(10.261)	(7.470)

Negative Share capital

The entity has a negative share capital with the loss for the year. The Entity expects to regain positive share capital during 2023 through normal business activity. On 29th of September 2022 the shareholder made a capital increase by nominally DKK 1,000 at a subscription rate of DKK 291,562,500 corresponding to a price per share (of nominally DKK 1,00) of DKK 2,915,625 corresponding to a capital increase of DKK 2,915,625,000 equivalent to USD 374,999,871.

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

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	—
Increase of capital, cash in 2021	—
Increase of capital, cash in 2022	—
	94

The share capital comprises 513 thousand shares of a nominal value of DKK 1 each. All shares rank equally.

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 23rd May 2023. 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 2022 Financial Statements by the directors of the Company.

2. Events after the balance sheet date

After the balance sheet date, no significant events have taken place that materially impacts the financial statement for 2022.

	2022	2021
	USD'000	USD'000
3. Revenue		
Revenue by geographical market		
Denmark	4.801	1.713
USA	172.041	243.247
Japan	58.131	56.871
Other countries	274.148	147.746
	509.120	449.577
Revenue by activity		
Create Solutions	428.320	369.068
Strategic Partnerships and Other	80.800	80.509
	509.120	449.577
	2022	2021
	USD'000	USD'000
4. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	180	128
	180	128

Notes

	2022	2021
	USD'000	USD'000
5. Staff costs		
Wages and Salaries	44.124	43.512
Pension costs	3.454	3.719
Other social security costs	207	218
	47.784	47.450
Average number of employees	341	330
	Remuneration of management 2022	Remuneration of management 2021
	USD'000	USD'000
Executive Board	539	652
	539	652

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 2019, restricted stock units, based on job level and title.

These are granted at hiring date, subject to Board approval and additional grants may be given based on employee's performance in subsequent years. Only active full-time employees receive grants, and 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/Program, 99.523.979 shares are authorized for the Group, covering the period 1 January 2022– 31 December 2022, whereas 936.259 are specifically granted for Unity Technologies ApS, with 18.109 stock options granted and 918.150 restricted stock units granted in 2022. The value of the outstanding stock options is USD 22.355.842 and the value of the outstanding restricted stock units is USD 59.711.571 as of the end of December 2022.

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

	2022	2021
	USD'000	USD'000
6. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	18.105	15.826
Depreciation of property, plant and equipment	2.358	1.521
Gain/Loss asset disposition	(29)	(34)
	20.434	17.313
7. Other financial income		
Other interest income	2.239	3
	2.239	3
8. Other financial expenses		
Financial expenses from group enterprises	765	2.075
Other interest expenses	—	16
Exchange rate adjustments	3.715	4.084
	4.480	6.175
9. Tax on profit/loss for the year		
Refund in joint taxation arrangement	(788)	(864)
	(788)	(864)
Change in deferred tax:		
Tax deductible losses	221.439	89.856
Other temporary differences	100.305	80.311
	321.744	170.167
Deferred tax asset not recognized	(321.744)	(170.167)
Carrying amount	—	—

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.

Corporate income tax receivable for the Danish jointly taxed companies amounted to USD (788) thousand at 31 December 2022 (2021: USD (864) thousand).

Notes

10. Proposed distribution of profit/loss

Transfer to retained earnings	(401.658)	(291.167)
	<u>(401.658)</u>	<u>(291.167)</u>

	Completed development projects USD'000	Acquired intangible assets USD'000	Goodwill USD'000
11. Intangible assets			
Cost beginning of year	7.536	77.090	330
Additions	2.095	758	—
Disposal	—	(2.495)	(330)
Cost end of year	<u>9.631</u>	<u>75.353</u>	<u>—</u>
Amortisation and impairment losses beginning of year	(3.334)	(19.516)	(330)
Amortisation for the year	(2.839)	(15.266)	—
Disposal	—	436	330
Amortisation and impairment losses end of year	<u>(6.173)</u>	<u>(34.346)</u>	<u>—</u>
Carrying amount end of year	<u>3.458</u>	<u>41.007</u>	<u>—</u>

Completed development projects

The amount of capitalized software implementation costs was USD 2.095 thousand during the year ended 31 December 2022. The amount of amortised software implementation costs was USD 2.839 thousand during the year ended 31 December 2022 and is included in depreciation, amortization, and impairment losses on the income statement.

Management assessment of impairment

The Management has reviewed the intangible assets, the goodwill and the development projects for impairment as of December 2022. The Management considered the following facts: the Entity is loss making in year 2022, 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 2022.

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	9.362	4.039	1.365
Additions	1.972	1.451	—
Disposals	(188)	(5)	(38)
Cost end of year	11.146	5.485	1.327
Depreciation and impairment losses beginning of year	(7.122)	(1.493)	—
Depreciation for the year	(1.777)	(580)	—
Reversals regarding disposals	168	2	—
Depreciation and impairment losses end of year	(8.731)	(2.071)	—
Carrying amount end of year	2.415	3.414	1.327

Notes

	Investments in group enterprises	Deposits
	USD'000	USD'000
13. Fixed asset investments		
Cost beginning of year	147.894	1.004
Exchange rate adjustments	(4.304)	60
Additions	886	—
Cost end of year	144.476	1.064
Revaluations beginning of year	(46.824)	—
Amortisation of goodwill	(5.255)	—
Share of profit/loss for the year	13.599	—
Dividends	—	—
Revaluations end of year	(38.480)	—
Impairment losses beginning of year	(440)	—
Impairment losses in the year	(42.314)	—
Impairment losses end of year	(42.754)	—
Carrying amount end of year	63.242	1.064
Intangible assets recognized during the financial year	—	
Goodwill or negative goodwill recognized during the financial year	—	

	Registered in	Corporate form	Equity interest %
Investments in group enterprises comprise:			
Graphine NV	BE	NV	100,0
RestAR Ltd	IL	Ltd.	100,0
Unity Technologies Finland	FI	OY	100,0
Metaverse Technologies Limited	IR	Ltd.	100,0
Metaverse Technologies France	FR	SARL	100,0
Unity Technologies (BVI) Ltd	UK	Ltd.	100,0

Notes

14. Prepayments

	2022	2021
	USD'000	USD'000
Software license	4.155	3.878
Other	4.038	5.721
	8.193	9.599

	2022	2021
	USD'000	USD'000
Other payables	8.363	15.057
	8.363	15.057

15. Other long-term payables

	Outstanding after 5 years USD'000
Payables to group enterprises	25.358
	25.358

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 2022. The tax asset totals USD 322.000 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 7,493 thousand for the period of interminability until 31 December 2023.

The Entity has issued 2 payment guarantees totaling USD 31 thousand.

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 -788 thousand at 31 December 2022 (2021: USD -864 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.

Notes

20. Transactions with related parties

	2022	2021
	USD'000	USD'000
Cost plus	12.933	7.808
Reseller	19.754	26.750
Licensing	12.547	15.456
Platform and Data Services	29.685	50.528
Other sales of services to group enterprises	10.381	7.307
	85.299	107.849

Purchase of services from group enterprises

	2022	2021
	USD'000	USD'000
Cost plus	682.450	591.703
Reseller	8.219	6.795
License Fee	5.650	264
	696.319	598.762

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

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 2022.

Notes

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).

Omission of consolidated financial statements

Pursuant to section 112(2) 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.

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.

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.

Reporting currency is US Dollar (USD'000)

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

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

Accounting policies

- 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 Company’s ongoing support and updates and therefore have concluded that our Create Solutions Subscriptions represent a single performance obligation.

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 they are 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.

Accounting policies

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.

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.

Accounting policies

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 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 Company 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 project activities and post-implementation activities are expensed as incurred.

Accounting policies

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.

Property, plant and equipment

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
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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.

Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

On initial recognition, leases for assets that transfer substantially all the risks and rewards incident to ownership to the Company (finance leases) are measured in the balance sheet at the lower of fair value and the present value of future lease payments. In calculating the present value, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently accounted for as the Company's other assets.

The capitalised residual lease commitment is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

Leases that do not transfer substantially all the risks and rewards incident to ownership to the entity are operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The Company's total liabilities relating to operating leases and other leases are disclosed under contingencies, etc.

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.

Accounting policies

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

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

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

The Company has chosen IAS 39 as interpretation for impairment for write-down of financial 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 of the 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.

Accounting policies

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Equity

Net revaluation reserve according to the equity method

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

The reserve can be eliminated in case of losses, realisation of equity investments or changes in accounting estimates.

The reserve cannot be recognised at a negative amount

Reserve for development costs

Reserve for development costs comprise recognised development costs after tax, which are capitalised as intangible assets. The reserve cannot be used to distribute dividend or cover losses. The reserve will be reduced or dissolved if the recognised development costs are amortised or no longer part of the Company's operations. This is done by a transfer directly to the distributable reserves under equity.

Proposed dividend

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

Other financial liabilities

The Company has chosen IAS 39 as interpretation for recognition and measurement of 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.