


UNITY TECHNOLOGIES APS

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

Annual report 2021

The Annual General Meeting adopted the annual report on 24 June 2022

Chairman of the General Meeting

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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 : 01.01.2021 - 31.12.2021

Executive Board

Anders Peter Kierbye Johansen
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 01.01.2021 - 31.12.2021.

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 31.12.2021 and of the results of its operations for the financial year 01.01.2021 - 31.12.2021.

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 24 June 2022

Executive Board

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Luis Felipe Visoso Lomelin

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Anders Peter Kierbye Johansen

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 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement 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 2021 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Independence

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

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Independent auditor's report

Independent auditor's report

- 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.

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, 24 June 2022

EY Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28

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Kennet Hartman

State Authorised Public Accountant

Identification No (MNE) mne40036

Management commentary

	2021	2020	2019	2018	2017
	USD'000	USD'000	USD'000	USD'000	USD'000
Financial highlights					
Key figures					
Revenue	449.577	383.451	303.459	234.041	167.888
Gross profit	(238.245)	(65.531)	(71.623)	(73.206)	(64.874)
Operating profit/loss	(303.008)	(112.277)	(104.062)	(104.849)	(94.060)
Net financials	10.977	(17.007)	(1.863)	(2.506)	(1.697)
Profit/loss for the year	(291.167)	(128.376)	(105.101)	(105.687)	(94.924)
Total Assets	534.109	433.482	177.308	108.820	105.371
Investment in property, plant and equipment	2.312	1.985	3.957	1.496	3.754
Equity	19.572	(105.785)	(123.930)	(56.706)	(10.790)
Average number of employees	341	297	240	210	211
Ratios					
Return on equity (%)	675 %	112 %	116 %	313 %	(1081)%
Equity ratio (%)	3,7	(24,4)	(69,9)	(52,1)	(10,2)

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

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 291.167 thousand. The loss for the year has increased compared to last year, but is in line with the revised expectations for 2021. 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 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.

Unity Technologies Finland OY was received as contribution from Unity IPR ApS as of November 30st 2021. Furthermore, Metaverse Technologies Limited was acquired on June 15th 2021, and Metaverse Technologies France SARL was distributed from Metaverse Technologies Limited on December 20th 2021.

Metaverse Technologies is a best-in-class provider of 3D data preparation and optimization software, which enables developers to optimize any model for real-time 3D design.

Capital resources

On March 31st 2021 the shareholder made a capital increase by nominally DKK 1,000 at a subscription rate of DKK 94,654,500 corresponding to a price per share (of nominally 1,00) of DKK 946,545 corresponding to a capital increase of DKK 946,545,000 equivalent to USD 150,000,000. On 31st of August 2021 the shareholder made a capital increase by nominally DKK 1,000 at a subscription rate of DKK 55,450,560 corresponding to a price per share (of nominally DKK 1,00) of DKK 554,505.60 corresponding to a capital increase of DKK 554,505,600 equivalent to USD 88,000,000. On 25th of November 2021 the shareholder made a capital increase by nominally DKK 1,000 at a subscription rate of DKK 66,364,000 corresponding to a price per share (of nominally DKK 1,00) of DKK 663,640 corresponding to a capital increase of DKK 663,640,000 equivalent to USD 100,000,000.

Due to the continued focus on research and development it is expected that the Entity will incur losses in 2022 in line with expectations. Therefore, in connection with issuing the financial statement a letter of comfort has been received from Unity Software Inc. (ultimate Parent Company) dated 20th of May 2022. 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 2021 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.

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 2022. The expected Revenue for the year 2022 is above 520 million USD and the Operating income for the year 2022 is expected to be a loss.

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 2021, 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 2021. 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 2022 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.

A key take away from 2021 was the conducted employee-survey. The survey was performed early 2021 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 2022. 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 2022. People Managers are held accountable to

Management Commentary

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.

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 experienced a modest adverse impact on our sales of Create Solutions as well as our Strategic Partnerships, our pipeline of customer opportunities for our Create Solutions and Strategic Partnerships were largely back to normal levels by the end of 2020, and we have not experienced COVID-19 related impacts on our Create Solutions or Strategic Partnerships in 2021.

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 persists. The rollout of vaccines and the reduction of COVID-19 cases globally could affect the seasonality of our business or boost global GDP growth, which could positively impact our business. However, the return of more in-person activities will result in an increase in our expenses and could result in a range of impacts to our customers, which could negatively impact our business. Given the uncertainty, we cannot reasonably estimate the impact on our future results of operations, cash flows or financial condition. While the COVID-19 pandemic may eventually be contained 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.

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 (30%), middle management is represented by 23 female managers of 77 managers in total, which represents 39% 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 has in the prior years aimed at hiring an additional female for the Executive Board, hence this has been reached in 2019. Even though we operate in a male dominated industry, we will maintain high focus on meeting our target for the composition of the Executive Board.

Data ethics

In 2021, the company has carried out a number of initiatives to support and continued commitment to maintain strong data ethics. A number of internal procedures were reviewed and improved, such as data retention policy and deletion procedure to ensure that the Company does not store personal data longer than strictly necessary.

Subsequent events

There are no significant events after the reporting period.

Income statement for 2021

	Note	2021 USD'000	2020 USD'000
Revenue	3	449.577	383.451
Cost of sales		(25.697)	(14.445)
Other external expenses	4	(662.125)	(434.537)
Gross profit/loss		(238.245)	(65.531)
Staff costs	5	(47.450)	(41.958)
Depreciation, amortisation and impairment losses	6	(17.313)	(4.787)
Operating profit/loss		(303.008)	(112.277)
Income from investments in group enterprises		17.149	(14.714)
Other financial income	7	3	—
Other financial expenses	8	(6.175)	(2.293)
Profit/loss before tax		(292.031)	(129.284)
Tax on profit/loss for the year	9	864	908
Profit/loss for the year	10	(291.167)	(128.376)

Balance sheet as at 31.12.2021

		2021	2020
	Notes	USD'000	USD'000
Assets			
Completed development projects		4.202	4.641
Acquired intangible assets		57.574	54.828
Goodwill		0	24
Intangible assets	11	61.776	59.493
Other fixtures and fittings, tools and equipment		2.240	3.052
Leasehold improvements		2.546	2.950
Property, plant and equipment in progress		1.365	71
Property, plant and equipment	12	6.151	6.073
Investments in group enterprises		100.631	31.418
Deposits		1.004	1.060
Other long-term receivables		83	1.703
Fixed asset investments	13	101.718	34.181
Fixed assets		169.645	99.747
Trade receivables		50.780	41.391
Receivables from group enterprises		186.872	224.021
Other receivables		8.743	8.526
Joint taxation contribution receivable		1.674	0
Prepayments	14	9.599	6.256
Receivables		257.668	280.193
Cash		106.796	53.542
Current assets		364.463	333.735
Assets		534.109	433.482

		2021	2020
	Notes	USD'000	USD'000
Contributed capital		94	94
Revaluation reserve		(1.730)	(1.730)
Reserve for development expenditure		3.277	3.620
Retained earnings		17.931	(107.769)
Equity		19.572	(105.785)
Payables to group enterprises		31.945	119.111
Income tax payable		0	1.437
Other payables	15	15.057	19.099
Non-current liabilities other than provisions	16	47.002	139.647
Trade payables		16.759	11.079
Payables to group enterprises		326.823	280.587
Income tax payable		33	0
Other payables		19.753	20.223
Deferred income	17	104.167	87.731
Current liabilities other than provisions		467.535	399.620
Liabilities other than provisions		514.537	539.268
Equity and liabilities		534.109	433.482
Going concern	1		
Events after the balance sheet date	2		
Contingent liabilities	18		
Related parties with controlling interest	19		
Transactions with related parties	20		
Group relations	21		

Statement of changes in equity for 2021

	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)	3.620
Increase of capital	—	338.000	—	—
Exchange rate adjustments	—	—	—	—
Transfer to reserves	—	(338.000)	—	—
Dividend paid	—	—	—	—
Dividends received	—	—	—	—
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	(107.769)	(105.785)
Increase of capital	—	338.000
Exchange rate adjustments	—	—
Transfer to reserves	338.000	—
Dividend paid	(353)	(353)
Dividends received	78.877	78.877
Profit/loss for the year	(291.167)	(291.167)
Equity end of year	17.588	19.572

Share capital

On March 31st 2021 the shareholder made a capital increase by nominally DKK 1,000 at a subscription rate of DKK 94,654,500 corresponding to a price per share (of nominally 1,00) of DKK 946,545 corresponding to a capital increase of DKK 946,545,000 equivalent to USD 150,000,000. On 31st of August 2021 the shareholder made a capital increase by nominally DKK 1,000 at a subscription rate of DKK 55,450,560 corresponding to a price per share (of nominally DKK 1,00) of DKK 554,505.60 corresponding to a capital increase of DKK 554,505,600 equivalent to USD 88,000,000. On 25th of November 2021 the shareholder made a capital increase by nominally DKK 1,000 at a subscription rate of DKK 66,364,000 corresponding to a price per share (of nominally DKK 1,00) of DKK 663,640 corresponding to a capital increase of DKK 663,640,000 equivalent to USD 100,000,000.

In connection with issuing the financial statement a letter of comfort has been received from Unity Software Inc. (ultimate Parent Company) dated 20th of May 2022. 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 2021 Financial Statements by the directors of the Company.

Statement of changes in equity for 2021

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	—
	94

The contributed capital is not divided into classes.

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 20th of May 2022. 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 2021 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 2021.

	2021	2020
	USD'000	USD'000
3. Revenue		
Revenue by geographical market		
Denmark	1.713	10.816
USA	243.247	125.554
Japan	56.871	—
Other countries	147.746	247.081
	449.577	383.451
Revenue by activity		
Create Solutions	369.068	190.637
Strategic Partnerships and Other	80.509	192.814
	449.577	383.451
	2021	2020
	USD'000	USD'000
4. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	128	192
	128	192

Notes

	2021	2020
	USD'000	USD'000
5. Staff costs		
Wages and Salaries	43.512	40.008
Pension costs	3.719	3.075
Other social security costs	218	179
Staff costs classified as assets	—	(1.304)
	47.450	41.958
Average number of employees	330	297
	Remuneration of management 2021	Remuneration of management 2020
	USD'000	USD'000
Executive Board	1.156	924
	1.156	924

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, 77,009,181 shares are authorized for the Group, covering the period 1 January 2021 – 31 December 2021, whereas 413,407 are specifically granted for Unity Technologies ApS, with 70,882 stock options granted and 342,525 restricted stock units granted in 2021. The value of the outstanding shares is USD 717,210 thousand as of the end of December 2021.

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

	2021 USD'000	2020 USD'000
6. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	15.826	1.557
Depreciation of property, plant and equipment	1.521	3.230
	17.313	4.787
	2021 USD'000	2020 USD'000
7. Other financial income		
Other interest income	3	—
	3	—
	2021 USD'000	2020 USD'000
8. Other financial expenses		
Financial expenses from group enterprises	2.075	1.302
Other interest expenses	16	—
Exchange rate adjustments	4.084	991
	6.175	2.293
	2021 USD'000	2020 USD'000
9. Tax on profit/loss for the year		
Refund in joint taxation arrangement	(864)	(908)
	(864)	(908)
Change in deferred tax:		
Current year loss carry forward	170.167	25.300
Impairment for the year	(170.167)	(25.300)
	—	—
<p>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.</p>		
<p>Corporate income tax for the Danish jointly taxed companies amounted to USD (864)thousand at 31 December 2021 (2020: USD (908) thousand).</p>		
	2021 USD'000	2020 USD'000
10. Proposed distribution of profit/loss		
Reserve for equity investments and development projects	—	764
Transfer to retained earnings	(291.167)	(129.140)
	(291.167)	(128.376)

Notes

	Completed development projects	Acquired intangible assets	Goodwill
	USD'000	USD'000	USD'000
11. Intangible assets			
Cost beginning of year	6.087	59.051	330
Transfers	—	—	—
Additions	1.449	18.039	—
Cost end of year	7.536	77.090	330
Amortisation and impairment losses beginning of year	(1.446)	(4.223)	(306)
Amortisation for the year	(1.888)	(15.293)	(24)
Amortisation and impairment losses end of year	(3.334)	(19.516)	(330)
Carrying amount end of year	4.202	57.574	—

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 2021. The Management considered the following facts: the Entity is loss making in year 2021, 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 2021.

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	8.380	4.003	71
Transfers	—	—	—
Additions	982	36	1.294
Disposals	—	—	—
Cost end of year	9.362	4.039	1.365
Depreciation and impairment losses beginning of year	-5.328	-1.053	—
Depreciation for the year	-1.794	-440	—
Reversals regarding disposals	—	—	—
Depreciation and impairment losses end of year	-7.122	-1.493	—
Carrying amount end of year	2.240	2.546	1.365

Notes

	Investments in group enterprises USD'000	Deposits USD'000
13. Fixed asset investments		
Cost beginning of year	48.275	1.060
Exchange rate adjustments	—	(56)
Additions	128.079	—
Disposals	(28.460)	—
Cost end of year	147.894	1.004
Revaluations beginning of year	(1.038)	—
Exchange rate adjustments	898	—
Revaluation on disposal	1.625	
Correction to prior year	(23)	
Amortisation of goodwill	(3.433)	—
Share of profit/loss for the year	20.148	—
Dividends	(65.000)	—
Revaluations end of year	(46.823)	—
Impairment losses beginning of year	(15.819)	—
Disposal of goodwill	15.379	
Impairment losses for the year	—	—
Impairment losses end of year	(440)	—
Carrying amount end of year	100.631	1.004
Intangible assets recognized during the financial year	13.551	
Goodwill or negative goodwill recognized during the financial year	47.475	

	Registered in	Corporate form	Equity interest %	Equity USD'000
Investments in group enterprises comprise:				
Graphine NV	BE	NV	100,0	2.656
RestAR Ltd	IL	Ltd.	100,0	26.597
Unity Technologies Finland	FI	OY	100,0	23.504
Metaverse Technologies Limited	IR	Ltd.	100,0	1.601
Metaverse Technologies France	FR	SARL	100,0	46.273

Notes

Unity Technologies Finland OY was received as contribution from Unity IPR ApS as of November 30st 2021. Metaverse Technologies Limited was acquired on June 15th 2021, and Metaverse Technologies France SARL was acquired on December 24th 2021.

14. Prepayments

	2021	2020
	USD'000	USD'000
Software license	3.878	4.155
Other	5.721	2.101
	9.599	6.256

15. Other long-term payables

	2021	2020
	USD'000	USD'000
Other payables	15.057	19.099
	15.057	19.099

16. Liabilities other than provisions

	Outstanding after 5 years
	USD'000
Payables to group enterprises	31.945
	31.945

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 2021. The tax asset totals USD 170.167 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 10,133 thousand for the period of interminability until 31 December 2022.

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 -1.674 thousand at 31 December 2021 (2020: USD -908 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

	2021	2020
	USD'000	USD'000
Cost plus	7.808	6.762
Reseller	26.750	14.683
Licensing	15.456	21.286
Platform and Data Services	50.528	70.045
ROS	—	3.798
Other sales of services to group enterprises	7.307	8.980
	107.849	125.554

Purchase of services from group enterprises

	2021	2020
	USD'000	USD'000
Cost plus	591.703	382.272
Reseller	6.795	—
License Fee	264	249
	598.762	382.521

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 2021.

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.

Accounting policies

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.

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.

Accounting policies

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.

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.

Accounting policies

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.

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 1.449 thousand during the year ended 31 December 2021. The amount of amortised software implementation costs was USD 1.888 thousand during the year ended 31 December 2021 and is included in depreciation, amortisation and impairment losses on the income statement.

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.

Accounting policies

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 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

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.

Other financial liabilities

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

Deferred income

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

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.