



JANUARY - MARCH
2023



SLEEP CYCLE
INTERIM REPORT 

INTERIM REPORT JAN – MAR 2023 – SLEEP CYCLE AB

STABLE GROWTH AND POSITIVE EFFECTS FROM PRICE ADJUSTMENTS AND CURRENCY

Growth was stable in the first quarter and revenues increased by 12.7% (19.2%). The positive effects of currency and price adjustments implemented in 2022 contributed to the increase in ARPU by 15.1% to SEK 252, which was the main driver of revenue growth. The quarter saw the launch of Sleep Cycle Kids, a strategic initiative that provides parents with tools to improve their children's sleep routines. Sleep Cycle Kids creates a visible offer relating to a familiar problem among a distinct target group, while also achieving significant synergy with Sleep Cycle's user base and data.

SIGNIFICANT EVENTS DURING THE FIRST QUARTER

- The new app Sleep Cycle Kids was launched in February. The new app equips parents with tools to optimize bedtime, reduce the time it takes to fall asleep, and identify and change behaviors that may be problematic for children's sleep.
- Sleep Cycle's Board of Directors adopted a distribution policy with the aim of distributing between 40–60% of earnings after taxes over time. The Board proposes a dividend of SEK 7.00 per share, equivalent to SEK 141.9 million based on the number of outstanding shares as of February 10, 2023. SEK 1.00 per share constitutes the ordinary dividend for 2022 and SEK 6.00 per share constitutes the extraordinary dividend.

- On February 2, it was made public that Velvet Cichlid AB had decided not to pursue the public cash offer. The majority of costs in connection with the board's assessing the offer were charged to the fourth quarter 2022.

KEY EVENTS AFTER THE END OF THE PERIOD

- In April, Sleep Cycle launched a new feature that uses machine learning to detect breathing pauses during sleep. By detecting possible breathing pauses, the user is given important information on what is affecting their quality of sleep and how to improve it.

GROUP KEY PERFORMANCE INDICATORS

tSEK	Jan – Mar		Jan – Dec
	2023	2022	2022
Net sales	56,447	50,089	213,271
Net sales growth (%)	12.7%	19.2%	16.6%
Currency-adjusted net sales growth (%)	3.3%	21.3%	12.4%
Operating profit/loss	11,090	12,742	44,110
Operating margin (%)	19.6%	25.4%	20.7%
Adjusted operating profit/loss	11,388	12,742	46,912
Adjusted operating margin (%)	20.2%	25.4%	22.0%
Profit/loss for the period	9,072	10,094	34,976
Operational key performance indicators			
Total subscriptions (Thousands)	881	920	904
ARPU (SEK)	252	219	236
Average number of employees (#)	48	45	46

For definitions, justifications, and deductions see page 17.

STATEMENT BY THE CEO

I am pleased to report another stable quarter with continued growth, solid profitability, and several new innovations. Revenue for the quarter increased by 12.7% compared to prior year. The growth is mainly a result of previous price adjustments that are now starting to break through with full effect and currency effects. The profitability for the quarter was in line with our 20% target.

In 2022 we boosted our investments in product development, which was fully in keeping with our strategy. This year we will be seeing the results of this work and I am really looking forward to seeing the response from users. We feel that we have a strong plan for the future, with several exciting launches and new developments. The most important launch of the first quarter was Sleep Cycle Kids, an offering designed for parents struggling to manage their children's sleep. The service creates growth outside our current target group, but more importantly, it solves a major problem faced by many families. We expect Sleep Cycle Kids to start contributing to sales in the second half of 2023.

I am very confident about 2023 and I am convinced that the product launches we have during the year will contribute positively to the growth of the user base. By launching new, innovative features, Sleep Cycle generates increased interest and widens the gap with our competitors. Internally we have also carried a small-scale restructuring during the quarter to strengthen the company's commercial strength.

In the first quarter of 2023, sales growth was driven mainly by increased ARPU due to previously implemented price adjustments and currency effects. The number of subscriptions dropped by 4.2% compared to the same period in prior year. The change can be ascribed to changing prices, reduced traffic, tougher market place conditions and lower activity in the Apple App Store. To

increase growth in the user base we will be launching several new functions that we have released to various test groups over the last few months. Besides that, we are also evaluating alternatives for improved efficiency, reduced costs, and re-structuring to secure continued profitable growth. A selection of the new functions that will be released in the coming periods, which are expected to drive user interest and retention, are:

- Analysis of light and noise levels in the bedroom, which are some of the most important factors for a healthy sleeping environment.
- Indication of breathing disturbances that provide our users insight into storing- and breathing patterns, which in the worst case can indicate more serious underlying health conditions.
- An updated on-boarding experience that will increase the understanding of the power of Sleep Cycle for new users, while expected to increase the number of conversions to paid subscriptions at the same time.

Looking ahead, I am confident that our increased pace of product development will yield positive results during the year. With a variety of launches, I expect increased new user acquisition and growth in subscriptions. Revenue per new user increases as a result of the price adjustments implemented, while also providing greater opportunity to drive growth through marketing.

With many launches and several product improvements ahead, I feel we have a strong plan to get back to user growth again. Our focus, ambition and strategy are undeterred. We are continuing to work to deliver an even better service, with more features and better experiences for our users so as to increase engagement with our products.



Carl Johan Hederoth
CEO Sleep Cycle AB

FIRST QUARTER JANUARY – MARCH 2023

- Net sales increased by 12.7% (19.2%) and totaled tSEK 56,447 (50,089). Currency-adjusted net sales growth amounted to 3.3% (21.3%). The change is due primarily to higher ARPU and price adjustments as well as the negative impact of reduced number of subscriptions.
 - Operating profit amounted to tSEK 11,090 (12,742), with an operating margin of 19.6% (25.4%). The first quarter of 2023 was affected by exceptional costs in the amount of tSEK 298 related to the public cash offer from Velvet Cichlid AB in 2022.
 - Adjusted operating profit totaled tSEK 11,388 (12,742) and adjusted operating margin was 20.2% (25.4%). In 2023 costs related to the 2022 cash offer have been adjusted for.
- The decreased margin is due to increased investments in marketing and product development.
- Total number of paying subscribers at end of period was 881k (920k). The decrease is due to a weaker market environment combined with price increases.
 - ARPU in the quarter totaled SEK 252 (219). The improvement is a result of price adjustments, currency effects and changes in price mix.
 - Earnings per share before dilution in the quarter totaled SEK 0.45 (0.52). Earnings per share after dilution totaled SEK 0.45 (0.51).



Product offering

Sleep Cycle is a leader in the development of AI-based sleep analysis. The application is central to our product portfolio, which together with the applications Sleep Cycle Kids and Life Cycles, constitutes our offering. With more than 2 million users in more than 150 countries, Sleep Cycle is one of the most widely used sleep services in the world.

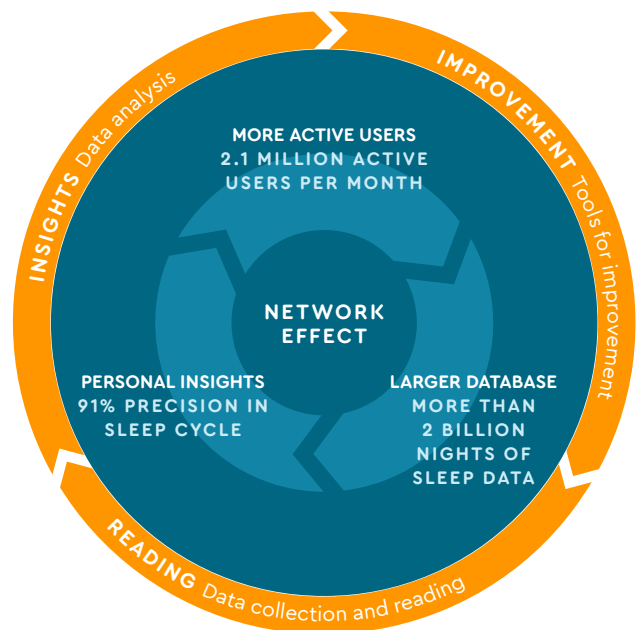
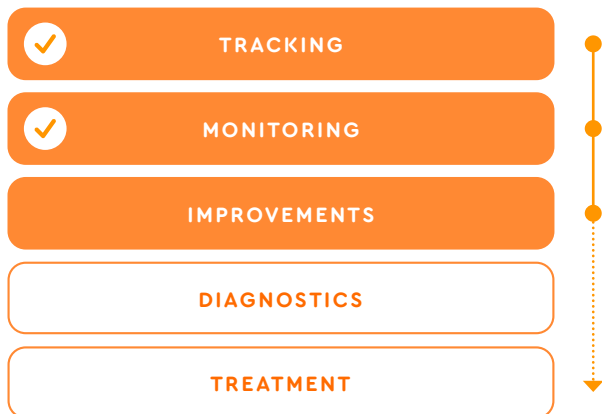
HEALTH AS BUSINESS MODEL

Our business is based on a subscription-based business model that creates predictability and a strong cash flow through advance payments and recurring revenues. Because we offer an appreciated product built on many years of development, and where customer influx is largely organic, our customer acquisition costs are low, resulting in high profitability. Combined with the fact that the cost of each new user is approaching zero, our business is fully scalable.

TECHNOLOGY AND USER EXPERIENCE

AI and machine learning have revolutionized our ability to manage large amounts of data and extract valuable information. The application of advanced algorithms and techniques allows us to extract patterns and contexts that were previously unknown and inaccessible.

Sleep Cycle analyzes audio that, using a database of more than two billion nights, gives users individual insights, advice, and recommendations about their sleep. The fact that the analysis is sound-based also makes it possible to capture snoring, coughing, tooth grinding, and other sounds that disrupt sleep and can provide additional health insights in a broader perspective.



- PATENTED AI TECHNOLOGY
- CUSTOMER EXPERIENCE



Strategy

Sleep Cycle's strategy for the coming year is to increase investments in data, AI, and product development to increase its reach, reach more users, and grow through new acquisition channels. To achieve our goals, our focus is on broadening the range of services and increasing accessibility. We have to be present on platforms where our target groups are and where our unique expertise and interest in sleep creates value.



PRODUCT DEVELOPMENT

New data-driven features that provide users more insights into sleep and health.

SLEEP ANALYSIS

HEALTH MONITORING

INFLUENZA SYMPTOMS

SNORING

BREATHING PAUSES

TOOTH GRINDING



EXPANDED REACH

Reaching new users through new platforms, partnerships, and channels.

PARTNERSHIP

CORPORATE WELLNESS

MORE PLATFORMS

NEW HARDWARE



NEW ACQUISITION CHANNELS

Increase sales by attracting new users with effective marketing.

CONVERSION-DRIVEN MARKETING

SOCIAL MEDIA

SHARING AND INTERACTION

FINANCIAL OVERVIEW

As all significant operations in the Group are conducted in the Parent Company, the comments below refer to both the Parent Company and the Group. For profit and cash flow, comparative figures refer to the corresponding period for prior year. For financial position, comparative figures refer to the balance sheet item as of December 31, 2022.

FIRST QUARTER

JANUARY – MARCH 2023

NET SALES AND PROFIT

The Group's net sales during the first quarter totaled tSEK 56,447 (50,089), which is an increase of 12.7% (19.2%) compared with prior year. The total currency effect amounted to approximately MSEK 4.6 (-0.7). The increase in net sales is due primarily to higher ARPU, which has largely increased as a result of the weakening of the Swedish krona against most foreign currencies, mainly EUR and USD. Price adjustments implemented in 2022 have also contributed to higher revenue per user, but where reduced volume has had a limited effect on total revenue. Average revenue per user (ARPU) increased by 15.1% and amounted to SEK 252 (219).

The number of paying users totaled 881k (920k). The decrease in the number of users is primarily due to lower acquisition of new customers because of a weaker market with fewer downloads and also reflects previously implemented price adjustments that have had a negative impact on new customer acquisition. The rate of renewal remained stable over the first quarter.

Operating profit totaled tSEK 11,090 (12,742) and the margin 19.6% (25.4%) in the first quarter. Adjusted operating profit totaled tSEK 11,388 (12,742) and adjusted margin was 20.2 (25.4)%. The item other external

costs includes exceptional costs of tSEK 298 relating to the Boards assessment of the cash offer from December 2022. No additional costs are estimated to affect the year. The decreased margin Compared with prior year is due to increased investments in marketing and product development. Marketing expenses for the quarter totaled tSEK 8,545 (6,518).

Net financial items for the period totaled tSEK 362 (-14) and taxes on the profit for the period totaled tSEK -2,379 (-2,635). Profit for the period totaled tSEK 9,072 (10,094). Earnings per share before dilution amounted to SEK 0.45 (0.52) and after dilution SEK 0.45 (0.51).

CASH FLOW AND FINANCIAL POSITION

Cash flow from operating activities in the first quarter totaled tSEK 1,981 (26,928). The change in cash flow from operating activities reflects payments from Apple that do not follow monthly payments. Only two payments were received during the first quarter. This will be adjusted in the coming quarter.

Cash flow from investment activities amounted to tSEK -3,012 (-1,082) related to capitalized development expenses and acquisitions of tangible fixed assets related to new office space.

Cash flow from financing activities in the quarter totaled tSEK -634 (-769) related to the repayment of leasing liabilities.

Cash flow for the quarter totaled tSEK -1,666 (25,077). The group's liquid funds at the end of the period totaled tSEK 231,196 (190,174).

Consolidated equity totaled tSEK 169,907 as of March 31. Opening balance on January 1 was tSEK 160,834.

OTHER INFORMATION

EMPLOYEES

The average number of employees in the Group for the period of January to March 2023 was 48 (45).

INFORMATION ON RISKS AND UNCERTAINTIES

The group's over-arching risk management aims to minimize negative effects on profit and position. Significant risks and uncertainties are described in the annual report for 2022. No significant events have occurred during the period that affect or change the descriptions of the Group's risks and their management.

PARENT COMPANY

The Group's operations are essentially conducted in the parent company, which is why reference is made to the information above for the Group.

RELATED PARTY TRANSACTIONS

There have been no transactions with related parties aside from transactions with senior executives in their capacity as such.

UPCOMING REPORTING DATES

- Interim report Apr-Jun 2023 on July 27, 2023
- Interim report Jul-Sep 2023 on October 25, 2023
- Year-end report 2023 February 8, 2024

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on May 8, 2023 at 10:00 a.m. at Jacy'z Hotel, floor 24, Drakegatan 10, 412 50 Gothenburg. The notice contains practical information regarding registration and participation.

OTHER INFORMATION

This report has not been reviewed by the Company's auditors.

On April 27, at 9:30 a.m., there will be a presentation of Sleep Cycle's interim report for January-March 2023 for shareholders, media, and other stakeholders. Participants will be able to follow the presentation via a webcast.

THE SHARE

The company's share has been listed on Nasdaq Stockholm since June 8, 2021. Share capital on the balance sheet date totaled tSEK 563.

OUTSTANDING OPTION PROGRAM

Option program	Number of options	Corresponding number of shares	Percentage of total number of shares	Exercise price	Redemption period
TO 2020	1,225	147,000	0.7%	88.9	2023
TO 2021 series 1	190,076	190,076	0.9%	94.5	2024
TO 2021 series 2	18,595	18,595	0.1%	94.5	2025
TO 2022	54 820	54 820	0.3%	71.2	2025
CEO LTIP	340,909	340,909	1.7%	241.2	2026
Total	605,625	751,400	3.7%		

MAIN SHAREHOLDERS IN SLEEP CYCLE AB (PUBL) AS OF 31 MARCH 2023

Owner	Number of shares	Votes and capital
Maciek Drejak through company	8,707,984	42.9%
Pierre Siri through company	4,777,015	23.6%
Handelsbanken Microcap	1,450,000	7.2%
Skandia Fonder	714,285	3.5%
Avanza Pension	696,096	3.4%
Petter Wallin	691,394	3.4%
Nordnet Pensionsförsäkring	600,018	3.0%
Lancelot Avalon	405,000	2.0%
Cancerfonden	291,882	1.4%
SEB Nanocap	220,000	1.1%
Other	1,723,889	8.5%
Total	20,277,563	100%

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

tSEK	Note	Jan - Mar		Jan - Dec
		2023	2022	2022
OPERATING INCOME				
Net sales	4	56,447	50,089	213,271
Other operating income		17	190	529
OPERATING EXPENSES				
Capitalized work for own account		460	678	3,224
Platform fees		-12,643	-11,897	-49,741
Other external expenses		-16,828	-11,872	-63,383
Personnel expenses		-14,651	-13,206	-54,201
Depreciation and impairment of tangible and intangible assets		-1,617	-1,241	-5,261
Other operating expenses		-95	-	-329
Operating profit/loss		11,090	12,742	44,110
FINANCIAL ITEMS				
Financial income		392	1	157
Financial expenses		-30	-15	-137
Profit before tax		11,451	12,729	44,130
Tax on profit for the period		-2,379	-2,635	-9,155
Profit for the period attributable to the parent company's shareholders		9,072	10,094	34,976
Other comprehensive income		-	-	-
Comprehensive income for the period attributable to the parent company's shareholders		9,072	10,094	34,976
Earnings per share				
Earnings per share before dilution, SEK		0.45	0.52	1.77
Earnings per share after dilution, SEK		0.45	0.51	1.74
Average number of shares outstanding for the period before dilution		20,277,203	19,427,535	19,729,788
Average number of shares outstanding for the period after dilution		20,277,203	19,972,769	20,056,591

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

tSEK	Note	03/31/2023	03/31/2022	12/31/2022
ASSETS				
Fixed assets				
Intangible fixed assets				
Capitalized expenses for development work		11,035	5,185	9,595
Patent		-	-	-
Total intangible fixed assets		11,035	5,185	9,595
Tangible fixed assets				
Right-of-use assets		18,863	5,980	4,132
Equipment and computers		2,063	1,042	1,468
Total tangible fixed assets		20,926	7,021	5,601
Financial assets				
Deferred prepaid tax		14	47	13
Other long-term receivables		411	411	411
Total financial assets		425	458	424
Total fixed assets		32,386	12,664	15,620
Current assets				
Accounts receivable		40,494	21,862	22,388
Other receivables		1,765	543	1,084
Current tax assets		2,705	3,435	1,474
Prepaid expenses and accrued income		32,345	29,549	27,943
Cash and cash equivalents		231,196	190,174	232,862
Total current assets		308,505	245,563	285,751
TOTAL ASSETS		340,892	258,228	301,371
EQUITY AND LIABILITIES				
Equity				
Share capital		563	540	563
Other contributed capital		119,229	102,282	119,229
Retained earnings, including profit for the year		50,115	16,160	41,042
Total equity attributable to the parent company's shareholders		169,907	118,981	160,834
Long-term liabilities				
Leasing liabilities		14,892	3,561	2,623
Total long-term liabilities		14,892	3,561	2,623
Current liabilities				
Leasing liabilities		4,039	2,454	1,572
Accounts payable		15,804	9,047	14,203
Other liabilities		3,398	2,347	2,889
Accrued expenses and deferred income		132,852	121,837	119,250
Total current liabilities		156,093	135,685	137,914
TOTAL EQUITY AND LIABILITIES		340,892	258,228	301,371

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to the parent company's shareholders

tSEK	03/31/2023	03/31/2022	12/31/2022
Opening balance	160,834	108,898	108,898
Profit/loss for the period	9,072	10,094	34,976
Option premiums	-	-11	368
New share issues after issue expenses	-	-	16,593
Closing balance	169,907	118,981	160,834

CONSOLIDATED CASH FLOW STATEMENT

tSEK	Note	Jan – Mar		Jan – Dec
		2023	2022	2022
Cash flow from operating activities				
Operating profit/loss		11,090	12,742	44,110
Adjustments for items not included in cash flow:				
Depreciation and impairment		1,617	1,241	5,261
Interest received		392	1	157
Interest paid		-30	-15	-137
Tax paid		-3,611	-1,054	-5,525
Cash flow from operating activities before changes in working capital		9,457	12,915	43,866
Change in working capital				
Change in operating receivables		-23,189	-2,847	-2,309
Change in operating liabilities		15,713	16,860	19,971
Cash flow from operating activities		1,981	26,928	61,528
Investment activities				
Capitalization of development expenses		-2,280	-965	-6,917
Acquisition of tangible fixed assets		-732	-116	-852
Cash flow from investment activities		-3,012	-1,082	-7,769
Financing activities				
Repayment of leasing liabilities		-634	-758	-2,899
Option premiums repaid		-	-11	-11
Option premiums received		-	-	378
New share issues		-	-	16,538
Cash flow from financing activities		-634	-769	14,006
Cash flow for the period		-1,666	25,077	67,765
Liquid funds at the beginning of the period		232,862	165,508	165,508
Reclassification of cash and cash equivalents		-	-411	-411
Liquid funds at the end of the period		231,196	190,174	232,862

PARENT COMPANY INCOME STATEMENT

tSEK	Note	Jan – Mar		Jan – Dec
		2023	2022	2022
OPERATING INCOME				
Net sales		56,447	50,089	213,271
Other operating income		17	190	529
Capitalized work for own account		460	678	3,224
OPERATING EXPENSES				
Platform fees		-12,643	-11,897	-49,741
Other external expenses		-17,486	-12,641	-66,413
Personnel expenses		-14,651	-13,206	-54,201
Depreciation and impairment of tangible and intangible assets		-977	-489	-2,340
Other operating expenses		-95	-	-329
Operating profit/loss		11,072	12,726	44,000
PROFIT FROM FINANCIAL ITEMS				
Interest income and similar income		392	1	157
Profit before tax		11,464	12,727	44,158
Tax on profit for the period		-2,380	-2,634	-9,159
Profit/loss for the period		9,084	10,093	34,999
COMPREHENSIVE INCOME FOR THE PERIOD		9,084	10,093	34,999

Since the parent company has no items recognized as other comprehensive income, total comprehensive income for the period is equal to profit for the period.

PARENT COMPANY BALANCE SHEET

tSEK	Note	03/31/2023	03/31/2022	12/31/2022
ASSETS				
Fixed assets				
Intangible fixed assets				
Capitalized expenses for development work		11,035	5,185	9,595
Patent		-	-	-
Total intangible fixed assets		11,035	5,185	9,595
Tangible fixed assets				
Equipment and computers		2,063	1,042	1,468
Total tangible fixed assets		2,063	1,042	1,468
Financial assets				
Participations in group companies		50	50	50
Deferred prepaid tax		-	39	-
Other long-term receivables		411	411	411
Total financial assets		461	500	461
Total fixed assets		13,560	6,727	11,524
Current assets				
Current receivables				
Accounts receivable		40,494	21,862	22,388
Other receivables		1,765	543	1,084
Current tax assets		2,705	3,435	1,474
Prepaid expenses and accrued income		32,345	29,549	27,943
Total current receivables		77,309	55,389	52,889
Short-term investments				
Other short-term investments		150,000	-	-
Total short-term investments		150,000	-	-
Cash and bank balances		81,087	190,055	232,746
Total current assets		308,396	245,444	285,635
TOTAL ASSETS		321,956	252,171	297,160
EQUITY AND LIABILITIES				
Equity				
Restricted equity				
Share capital		563	540	563
Fund for development expenditures		11,035	5,185	9,595
Total restricted equity		11,598	5,725	10,158
Unrestricted equity				
Share premium fund		119,229	102,282	119,229
Retained earnings		29,992	842	-3,568
Profit/loss for the period		9,084	10,093	34,999
Total unrestricted equity		158,304	113,217	150,660
Total equity		169,902	118,941	160,818
Current liabilities				
Accounts payable		15,804	9,046	14,203
Other liabilities		3,398	2,347	2,889
Accrued expenses and deferred income		132,852	121,837	119,250
Total current liabilities		152,054	133,230	136,341
TOTAL EQUITY AND LIABILITIES		321,956	252,171	297,160

NOTES

Note 1 General information

The address of the company's registered office is Drakegata 10, 412 50 Gothenburg, Sweden. Sleep Cycle is developing of one of the world's most widely used sleep platforms. Sleep Cycle sleep solutions help users fall asleep more easily, measure sleep habits, and improve sleep; the extensive sleep database contributes to improved sleep habits and increased sleep awareness worldwide. The business is essentially conducted in the parent company. The parent company's holding of shares in group companies as of 31 March 2023 consists of the wholly owned subsidiary Sleep Cycle Sverige AB (559278-9688).

Sleep Cycles' interim report for January-March 2023 was approved for publication on April 27 per Board decision on April 26, 2023.

Note 2 Accounting principles

The consolidated financial statement for Sleep Cycle AB has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, the Swedish Annual Accounts Act (ÅRL) and the Swedish Financial Reporting Board's RFR 1 "Supplementary accounting rules for groups". The parent company's financial reports have been prepared in accordance with the Annual Accounts Act and RFR 2, "Accounting for Legal Entities."

Note 4 Distribution of net sales

tSEK	Jan - Mar		Jan - Dec
	2023	2022	2022
Subscription income	56,257	49,872	212,534
Other income	190	217	737
Total	56,447	50,089	213,271

Note 5 Financial instruments

tSEK	03/31/2023	03/31/2022	12/31/2022
Financial assets valued at amortized cost			
Accounts receivable	40,494	21,862	22,388
Other receivables	2,176	954	1,496
Accrued income	-	179	-
Cash and cash equivalents	231,196	190,174	232,862
Total financial assets	273,867	213,169	256,746
Financial liabilities valued at amortized cost			
Leasing liabilities	20,922	6,318	4,381
Accounts payable	15,804	9,047	14,203
Other current liabilities	2,216	2,754	5,849
Total financial liabilities	38,942	18,118	24,433

Sleep Cycle does not hold any financial instruments that are valued and reported at fair value. For all financial assets and liabilities, the carrying amount is considered as above to be a reasonable approximation of fair value.

This interim report has been prepared in accordance with IAS 34 "Interim Financial Reporting." Disclosures in accordance with IAS 34 are provided in notes as well as elsewhere in the interim report.

The accounting principles and calculation methods applied are in accordance with those described in the annual report for 2022. New standards and interpretations that came into force on 1 January 2023 have not had any effect on the group's or the parent company's financial reports for the interim period.

Note 3 Segment information

Sleep Cycle's CEO, as the highest executive decision-maker, follows up and analyzes results and financial position for the Group as a whole. The CEO does not track results at a level lower than the Group as a whole. The CEO thereby also decides on allocation of resources and makes strategic decisions based on the Group as a whole. Based on the above analysis following IFRS 8, it can be seen that the Sleep Cycle Group consists of only one reporting segment.

DEFINITIONS OF KEY PERFORMANCE INDICATORS AND CALCULATIONS

Sleep Cycle applies the guidelines for alternative key performance indicators issued by ESMA. This report presents certain financial key performance ratios, including alternative key performance indicators which are not defined under IFRS. The Company considers these key performance indicators an important complement, as they facilitate a better evaluation of the Company's financial trends. These financial key performance indicators should not be assessed independently or considered

replacements for performance indicators that have been calculated in accordance with IFRS. In addition, such key performance indicators, as defined by Sleep Cycle, should not be compared with other key performance indicators with similar names utilized by other companies. This is because the key performance indicators below are not always defined in the same way, and other companies may calculate them differently than Sleep Cycle.

Key performance indicators	Definition	Background of the use of the key performance indicator
Net sales growth	Change in net sales compared with the same period of prior year.	The measure shows the company's growth in net sales compared with the same period of prior year.
Currency-adjusted net sales growth	Defined as the year's net sales divided by prior year's net sales adjusted to the year's average exchange rates for the company's main currency exposures (USD, EUR, JPY, GBP, AUD, and CAD).	Used to measure the company's underlying net sales growth adjusted for currency effects.
Operating profit/loss	Operating profit before interest and tax	Operating profit is used to understand the company's earning capacity
Operating margin	Operating profit as a percentage of the company's net sales.	Operating margin is an indication of the company's earning capacity in relation to net sales.
Exceptional items	Non-recurring items not included in normal operations and therefore disrupt comparability between different periods.	The measure is used to understand the company's development and comparison between the years.
Adjusted operating profit/loss	Operating profit adjusted for items affecting comparability.	Adjusted operating profit is used to understand the company's earning capacity adjusted for items affecting comparability.
Adjusted operating margin	Adjusted operating profit as a percentage of the company's net sales.	Adjusted operating margin is used to understand the company's earning capacity adjusted for items affecting comparability.
Total subscriptions	Total number of subscriptions at the end of the period (closing balance).	The measure indicates how many subscribers the company has at the end of the period.
ARPU	Average subscription revenue per subscriber during the period.	The measure indicates the company's subscription income per subscription on average during the period

RECONCILIATION OF ALTERNATIVE KEY PERFORMANCE INDICATORS

The table below derives from the calculation of alternative key performance indicators not defined in accordance with IFRS or where the calculation is not shown in another table in this report.

Net sales growth and currency-adjusted net sales growth

tSEK	Jan – Mar		Jan – Dec
	2023	2022	2022
Net sales previous period	50,089	42,010	182,937
Net sales current period	56,447	50,089	213,271
Net sales growth	12.7%	19.2%	16.6%
Currency-adjusted net sales previous period	54,631	41,290	189,743
Net sales current period	56,447	50,089	213,271
Currency-adjusted net sales growth	3.3%	21.3%	12.4%

Operating profit and operating margin

tSEK	Jan – Mar		Jan – Dec
	2023	2022	2022
Net sales	56,447	50,089	213,271
Other operating income	17	190	529
Capitalized work for own account	460	678	3,224
Platform fees	-12,643	-11,897	-49,741
Other external expenses	-16,828	-11,872	-63,383
Personnel expenses	-14,651	-13,206	-54,201
Depreciation and impairment of tangible and intangible assets	-1,617	-1,241	-5,261
Other operating expenses	-95	-	-329
Operating profit/loss	11,090	12,742	44,110
Operating margin	19.6%	25.4%	20.7%

Adjusted operating profit and adjusted operating margin

tSEK	Jan – Mar		Jan – Dec
	2023	2022	2022
Operating profit/loss	11,090	12,742	44,110
Exceptional items			
External consultants	-298	-	-2,802
Personnel expenses	-	-	-
Exceptional items	-298	-	-2,802
Adjusted operating profit/loss	11,388	12,742	46,912
Adjusted operating margin	20.2%	25.4%	22.0%

ARPU

±SEK	Jan - Mar		Jan - Dec
	2023	2022	2022
Subscription income	56,257	49,872	212,534
Number of subscriptions previous period (thousands)	904	901	901
Number of subscriptions current period (thousands)	881	920	904
ARPU (SEK)	252	219	236

SUBMISSION OF INTERIM REPORT JAN – MAR 2023

The Board of Directors and CEO assure that the interim report provides a fair and accurate overview of the operations, financial position and earnings of the parent company and group and describes significant risks and uncertainties that the parent company and the companies included in the group face.

Gothenburg, April 26, 2023

Lars Berg
Chairman of the Board

Olof Nilsson
Board member

Rasmus Järborg
Board member

Anne Broeng
Board member

Ödgård Andersson
Board member

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Why We Sleep