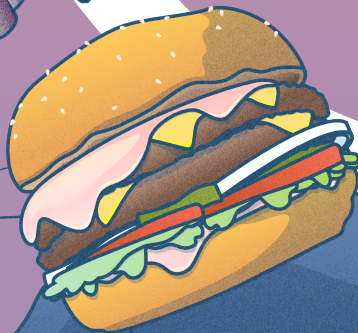
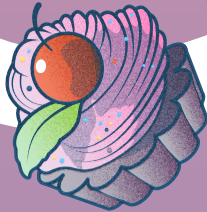
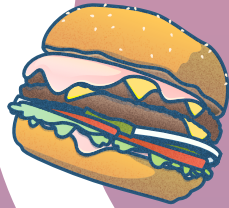


# Q3



JULY-SEPTEMBER  
2022

SLEEP CYCLE  
INTERIM REPORT



# INTERIM REPORT JAN – SEP 2022 – SLEEP CYCLE AB

## CONTINUED GROWTH, STRONG OPERATING MARGIN, AND A PARTNERSHIP BREAKTHROUGH

Despite a tough prevailing economic climate, Sleep Cycle continued to show strong performance in the nine-month period. Income increased by 16.8% to SEK 157.6 million, and the operating margin totaled 24.8 (21.0)%, exceeding the long-term target of 20%. Partnering with Gympass was a high point of the third quarter, as this quickly brought in new users in markets where we previously had a lower presence.

## SIGNIFICANT EVENTS DURING THE QUARTER

- The first part of Sleep Cycle's platform for sleep training was launched in early July. Several different sleep programs based on the user's individual needs and sleep patterns will be launched on the platform.
- In September Sleep Cycle launched a partnership with Gympass. Gympass offers its members access to various gyms, primarily in Latin and North America. Membership also gives one access to digital health services, where Sleep Cycle is the only service provider in the area of sleep.

No significant events have occurred after the reporting period.

## GROUP KEY PERFORMANCE INDICATORS

SEK (thousands)	Jul – Sep		Jan – Sep		Jan – Dec
	2022	2021	2022	2021	2021
Net sales	54,976	48,759	157,569	134,897	182,937
Net sales growth (%)	12.8%	20.9%	16.8%	14.6%	14.7%
Currency-adjusted net sales growth (%)	7.3%	30.0%	14.4%	21.6%	21.6%
Operating profit	13,563	9,024	39,099	2,295	10,325
Operating margin (%)	24.7%	18.5%	24.8%	1.7%	5.6%
Adjusted operating profit	13,563	12,005	39,099	28,356	36,386
Adjusted operating margin (%)	24.7%	24.6%	24.8%	21.0%	19.9%
Profit/loss for the period	10,729	7,135	30,924	1,731	8,110
Adjusted operating cash flow	7,551	7,555	50,220	28,296	36,791
Adjusted cash conversion (%)	50.5%	59.6%	116.6%	96.5%	95.7%
<b>Operational key performance indicators</b>					
Total subscriptions (Thousands)	912	884	912	884	901
ARPU (SEK)	239	209	231	210	212
Average number of employees (#)	47	37	46	31	33

For definitions, justifications, and deductions see page 17.

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### THIRD QUARTER JULY-SEPTEMBER 2022

- Net sales increased by 12.8% (20.9%) and totaled tSEK 54,976 (48,759). Currency-adjusted net sales growth totaled 7.3 (30.0)%. In the third quarter of 2021 Sleep Cycle received SEK 3.3 million from Samsung as compensation for integration development. This explains why growth for 2022 is lower than for the prior year. Excluding the income from Samsung, growth in income was 20.9%.
- Operating profit totaled tSEK 13,563 (9,024) and the operating margin was 24.7% (18.5%). The third quarter of 2021 was affected by expenditures related to strategic projects related to the IPO.
- Adjusted operating profit totaled tSEK 13,563 (12,005) and adjusted operating margin was 24.7% (24.6%). In 2022, no expenses affecting comparability have been posted.
- The total number of paying subscribers at the end of the period was 921,000 (884,000), an increase of 3.2% compared with the previous year. The rate of increase compared with the previous quarter decreased somewhat in the third quarter as a result of seasonal factors, price adjustments, and a decreased number of downloads.
- ARPU in the quarter totaled SEK 239 (209). The improvement is a result of changed price mix and adjusted prices on select markets and currency effects.
- Earnings per share before dilution in the quarter totaled SEK 0.55 (0.37). Earnings per share after dilution totaled SEK 0.54 (0.36).

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### PERIOD JANUARY – SEPTEMBER 2022

- Net sales increased by 16.8% (14.6%) and totaled tSEK 157,569 (134,897). Currency-adjusted net sales growth totaled 14.4 (21.6)%. This increase is due primarily to higher ARPU as a result of changes to the price mix along with positive currency effects.
- Operating profit totaled tSEK 39,099 (2,295) and the operating margin was 24.8% (1.7%). The previous year was strongly affected by expenditures related to strategic projects related to the IPO.
- Adjusted operating profit totaled tSEK 39,099 (28,356) and adjusted operating margin was 24.8% (21.0%). In 2022, no expenses affecting comparability have been posted.
- ARPU for the period totaled SEK 231 (210).
- Earnings per share before dilution in the quarter totaled SEK 1.59 (0.09). Earnings per share after dilution totaled SEK 1.55 (0.09).



## LETTER FROM THE CEO

**Despite a tough prevailing economic climate, Sleep Cycle continued to show strong performance in the third quarter. We continue to develop the company in line with our strategy and making great progress in technology and product development, which will result in several important launches in the coming quarters. During the third quarter we experienced a breakthrough in partnerships and Sleep Cycle is now available on one of the largest wellbeing platforms in Latin America.**

Partnering with Gympass was a high point of the third quarter, as this will enable us to reach new users in markets where we currently have a lower presence, such as Latin America and North America. Members are offered a number of health services, including gym access, therapy and digital services where Sleep Cycle is the preferred platform in sleep. Over the course of September, Sleep Cycle was activated by more than 7,000 unique users in Latin America, which indicates not only a solid start to the collaboration, but also the potential inherent in exposure on new platforms facing new user segments.

Similar to the previous quarter, growth in the number of users fell to 3.2% due to price increases and a reduced number of downloads. On the other hand, the higher prices mean that the average income per user (ARPU) increases to SEK 239 (209), which is positive and creates room to increase investments in marketing. Late in the quarter we began to see the payoff from increased marketing activities and we are anticipating growth in the user base during the fourth quarter.

Over the next quarter we will continue launching new functions in sleep analysis where we use our data and expertise in machine learning as a foundation. We will further strengthen our position in snore detection and breathing, which are strong indicators of more serious types of sleep-related health problems. I am very pleased with our

continuing development of Sleep Cycle's offering and I am very excited to see how our users engage with the services we will be making available in the upcoming months.

We are carefully monitoring global political and economic developments and how the market for digital sleep assistance is developing. So far we have not been significantly impacted by inflation or the general sense of concern, but we are continuing to follow developments to be able to act quickly should the situation change. Taking the long-term perspective, I am entirely convinced that the market for sleep and digital sleep products is growing strongly. According to a McKinsey study<sup>1</sup> from September 2022, it was observed that the wellness market in the USA is expecting to continue demonstrate strong growth and areas relating to sleep and digital tools were pointed out as being of particular interest. This is entirely in line with my own perspective and I am convinced that Sleep Cycle has a unique position where we combine sleep, digital tools, and massive datasets to provide the user a personal sleep analysis and scientifically supported advice and programs to improve it.

Now as we enter the final quarter of the year, I can observe that we have taken a number of important steps during the year; increased investments in product development with several new launches, we have optimized our methods of driving traffic through marketing and established successful partnerships. My hope is that in the fourth quarter of 2022 we will see results from this hard work, which will lay the foundation for continued growth and development in 2023.



Carl Johan Hederöth  
CEO Sleep Cycle AB

<sup>1</sup> <https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/still-feeling-good-the-us-wellness-market-continues-to-boom>





# Sleep Cycle product offer

Sleep Cycle is a leader in the development of AI-based sleep analysis. The application is central to our product portfolio, which, together with our offer to the corporate market, 'Sleep Cycle Boot Camp,' constitutes our offer of sleep-related products and services.

## **SLEEP CYCLE MOBILE APPLICATION**

Sleep Cycle is largely an autonomous sleep tool. Turn on the application before bedtime and put down the phone, and Sleep Cycle will take care of the rest. Since its launch in 2009, Sleep Cycle has developed from an application with a focus on waking the user in a light sleep phase into a comprehensive holistic sleep service. Over the years, a strong focus on value for the user has resulted in a consistent 4.5+ ranking in our distribution channels. The technology has evolved from the use of accelerometers in measuring sleep to patented sound analysis and machine learning in data collection and analysis.

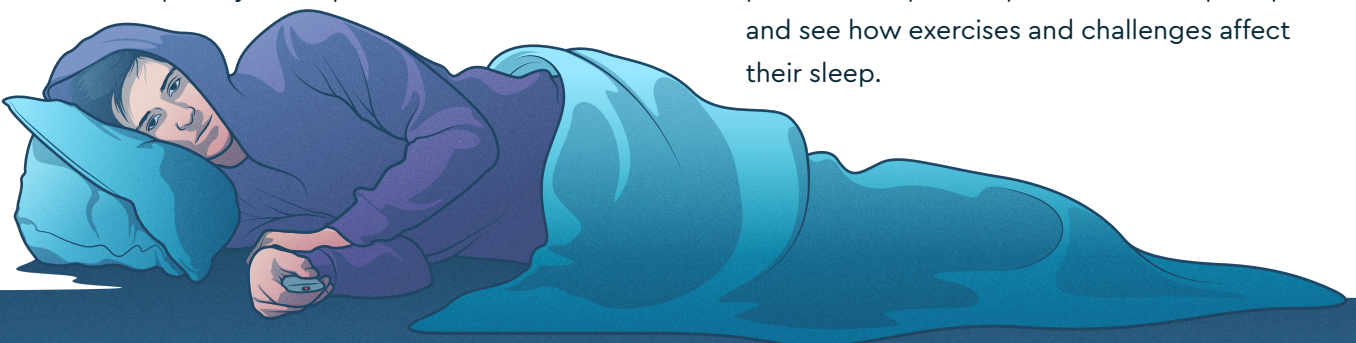
Sleep Cycle offers an extensive audio library of relaxing music, meditations, and stories to help you fall asleep more easily. Using patented sound analysis, Sleep Cycle reads the body's movement patterns during the night, analyzes sleep, and correlates its results with external factors and daily activities. Sleep Cycle wakes you up in a light sleep phase, allowing you to wake up feeling rested without an alarm. The results of the sleep analysis are presented in the form of

easy-to-follow insights and graphs that provide personal guidance on how you can learn more about your sleep and how to improve it.

## **SLEEP CYCLE BOOT CAMP FOR BUSINESS CLIENTS**

The fact that we have developed and launched an offer to companies is completely in keeping with our growth strategy and an important step in providing employers what they need to promote sleep hygiene among employees.

"Sleep Cycle Boot Camp" is sleep training for companies, tailored to function in everyday life, with the goal of improving sleep and health among employees. The training session is four weeks long and was developed in collaboration with Frida Rångtjell, PhD, and sleep researcher, as well as Li Åslund, PhD and psychologist. Each week offers a new theme and presents educational material in the form of videos and articles, coaching, exercises, and challenges. Throughout the program, participants use the Sleep Cycle application to get to know their personal sleep habits, check status reports, and see how exercises and challenges affect their sleep.



## 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, 2021.

### THIRD QUARTER JULY-SEPTEMBER 2022

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#### SALES AND EARNINGS

The Group's net sales during the second quarter totaled tSEK 54,976 (48,759), which is an increase of 12.8% (20.9%) compared with prior year.

The total currency effect total approximately SEK 3 million. In the third quarter of 2021 Sleep Cycle received SEK 3.3 million from Samsung for integration development. This explains why growth for 2022 is lower than for the prior year. Excluding the income from Samsung, net sales growth was 20.9%. The increase in net sales is due primarily to higher ARPU along with growth in the number of paid subscriptions, which stood at 912k at the end of the period, thus an increase of 3.2% compared to previous year. With fewer downloads and seasonal variations, the number of paying users nonetheless increased, and the renewal rate was stable and on par with earlier periods. Average revenue per subscription (ARPU) increased, amounting to SEK 239 (209), as a result of a price adjustments, changed price mix, and currency effects.

Operating profit totaled tSEK 13,563 (9,024) and the margin to 24.7% (18.5%) in the third quarter. Adjusted operating profit totaled tSEK 13,563 (12,005) and the adjusted margin was 24.7% (24.6%). The adjusted operating margin was in line with the previous year, but was positively impacted in the third quarter of 2021 by one-off income from Samsung. Excluding the income

from Samsung, the margin was 19.1% for the previous year. Additionally, marketing costs were in line with the prior year, 10,167 (11,354) tSEK. At the end of the quarter, marketing costs increased as part of the strategy to benefit from adjusted prices that deliver a higher lifetime value per user. Investments in marketing for customer acquisition can increase, thanks to a greater lifetime value. Staff costs for the third quarter totaled 12,574 (9,334) tSEK. This increase is explained by a larger organization with more employees compared with prior year.

Net financial items for the quarter totaled tSEK -41 (-13) and taxes on the profit for the quarter totaled tSEK -2,793 (-1,877). Profits totaled tSEK 10,729 (7,135). Earnings per share before dilution totaled SEK 0.55 (0.37) and after dilution to SEK 0.54 (0.36).

#### CASH FLOW AND FINANCIAL POSITION

Cash flow from operating activities in the third quarter totaled tSEK 6,344 (7,375). The somewhat weakened cashflow from operating activities is due to a higher preliminary tax as a result of higher earnings in 2022. The change in working capital also negatively impacted cashflow as a result of reduction in contractual liabilities linked to lower new sales for the period. Adjusted cash conversion for the quarter totaled 50.5% (59.6%).

Cash flow from investment activities totaled tSEK -1,828 (-2,867) related to capitalized development expenses and acquisitions of tangible fixed assets. Adjusted for items affecting comparability (in the third quarter of 2021), the adjusted operating cash flow totaled tSEK 7,551 (7,555).

Cash flow from financing activities for the quarter totaled tSEK 15,780 (-407). The change is due to the share issue in August 2022, which brought the company SEK 16,538 after deduction of transaction costs following conversion of the expired 2019/2022 share warrant program.

Cash flow for the quarter totaled tSEK 20,296 (4,101). The Group's cash and cash equivalents at the end of the period totaled tSEK 222,811 (145,091).

Consolidated equity totaled tSEK 156,783 as of 30 September. Opening balance on 1 January was tSEK 108,898. The company's share capital increased in the third quarter from tSEK 540 to tSEK 563 as a result of the share issue.



## PERIOD

JANUARY – SEPTEMBER 2022

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### SALES AND EARNINGS

Changes in net sales, profit, cash flow and financial position for the nine-month period of 2022 compared with the previous year are largely explained by the same reasons as for the third quarter. Development over a nine-month period is indicated below, with comments in cases where there are causes for development other than for the third quarter.

The Group's net sales for the period totaled tSEK 157,569 (134,897), which is an increase of 16.8% (14.6%) compared with prior year. The total currency effect totaled approximately SEK 3.5 million. Currency-adjusted growth in net sales was 14.4% (21.6%).

Operating profit totaled tSEK 39,099 (2,295) and the margin was 24.8% (1.7%) for the period. Adjusted operating profit totaled tSEK 39,099 (28,356) and the adjusted margin was 24.8% (21.0%). 2021 was strongly affected by expenditures related to strategic projects related to the IPO. Marketing expenses for the period totaled tSEK 23,949 (32,316). Personnel expenses totaled tSEK 39,432 (29,766), reflecting a larger organization where the average number of employees has increased from 31 to 46 people. An improved adjusted margin is explained partly by lower marketing costs and partly by a more effective organization. Because of greater efficiency within the organization, a greater share of the growth has stemmed from product development and the launch of new features in favor of investments in marketing. Costs for customer acquisition have thus been reduced, owing to lower marketing costs compared with prior year.

Net financial items for the period totaled tSEK -100 (-59) and taxes on the profit for the period

totaled tSEK -8,075 (-506). Profit for the period totaled tSEK 30,924 (1,731). Earnings per share before dilution totaled SEK 1.59 (0.09) and after dilution to SEK 1.55 (0.09).

### CASH FLOW AND FINANCIAL POSITION

Cash flow from operating activities for the period totaled tSEK 48,008 (-2,154). The change is due primarily to the improved results. Starting in 2021 the Company has been applying a method for self-invoicing of sales and platform fees, which were previously posted as accrued income and prepaid expenses, respectively, until paid. Adjusted cash conversion for the period totaled 116.6% (96.5%).

Cash flow from investment activities totaled tSEK -4,929 (-4,738) related to capitalized development expenses and acquisitions of tangible fixed assets. Adjusted for items affecting comparability (for the period of 2021), the adjusted operating cash flow totaled tSEK 50,220 (28,296).

Cashflow from financing activities totaled tSEK 14,635 (98,846) and regards amortization of leasing liabilities, option premiums, and share issue as a result of share warrants in 2022. The change in comparison with prior year is due to the share issue in conjunction with the IPO.

Cash flow for the period totaled tSEK 57,714 (91,955). The Group's cash and cash equivalents at the end of the period totaled tSEK 222,811 (145,091).

Consolidated equity totaled tSEK 156,783 as of 30 September. Opening balance on 1 January was tSEK 108,898.

## OTHER INFORMATION

### EMPLOYEES

The average number of employees in the Group for the quarter from July to September 2022 was 47 (37) and for the period from January to June 2022 was 46 (31).

### 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 2021. 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 related-party transactions aside from transactions with senior executives in their capacity as such.

### UPCOMING REPORTING DATES

- Year-end report 2022 February 10, 2023
- Interim report Jan-Mar 2023 April 27, 2023
- Annual general meeting 2023 May 8, 2023
- Interim report Apr-Jun 2023 on July 27, 2023
- Interim report Jul-Sep 2023 on October 25, 2023

### OTHER INFORMATION

This report has not undergone a review engagement by the Company's auditors.

A presentation of Sleep Cycle's interim report for July-September 2022 for shareholders, media, and other stakeholders will be held on October 28 at 9:30 a.m. 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 SEK 563,000.

### 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	90,000	90,000	0.4%	71.2	2025
CEO LTIP	340,909	340,909	1.7%	241.2	2026
<b>Total</b>	<b>640,805</b>	<b>786,580</b>	<b>3.9%</b>		

### MAIN SHAREHOLDERS IN SLEEP CYCLE AB (PUBL) AS OF SEPTEMBER 30, 2022

Owner	Number of shares	Votes and capital
Maciek Drejak through company	8,527,190	42%
Pierre Siri through company	4,609,291	23%
Handelsbanken Microcap	1,433,023	7%
Skandia Fonder	714,285	4%
Petter Wallin	691,394	3%
Nordnet Pensionsförsäkring	585,056	3%
Avanza Pension	553,594	3%
SEB Nanocap	430,000	2%
Third AP Fund	350,000	2%
Lancelot Avalon	330,000	2%
Others	2,053,730	10%
<b>Total</b>	<b>20,277,563</b>	<b>100%</b>



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Jul – Sep		Jan – Sep		Jan – Dec
SEK (thousands)	Note	2022	2021	2022	2021	2021
<b>OPERATING INCOME</b>						
Net sales	4	54,976	48,759	157,569	134,897	182,937
Other operating income		86	158	483	265	394
<b>OPERATING EXPENSES</b>						
Capitalized work for own account		498	989	2,299	2,451	2,838
Platform fees		-12,644	-11,178	-36,908	-32,382	-43,991
Other external expenses		-15,255	-19,620	-40,699	-72,069	-89,094
Personnel expenses		-12,574	-9,334	-39,432	-29,766	-40,578
Depreciation and write-downs of tangible and intangible assets		-1,380	-681	-3,983	-967	-2,047
Other operating expenses		-143	-69	-230	-134	-134
<b>Operating profit</b>		<b>13,563</b>	<b>9,024</b>	<b>39,099</b>	<b>2,295</b>	<b>10,325</b>
<b>FINANCIAL ITEMS</b>						
Financial income		-	-	1	-	-
Financial expenses		-41	-13	-101	-59	-78
<b>Profit before tax</b>		<b>13,522</b>	<b>9,011</b>	<b>38,999</b>	<b>2,237</b>	<b>10,247</b>
Tax on profit for the period		-2,793	-1,877	-8,075	-506	-2,137
<b>Profit for the period attributable to the parent company's shareholders</b>		<b>10,729</b>	<b>7,135</b>	<b>30,924</b>	<b>1,731</b>	<b>8,110</b>
Other comprehensive income		-	-	-	-	-
<b>Comprehensive income for the period attributable to the parent company's shareholders</b>		<b>10,729</b>	<b>7,135</b>	<b>30,924</b>	<b>1,731</b>	<b>8,110</b>
<b>Earnings per share before dilution, SEK</b>		<b>0.55</b>	<b>0.37</b>	<b>1.59</b>	<b>0.09</b>	<b>0.43</b>
<b>Earnings per share after dilution, SEK</b>		<b>0.54</b>	<b>0.36</b>	<b>1.55</b>	<b>0.09</b>	<b>0.42</b>
<b>Average number of shares outstanding for the period before dilution</b>		<b>19,427,535</b>	<b>19,315,257</b>	<b>19,427,535</b>	<b>18,487,741</b>	<b>18,685,592</b>
<b>Average number of shares outstanding for the period after dilution</b>		<b>20,038,358</b>	<b>19,942,714</b>	<b>19,981,887</b>	<b>19,137,837</b>	<b>19,327,109</b>

## CONSOLIDATED STATEMENT ON FINANCIAL POSITION

SEK (thousands)	Note	09/30/2022	09/30/2021	12/31/2021
<b>ASSETS</b>				
<b>Fixed assets</b>				
<b>Intangible fixed assets</b>				
Capitalized expenses for development work		7,411	4,155	4,638
Patent		-	-	-
<b>Total intangible fixed assets</b>		<b>7,411</b>	<b>4,155</b>	<b>4,638</b>
<b>Tangible fixed assets</b>				
Right-of-use assets		4,772	3,204	2,452
Equipment and computers		1,451	610	996
<b>Total tangible fixed assets</b>		<b>6,223</b>	<b>3,814</b>	<b>3,449</b>
<b>Financial fixed assets</b>				
Deferred tax assets		50	637	48
Other long-term receivables		411	-	-
<b>Total financial fixed assets</b>		<b>461</b>	<b>637</b>	<b>48</b>
<b>Total fixed assets</b>		<b>14,094</b>	<b>8,606</b>	<b>8,134</b>
<b>Current assets</b>				
Accounts receivable		19,975	21,195	21,626
Other receivables		552	734	1,944
Current tax assets		4,033	18,615	5,015
Prepaid expenses and accrued income		27,291	23,925	25,537
Cash and cash equivalents		222,811	145,091	165,508
<b>Total current assets</b>		<b>274,663</b>	<b>209,560</b>	<b>219,629</b>
<b>TOTAL ASSETS</b>		<b>288,757</b>	<b>218,167</b>	<b>227,763</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital		563	540	540
Other contributed capital		119,229	102,158	102,292
Retained profits, including profit for the year		36,991	-313	6,066
<b>Total equity attributable to the parent company's shareholders</b>		<b>156,783</b>	<b>102,385</b>	<b>108,898</b>
<b>Long-term liabilities</b>				
Leasing liabilities		2,939	311	-
<b>Total long-term liabilities</b>		<b>2,939</b>	<b>311</b>	<b>-</b>
<b>Current liabilities</b>				
Leasing liabilities		1,886	2,935	2,494
Accounts payable		11,709	14,138	9,755
Other liabilities		968	834	874
Accrued expenses and deferred income		114,474	97,564	105,741
<b>Total short-term liabilities</b>		<b>129,035</b>	<b>115,471</b>	<b>118,865</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>288,757</b>	<b>218,167</b>	<b>227,763</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK (thousands)	Attributable to the parent company's shareholders		
	09/30/2022	09/30/2021	12/31/2021
Opening balance	108,898	127	127
Profit/loss for the period	30,924	1,731	8,110
Option premiums	368	4,147	4,281
New share issues after issue expenses	16,593	96,380	96,380
Closing balance	156,783	102,385	108,898

## CONSOLIDATED CASH FLOW STATEMENT

SEK (thousands)	Note	Jul – Sep		Jan – Sep		Jan – Dec
		2022	2021	2022	2021	2021
Cash flow from operating activities						
Operating profit		13,563	9,024	39,099	2,295	10,325
Adjustments for items not included in cash flow:						
Depreciation and write-downs		1,380	681	3,983	967	2,047
Interest received		-	-	1	-	-
Interest paid		-41	-13	-101	-59	-78
Tax paid		-2,994	-54	-7,042	-9,058	3,501
Cash flow from operating activities before changes in working capital		11,908	9,639	35,940	-5,854	15,796
Change in working capital						
Change in operating receivables		-1,848	7,349	1,288	-5,119	-8,372
Change in operating liabilities		-3,717	-9,613	10,779	8,820	12,665
Cash flow from operating activities		6,344	7,375	48,008	-2,154	20,089
Investment activities						
Capitalization of development expenses		-1,451	-2,402	-4,216	-4,273	-5,013
Acquisition of tangible fixed assets		-378	-465	-713	-465	-922
Cash flow from investment activities		-1,828	-2,867	-4,929	-4,738	-5,935
Financing activities						
Amortization of lease liabilities		-758	-407	-2,270	-662	-1,413
Refunded option premiums		-	-	-11	-	-
Option premiums received		-	-	378	4,158	4,281
New share issues		16,538	-	16,538	95,350	95,350
Cash flow from financing activities		15,780	-407	14,635	98,846	98,218
Cash flow for the period		20,296	4,101	57,714	91,955	112,372
Cash and cash equivalents at the beginning of the period		202,515	140,990	165,508	53,136	53,136
Reclassification of cash and cash equivalents		-	-	-411	-	-
Cash and cash equivalents at the end of the period		222,811	145,091	222,811	145,091	165,508



## INCOME STATEMENT – PARENT COMPANY

SEK (thousands)	Note	Jul – Sep		Jan – Sep		Jan – Dec
		2022	2021	2022	2021	2021
<b>OPERATING INCOME</b>						
Net sales		54,976	48,759	157,569	134,897	182,937
Other operating income		86	158	483	265	394
Capitalized work for own account		498	989	2,299	2,451	2,838
<b>OPERATING EXPENSES</b>						
Platform fees		-12,644	-11,178	-36,908	-32,382	-43,991
Other external expenses		-16,054	-20,172	-43,065	-72,884	-90,686
Personnel expenses		-12,574	-9,334	-39,432	-29,766	-40,578
Depreciation and write-downs of tangible and intangible assets		-616	-143	-1,702	-181	-509
Other operating expenses		-143	-69	-230	-134	-134
<b>Operating profit</b>		<b>13,528</b>	<b>9,010</b>	<b>39,014</b>	<b>2,266</b>	<b>10,271</b>
<b>PROFIT FROM FINANCIAL ITEMS</b>						
Profit from participation in group companies		-	-	-	-	-100
Interest income and similar income		-	-	1	-	-
Interest expenses and similar expenses		-	-	-	-32	-29
<b>Profit before tax</b>		<b>13,528</b>	<b>9,010</b>	<b>39,015</b>	<b>2,236</b>	<b>10,142</b>
Tax on profit for the period		-2,795	-1,876	-8,077	-504	-2,135
<b>Profit/loss for the period</b>		<b>10,734</b>	<b>7,134</b>	<b>30,938</b>	<b>1,732</b>	<b>8,007</b>
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>10,734</b>	<b>7,134</b>	<b>30,938</b>	<b>1,732</b>	<b>8,007</b>

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

SEK (thousands)	Note	09/30/2022	09/30/2021	12/31/2021
<b>ASSETS</b>				
<b>Fixed assets</b>				
Intangible fixed assets				
Capitalized expenses for development work		7,411	4,155	4,638
Patent		-	-	-
<b>Total intangible fixed assets</b>		<b>7,411</b>	<b>4,155</b>	<b>4,638</b>
Tangible fixed assets				
Equipment and computers		1,451	610	996
<b>Total tangible fixed assets</b>		<b>1,451</b>	<b>610</b>	<b>996</b>
Financial fixed assets				
Participations in group companies		50	150	50
Deferred tax assets		39	628	39
Other long-term receivables		411	-	-
<b>Total financial fixed assets</b>		<b>500</b>	<b>778</b>	<b>89</b>
<b>Total fixed assets</b>		<b>9,361</b>	<b>5,543</b>	<b>5,723</b>
<b>Current assets</b>				
Accounts receivable		19,975	21,195	21,626
Other receivables		552	734	1,944
Current tax assets		4,033	18,615	5,015
Prepaid expenses and accrued income		27,291	23,925	25,537
Cash and bank balances		222,694	144,961	165,379
<b>Total current assets</b>		<b>274,546</b>	<b>209,430</b>	<b>219,500</b>
<b>TOTAL ASSETS</b>		<b>283,907</b>	<b>214,973</b>	<b>225,222</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
<b>Restricted equity</b>				
Share capital		563	540	540
Fund for development expenditures		7,411	4,155	4,638
<b>Total restricted equity</b>		<b>7,974</b>	<b>4,695</b>	<b>5,177</b>
<b>Unrestricted equity</b>				
Share premium fund		119,229	102,158	102,292
Profit carried forward		-1,383	-6,135	-6,618
Profit/loss for the period		30,938	1,732	8,007
<b>Total unrestricted equity</b>		<b>148,784</b>	<b>97,755</b>	<b>103,682</b>
<b>Total equity</b>		<b>156,758</b>	<b>102,450</b>	<b>108,859</b>
<b>Current liabilities</b>				
Accounts payable		11,709	14,138	9,754
Other liabilities		968	834	874
Accrued expenses and deferred income		114,474	97,551	105,736
<b>Total short-term liabilities</b>		<b>127,150</b>	<b>112,523</b>	<b>116,363</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>283,907</b>	<b>214,973</b>	<b>225,222</b>

# NOTES

## Note 1 General information

The address of the head office is Gårdatorget 1, 412 50 Gothenburg, Sweden. Sleep Cycle drives the development of one of the world's most 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 September 30, 2022 consists of the wholly owned subsidiary Sleep Cycle Sverige AB (559278-9688).

Sleep Cycle's interim report for January-SEP 2022 was approved for publication on October 28 per Board decision on October 27, 2022.

## 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."

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 2021. New standards and interpretations that came into force on 1 January 2022 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.

## Note 4 Distribution of net sales

	Jul – Sep		Jan – Sep		Jan – Dec
SEK (thousands)	2022	2021	2022	2021	2021
Subscription income	54,716	45,400	157,046	131,490	179,251
Other income	261	3,359	523	3,407	3,686
Total	54,976	48,759	157,569	134,897	182,937

## Note 5 Financial instruments

SEK (thousands)	09/30/2022	09/30/2021	12/31/2021
<b>Financial assets valued at amortized cost</b>			
Accounts receivable	19,975	21,195	21,626
Other receivables	963	734	1,944
Accrued income	113	77	170
Cash and cash equivalents	222,811	145,091	165,508
<b>Total financial assets</b>	<b>243,863</b>	<b>167,097</b>	<b>189,247</b>
<b>Financial liabilities valued at amortized cost</b>			
Lease liabilities	5,046	3,293	2,521
Accounts payable	11,709	14,138	9,755
Other current liabilities	3,391	2,763	2,646
<b>Total financial liabilities</b>	<b>20,146</b>	<b>20,194</b>	<b>14,922</b>

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.



# 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.

Previously, Adjusted operating margin excluding marketing expenses, EBITDA and Adjusted EBITDA were presented. ESMA recommends that alternative key performance indicators be used with caution. Sleep Cycle no longer monitors operations on these key performance indicators and therefore does not disclose them below.

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	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.
Items affecting comparability	Items of a non-recurring nature that are not part of normal business and therefore affect comparison between different periods.	The measure is used to understand the company's development and comparison between the years.
Adjusted operating profit	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.
Adjusted operating cash flow	Adjusted EBITDA plus change in net working capital minus investments in tangible and intangible assets.	The measure shows the amount of cash and cash equivalents generated by the company's operating activities, adjusted for items affecting comparability.
Adjusted cash conversion	Adjusted operating cash flow in relation to the company's Adjusted EBITDA.	The measure is used to measure the proportion of the company's profit that is converted into cash and cash equivalents and describes to what extent the operating activities are cash-generating.
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

	Jul – Sep		Jan – Sep		Jan – Dec
SEK (thousands)	2022	2021	2022	2021	2021
Net sales previous period	48,759	40,336	134,897	117,689	159,448
Net sales current period	54,976	48,759	157,569	134,897	182,937
Net sales growth	12.8%	20.9%	16.8%	14.6%	14.7%
Currency-adjusted net sales previous period	51,254	37,514	137,691	110,919	150,399
Net sales current period	54,976	48,759	157,569	134,897	182,937
Currency-adjusted net sales growth	7.3%	30.0%	14.4%	21.6%	21.6%

## Operating profit and operating margin

	Jul – Sep		Jan – Sep		Jan – Dec
SEK (thousands)	2022	2021	2022	2021	2021
Net sales	54,976	48,759	157,569	134,897	182,937
Other operating income	86	158	483	265	394
Capitalized work for own account	498	989	2,299	2,451	2,838
Platform fees	-12,644	-11,178	-36,908	-32,382	-43,991
Other external expenses	-15,255	-19,620	-40,699	-72,069	-89,094
Personnel expenses	-12,574	-9,334	-39,432	-29,766	-40,578
Depreciation and write-downs of tangible and intangible assets	-1,380	-681	-3,983	-967	-2,047
Other operating expenses	-143	-69	-230	-134	-134
Operating profit	13,563	9,024	39,099	2,295	10,325
Operating margin	24.7%	18.5%	24.8%	1.7%	5.6%

## Adjusted operating profit and adjusted operating margin

	Jul – Sep		Jan – Sep		Jan – Dec
SEK (thousands)	2022	2021	2022	2021	2021
Operating profit	13,563	9,024	39,099	2,295	10,325
Items affecting comparability					
External consultants	-	-2,981	-	-23,309	-23,309
Personnel expenses	-	-	-	-2,752	-2,752
Items affecting comparability	-	-2,981	-	-26,061	-26,061
Adjusted operating profit	13,563	12,005	39,099	28,356	36,386
Adjusted operating margin	24.7%	24.6%	24.8%	21.0%	19.9%

#### Adjusted operating cash flow and Adjusted cash conversion

	Jul – Sep		Jan – Sep		Jan – Dec
SEK (thousands)	2022	2021	2022	2021	2021
Adjusted EBITDA	14,943	12,686	43,082	29,323	38,434
Change in working capital	-5,564	-2,264	12,068	3,711	4,293
Acquisition of tangible fixed assets	-378	-465	-713	-465	-922
Capitalization of development expenses	-1,451	-2,402	-4,216	-4,273	-5,013
Adjusted operating cash flow	7,551	7,555	50,220	28,296	36,791
Adjusted cash conversion	50.5%	59.6%	116.6%	96.5%	95.7%

#### ARPU

	Jul – Sep		Jan – Sep		Jan – Dec
SEK (thousands)	2022	2021	2022	2021	2021
Subscription income	54,716	45,400	157,046	131,490	179,251
Number of subscriptions previous period (thousands)	921	852	901	788	788
Number of subscriptions current period (thousands)	912	884	912	884	901
ARPU (SEK)	239	209	231	210	212

## SUBMISSION OF INTERIM REPORT JAN – SEP 2022

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, October 27, 2022

Lars Berg  
Chairman of the Board

Olof Nilsson  
Board member

Rasmus Järborg  
Board member

Anne Broeng  
Board member

Ödgård Andersson  
Board member

Carl Johan Hederöth  
CEO

# AUDITOR'S REPORT OF THE REVIEW ENGAGEMENT ON THE INTERIM REPORT

To the Board of Directors of Sleep Cycle AB  
company registration no. 556614-7368

We have conducted a review engagement of the interim report for Sleep Cycle AB as of September 30, 2022, and the nine-month period ending on this date. It is the responsibility of the Board of Directors and CEO to draw up and present this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to state a conclusion regarding this interim report on the basis of our review engagement.

## AIM AND SCOPE OF THE REVIEW ENGAGEMENT

We have conducted our review engagement in accordance with International Standard on Review Engagements ISRE 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review engagement consists of inquiries made primarily to individuals responsible for financial and accounting matters, analytical review, and other review engagement procedures. A review engagement has a different emphasis and a significantly lesser scope compared with the emphasis and scope that an audit per ISA and generally accepted accounting principles would otherwise have. The review activities carried out in a review engagement do not enable us to acquire such a level of assurance that we are become aware of all the important circumstances that could have been identified if a true audit were to be performed. The conclusion given based on a review engagement therefore does not have the same assurance that a conclusion given on the basis of an audit would have.

## CONCLUSION

Based on our review engagement, no circumstances have been identified that give us reason to believe that the interim report has not been prepared, in all material respects, in accordance with IAS 34 and the Annual Accounts Act for the Group and in accordance with the Annual Accounts Act for the Parent Company.

Stockholm, October 27, 2022

Mazars AB

Samuel Bjälkemo  
Certified public accountant

Anders Persson  
Certified public accountant

# Contact

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