

Q4



OCTOBER - DECEMBER
2022

SLEEP CYCLE
YEAR-END REPORT



YEAR-END REPORT 2022 – SLEEP CYCLE AB

INCREASED GROWTH AND HIGHER PROFIT MARGIN DESPITE AN UNCERTAIN ENVIRONMENT

Despite a challenging year and an uncertain environment, Sleep Cycle increased both growth and operating margin compared to the previous year. Revenue for the whole year increased by 16.6% (14.7%) to mSEK 213.3 and the adjusted operating margin amounted to 22.0% (19.9%). Some of the highlights during the year included the launch of new features such as automatic sleep monitoring via Apple Watch, a partnership with Gympass and during the fourth quarter the launch on Huawei in China.

SIGNIFICANT EVENTS DURING THE FOURTH QUARTER

- In mid-quarter the new feature "Who is snoring?" was launched, which can detect with improved accuracy who in a room is snoring. The feature was developed using so-called few-shot-learning.
- During December Sleep Cycle was launched with Huawei in China, thus substantially increasing the targetable market. Sleep Cycle was already available previously for Apple's users in the region and can now be found on two of the biggest platforms in this market.
- On 19 December 2022, Velvet Cichlid AB, a consortium controlled by GLA Invest SA, MCGA AB, h265 AB and Petter Walling that represented some 68% of the shares in Sleep Cycle announced a cash takeover bid to the shareholders in Sleep Cycle. In connection with the board in Sleep Cycle assessing the offer and issuing recommendations

to shareholders, exceptional costs of tSEK 2,802 weighed on the fourth quarter.

SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

- In January, a reorganization was carried out with the aim of tying the commercial functions together more closely with development and product strategy.
- On 2 February 2023, Velvet Cichlid AB announced they will not proceed with the cash takeover bid.
- The Board of Directors in Sleep Cycle adopted a policy with the goal that dividend shall, over time, amount to between 40% and 60% of annual net profit after taxes. The Board of Directors proposes dividend of SEK 7.00 per share, corresponding to mSEK 141.9 based on outstanding shares per 10 February 2023. SEK 1.00 per share as ordinary dividend for 2022 and SEK 6.00 per share as extra ordinary dividend

GROUP KEY PERFORMANCE INDICATORS

SEK (thousands)	Oct – Dec		Jan – Dec	
	2022	2021	2022	2021
Net sales	55,703	48,040	213,271	182,937
Net sales growth (%)	16.0%	15.0%	16.6%	14.7%
Currency-adjusted net sales growth (%)	6.7%	21.7%	12.4%	21.6%
Operating profit	5,011	8,030	44,110	10,325
Operating margin (%)	9.0%	16.7%	20.7%	5.6%
Adjusted operating profit	7,813	8,030	46,912	36,386
Adjusted operating margin (%)	14.0%	16.7%	22.0%	19.9%
Profit for the period	4,051	6,379	34,976	8,110
Adjusted operating cash flow	11,846	8,495	62,066	36,791
Adjusted cash conversion (%)	130.3%	93.2%	119.0%	95.7%
Operational key performance indicators				
Total subscriptions (Thousands)	904	901	904	901
ARPU (SEK)	244	214	236	212
Average number of employees (#)	48	37	46	33

For definitions, justifications, and deductions see page 17.

LETTER FROM THE CEO

When closing the fourth quarter, we can state that yet another successful period is behind us. We have taken several important steps to deliver our strategic targets. One example is the launch on Huawei in China, which meant that we strongly expanded our targetable market. During the quarter we also launched a new feature, requested by many users, that makes it possible to detect who in a room is snoring. This has been very well received and some 58% of our users who snore have already activated the feature. A patent application for the solution has been submitted to the Swedish Patent and Registration Office and will form the basis for many important launches in the future.

One of our most important strategies for creating growth is to attract new users through expansion via new platforms. Thanks to now being available on Huawei and Apple in China, we are significantly increasing our reach and are now available to a majority of users in this growing market.

As has been reported by Apple and Google, interest in both App Store and Google Play has dropped generally, which also negatively affected the number of downloads of Sleep Cycle. During the year, we also adjusted prices slightly upwards for new users and during the fourth quarter these adjustments were rolled out in our biggest markets. As expected, the price changes have affected the acquisition of new customers during the year, but we still managed to increase the number of subscribers by 0.3% to 904,000 at the end of the fourth quarter. The renewal rate continued to be stable and ARPU developed very positively, increasing by 13.7% in the fourth quarter.

During 2022, Sleep Cycle paid the equivalent of 23.3% of revenue in platform expenses. The issue of competition was once again taken up within the EU in 2022, which in the long term could lead to

Apple being forced to reduce their fees in App Store or permit sales outside of App Store.

Sleep Cycle is well-positioned for the future and I expect a continued increase in revenue through new users and higher prices. With the organizational change we carried out in January, we are creating a more efficient organization, which is now expected to launch new features at a higher rate. Combined with new channels for sales and more partnerships we are also increasing our reach, resulting in more potential users who create profitable growth. We are confident in our growth strategy, even if traffic is getting less due to external challenges. We see this as an opportunity.

In summary, I believe that Sleep Cycle has developed well during the period while uncertainty due to external factors has increased. The product plan we have going into 2023 is strong and is based on the factors that make us unique; our massive amounts of sleep data, a large and active user base combined with our platform and knowledge within AI and machine learning. The course is set and during 2023 we will further increase investments in technology, data and AI.

We have worked hard during the fourth quarter and I look forward to upcoming launches where we will both identify sleep disorders, provide tools to manage them packaged in a much more personal experience adapted to individual requirements and sleep habits. With new features we reach new segments of users while creating a higher level of commitment that yields increased conversion and more renewed subscriptions. A commitment that is at the core of both our business plan as well as our vision to improve global health through better sleep.



Carl Johan Hederöth
CEO Sleep Cycle AB

FOURTH QUARTER OCTOBER – DECEMBER 2022

- Net sales increased by 16.0% (15.0%) and totaled tSEK 55,703 (48,040). Currency-adjusted net sales growth totaled 6.7% (21.7%). The increase is explained by price mix and currency effects.
- Operating profit totaled tSEK 5,011 (8,030) and the operating margin was 9.0% (16.7%). The fourth quarter 2022 was affected by costs of tSEK 2,802 related to the cash takeover bid from Velvet Cichlid AB. Further costs are expected to weigh on the first quarter 2023.
- Adjusted operating profit totaled tSEK 7,813 (8,030) and adjusted operating margin was 14.0% (16.7%). During 2022 costs related to the cash offer have been adjusted for. The deterioration in margins is explained by a larger organization together with investments in product development and marketing.
- The total number of paying subscribers at the end of the period was 904k (901k), an increase of 0.3% compared to the previous year. The rate of increase compared with previous quarters decreased in the fourth quarter as a result of price adjustments and lower traffic in Apple App Store, which affected the number of downloads.
- ARPU in the quarter totaled SEK 244 (214). 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 0.20 (0.33). Earnings per share after dilution totaled SEK 0.20 (0.32).

WHOLE YEAR JANUARY – DECEMBER 2022

- Net sales increased by 16.6% (14.7%) and totaled tSEK 213,271 (182,937). Currency-adjusted net sales growth totaled 12.4% (21.6%). This increase is due primarily to higher ARPU as a result of changes to the price mix and adjusted prices along with positive currency effects.
- Operating profit totaled tSEK 44,110 (10,325) and the operating margin was 20.7% (5.6%). During 2022, exceptional costs of tSEK 2,802 related to the cash takeover bid from Velvet Cichlid AB. Further costs are expected to weigh on the first quarter 2023. For 2021, exceptional costs of tSEK 26,061 related to the stock exchange listing were recorded.
- Adjusted operating profit totaled tSEK 46,912 (36,386) and adjusted operating margin was 22.0% (19.9%). The improved margin during 2022 is explained by a combination of increased revenue and higher efficiency both in product development and customer acquisition. For 2022, costs related to the cash offer have been adjusted for and for 2021 costs related to the stock exchange listing have been adjusted for.
- ARPU for the period totaled SEK 236 (212).
- Earnings per share before dilution totaled SEK 1.77 (0.43) for the period. Earnings per share after dilution totaled SEK 1.74 (0.42).
- The Board of Directors proposes dividend of SEK 7.00 per share, corresponding to mSEK 141.9 based on outstanding shares per 10 February 2023. SEK 1.00 per share as ordinary dividend for 2022 and SEK 6.00 per share as extra ordinary dividend.



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 lasts four and was developed in collaboration with sleep researcher and psychologist Li Åslund, PhD. 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.

FOURTH QUARTER OCTOBER – DECEMBER 2022

SALES AND EARNINGS

The Group's net sales during the fourth quarter totaled tSEK 55,703 (48,040), which is an increase of 16.0% (15.0%) compared to the previous year. The total currency effect totaled approximately mSEK 4.4. The increase in net turnover is explained primarily by a higher ARPU. Average revenue per subscription (ARPU) increased by 14% amounting to SEK 244 (214) as a result of a price adjustments, changed price mix, and currency effects. With a downturn in downloads new customer acquisitions were negatively affected. The number of paying users amounted to 904k (901k) with renewed users being the main reason for the increase compared to the previous year.

Operating profit totaled tSEK 5,011 (8,030) and the margin 9.0% (16.7%) in the fourth quarter. Adjusted operating profit totaled tSEK 7,813 (8,030) and the adjusted margin was 14.0% (16.7%). The item other external costs includes exceptional costs of tSEK 2,802 related to the board's assessment of the cash offer. Further costs are expected to weigh on the first quarter 2023. Additionally, marketing costs were in line with the previous year, tSEK 10,837 (9,681). Staff costs for the fourth quarter totaled tSEK 14,769 (10,811). During the year, marketing was reduced in favor of new hirings. In the fourth quarter investments in marketing increased temporarily,

which in combination with more employees resulted in a lower margin.

Net financial items for the quarter totaled tSEK 120 (-19) and taxes on profit for the quarter totaled tSEK -1,080 (-1,631). Profit totaled tSEK 4,051 (6,379). Earnings per share before dilution totaled SEK 0.20 (0.33) and after dilution SEK 0.20 (0.32).

CASH FLOW AND FINANCIAL POSITION

Cash flow from operating activities in the fourth quarter totaled tSEK 13,520 (22,231). The reduced cash flow from the operating activities is mainly explained by the repayment of tax from 2020 during 2021.

Cash flow from investment activities totaled tSEK -2,840 (-1,198) related to capitalized development expenses and acquisitions of tangible fixed assets. Adjusted for exceptional items, the adjusted operating cash flow totaled tSEK 11,846 (8,495). Adjusted cash conversion for the quarter totaled 130.3% (93.2%).

Cash flow from financing activities in the quarter totaled tSEK -629 (-617) related to the repayment of leasing liabilities.

Cash flow for the quarter totaled tSEK 10,051 (20,417). The group's liquid funds at the end of the period totaled tSEK 232,862 (165,508). Consolidated equity totaled tSEK 160,834 as of December 31. Opening balance on January 1 was tSEK 108,898.

WHOLE YEAR

JANUARY – DECEMBER 2022

SALES AND EARNINGS

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

The group's net sales for the year totaled tSEK 213,271 (182,937), which is an increase of 16.6% (14.7%) compared to the previous year. The total currency effect amounted to approximately mSEK 8. Currency-adjusted growth in net sales was 12.4% (21.6%).

Operating profit totaled tSEK 44,110 (10,325) and the margin was 20.7% (5.6%) for the period. Adjusted operating profit totaled tSEK 46,912 (36,386) and the adjusted margin was 22.0% (19.9%). During 2022, exceptional costs of tSEK 2,802 related to the board's assessment of the cash offer were recorded. Further costs are expected to weigh on the first quarter 2023. For

2021, exceptional costs of tSEK 26,061 related to the stock exchange listing were recorded. Marketing expenses for the period totaled tSEK 34,786 (41,997). Personnel expenses totaled tSEK 54,201 (40,578), reflecting a larger organization where the average number of employees has increased from 33 to 46 people. An improved adjusted margin is explained partly by lower marketing costs and partly by a more efficient 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 the previous year.

Net financial income/expense for the period totaled tSEK -20 (-78) and tax on profit for the period totaled tSEK -9,155 (-2,137). Profit for the year totaled tSEK 34,976 (8,110). Earnings per share before dilution totaled SEK 1.77 (0.43) and after dilution SEK 1.74 (0.42).

CASH FLOW AND FINANCIAL POSITION

Cash flow from operating activities for the period totaled tSEK 61,528 (20,089). The change is explained primarily by the improved result and positive development of the operating capital because of advance payments.

Cash flow from investment activities totaled tSEK -7,769 (-5,935) related to capitalized development expenses and acquisitions of tangible fixed assets. Adjusted for exceptional items, the adjusted operating cash flow totaled tSEK 62,066 (36,791). Adjusted cash conversion for the period totaled 119.0% (95.7%).

Cashflow from financing activities totaled tSEK 14,006 (98,218) and relates to the repayment of leasing liabilities, option premiums and a new capital issue as a result of utilizing warrants in 2022. The change in comparison with the previous year is due to the new capital issue in conjunction with the stock exchange listing.

Cash flow for the year totaled tSEK 67,765 (112,372). The group's liquid funds at the end of the period totaled tSEK 232,862 (165,508).

Consolidated equity totaled tSEK 160,834 as of December 31. Opening balance on January 1 was tSEK 108,898. The company's share capital increased in 2022 from tSEK 540 to 563 as a result of a new capital issue after utilizing warrants.

OTHER INFORMATION

EMPLOYEES

The average number of employees in the group for the quarter October to December 2022 was 48 (37) and for the period from January to December 2022 was 46 (33).

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

- Interim report Jan-Mar 2023 on April 27, 2023
- Interim report Apr-Jun 2023 on July 27, 2023
- Interim report Jul-Sep 2023 on October 25, 2023

ANNUAL GENERAL MEETING AND ANNUAL REPORT

The Annual General Meeting will be held in Gothenburg on May 8, 2023. The notice will contain practical information regarding registration and attendance.

Sleep Cycle's annual report for 2022 is expected to be published on the home page on March 30, 2023.

DIVIDEND

The Board of Directors in Sleep Cycle AB (publ) has adopted a dividend policy with the goal that dividend shall, over time, amount to between 40% and 60% of annual net profit after taxes.

Sleep Cycle has a history of profitability and strong cash generation. With an asset light business model underpinned by prepaid subscriptions, the Board of Directors opinion is that the company can deliver on its long-term strategic goals, including investments for increased revenue growth, in combination with an annual dividend yield.

The Board of Directors proposes dividend of SEK 7.00 per share, corresponding to mSEK 141.9 based on outstanding share per 10 February 2023. SEK 1.00 per share as ordinary dividend for 2022 and SEK 6.00 per share as extra ordinary dividend. Last day for trading with right to dividend is 8 May 2023 and the record date for determining who is entitled to receive dividend is 10 May 2023. Euroclear expect the dividend to be paid out 15 May 2023.

OTHER INFORMATION

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

On February 10 at 9:30 AM, a presentation of Sleep Cycle's year-end report for 2022 will be held 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 DECEMBER 31, 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	1,450,000	7%
Skandia Fonder	714,285	4%
Petter Wallin	691,394	3%
Avanza Pension	649,667	3%
Nordnet Pensionsförsäkring	588,111	3%
Lancelot Avalon	400,000	2%
Velvet Cichlid	361,589	2%
Cancerfonden	291,882	1%
Others	1,994,154	10%
Total	20,277,563	100%

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK (thousands)	Note	Oct – Dec		Jan – Dec	
		2022	2021	2022	2021
OPERATING INCOME					
Net sales	4	55,703	48,040	213,271	182,937
Other operating income		46	129	529	394
OPERATING EXPENSES					
Work performed by the company for its own use and capitalized		925	387	3,224	2,838
Platform fees		-12,833	-11,609	-49,741	-43,991
Other external expenses		-22,684	-17,025	-63,383	-89,094
Personnel expenses		-14,769	-10,811	-54,201	-40,578
Depreciation and write-downs of tangible and intangible assets		-1,278	-1,080	-5,261	-2,047
Other operating expenses		-99	-	-329	-134
Operating profit		5,011	8,030	44,110	10,325
FINANCIAL ITEMS					
Financial income		156	-	157	-
Financial expenses		-36	-19	-137	-78
Profit before tax		5,131	8,010	44,130	10,247
Tax on profit for the period		-1,080	-1,631	-9,155	-2,137
Profit for the period attributable to the parent company's shareholders		4,051	6,379	34,976	8,110
Other comprehensive income		-	-	-	-
Comprehensive income for the period attributable to the parent company's shareholders		4,051	6,379	34,976	8,110
Earnings per share before dilution, SEK		0.20	0.33	1.77	0.43
Earnings per share after dilution, SEK		0.20	0.32	1.74	0.42
Average number of shares outstanding for the period before dilution		20,277,203	19,427,535	19,729,788	18,685,592
Average number of shares outstanding for the period after dilution		20,277,203	20,029,017	20,056,591	19,327,109

CONSOLIDATED STATEMENT ON FINANCIAL POSITION

SEK (thousands)	Note	12-31-2022	12-31-2021
ASSETS			
Fixed assets			
Intangible fixed assets			
Capitalized expenses for development work		9,595	4,638
Patent		-	-
Total intangible fixed assets		9,595	4,638
Tangible fixed assets			
Right-of-use assets		4,132	2,452
Equipment and computers		1,468	996
Total tangible fixed assets		5,601	3,449
Financial assets			
Deferred prepaid tax		13	48
Other long-term receivables		411	-
Total financial assets		424	48
Total fixed assets		15,620	8,134
Current assets			
Accounts receivable		22,388	21,626
Other receivables		1,084	1,944
Current tax assets		1,474	5,015
Prepaid expenses and accrued income		27,943	25,537
Liquid funds		232,862	165,508
Total current assets		285,751	219,629
TOTAL ASSETS		301,371	227,763
EQUITY AND LIABILITIES			
Equity			
Share capital		563	540
Other contributed capital		119,229	102,292
Retained earnings, including profit for the year		41,042	6,066
Total equity attributable to the parent company's shareholders		160,834	108,898
Long-term liabilities			
Leasing liabilities		2,623	-
Total long-term liabilities		2,623	-
Current liabilities			
Leasing liabilities		1,572	2,494
Accounts payable		14,203	9,755
Other liabilities		2,889	1,908
Accrued expenses and deferred income		119,250	104,707
Total current liabilities		137,914	118,865
TOTAL EQUITY AND LIABILITIES		301,371	227,763

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to the parent company's shareholders

SEK (thousands)	12-31-2022	12-31-2021
Opening balance	108,898	127
Profit for the period	34,976	8,110
Option premiums	368	4,281
New share issues after issue expenses	16,593	96,380
Closing balance	160,834	108,898

CONSOLIDATED CASH FLOW STATEMENT

SEK (thousands)	Note	Oct - Dec		Jan - Dec	
		2022	2021	2022	2021
Cash flow from operating activities					
Operating profit		5,011	8,030	44,110	10,325
Adjustments for items not included in cash flow:					
Depreciation and write-downs		1,278	1,080	5,261	2,047
Interest received		156	-	157	-
Interest paid		-36	-19	-137	-78
Tax paid		1,516	12,559	-5,525	3,501
Cash flow from operating activities before changes in working capital		7,925	21,651	43,866	15,796
Change in working capital					
Change in operating receivables		-3,597	-3,252	-2,309	-8,372
Change in operating liabilities		9,192	3,834	19,971	12,665
Cash flow from operating activities		13,520	22,231	61,528	20,089
Investment activities					
Capitalization of development expenses		-2,701	-740	-6,917	-5,013
Acquisition of tangible fixed assets		-139	-457	-852	-922
Cash flow from investment activities		-2,840	-1,198	-7,769	-5,935
Financing activities					
Repayment of leasing liabilities		-629	-751	-2,899	-1,413
Refunded option premiums		-	-	-11	-
Option premiums received		-	134	378	4,281
New share issues		-	-	16,538	95,350
Cash flow from financing activities		-629	-617	14,006	98,218
Cash flow for the period		10,051	20,417	67,765	112,372
Liquid funds at the beginning of the period		222,811	145,091	165,508	53,136
Reclassification of liquid funds		-	-	-411	-
Liquid funds at the end of the period		232,862	165,508	232,862	165,508

INCOME STATEMENT – PARENT COMPANY

SEK (thousands)	Note	Oct – Dec		Jan – Dec	
		2022	2021	2022	2021
OPERATING INCOME					
Net sales		55,703	48,040	213,271	182,937
Other operating income		46	129	529	394
Work performed by the company for its own use and capitalized		925	387	3,224	2,838
OPERATING EXPENSES					
Platform fees		-12,833	-11,609	-49,741	-43,991
Other external expenses		-23,348	-17,802	-66,413	-90,686
Personnel expenses		-14,769	-10,811	-54,201	-40,578
Depreciation and write-downs of tangible and intangible assets		-638	-328	-2,340	-509
Other operating expenses		-99	-	-329	-134
Operating profit		4,986	8,005	44,000	10,271
PROFIT FROM FINANCIAL ITEMS					
Profit from participation in group companies		-	-100	-	-100
Interest income and similar income		156	3	157	-
Interest expenses and similar expenses		-	-	-	-29
Profit before tax		-5,142	7,908	44,158	10,142
Tax on profit for the period		-1,082	-1,631	-9,159	-2,135
Profit for the period		4,061	6,277	34,999	8,007
COMPREHENSIVE INCOME FOR THE PERIOD		4,061	6,277	34,999	8,007

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	12-31-2022	12-31-2021
ASSETS			
Fixed assets			
Intangible fixed assets			
Capitalized expenses for development work		9,595	4,638
Patent		-	-
Total intangible fixed assets		9,595	4,638
Tangible fixed assets			
Equipment and computers		1,468	996
Total tangible fixed assets		1,468	996
Financial assets			
Participations in group companies		50	50
Deferred prepaid tax		-	39
Other long-term receivables		411	-
Total financial assets		461	89
Total fixed assets		11,524	5,723
Current assets			
Accounts receivable		22,388	21,626
Other receivables		1,084	1,944
Current tax assets		1,474	5,015
Prepaid expenses and accrued income		27,943	25,537
Cash and bank balances		232,746	165,379
Total current assets		285,635	219,500
TOTAL ASSETS		297,160	225,222
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		563	540
Fund for development expenditures		9,595	4,638
Total restricted equity		10,158	5,177
Unrestricted equity			
Share premium fund		119,229	102,292
Accumulated profit or loss		-3,568	-6,618
Profit for the period		34,999	8,007
Total unrestricted equity		150,660	103,682
Total equity		160,818	108,859
Current liabilities			
Accounts payable		14,203	9,754
Other liabilities		2,889	1,908
Accrued expenses and deferred income		119,250	104,702
Total current liabilities		136,341	116,363
TOTAL EQUITY AND LIABILITIES		297,160	225,222

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's sleep solutions help users fall asleep more easily, measure sleep habits and improve sleep and with the extensive sleep database contribute 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 December 31, 2022 consists of the wholly owned subsidiary Sleep Cycle Sverige AB (559278-9688).

Sleep Cycle's year-end report for Jan-Dec 2022 was approved for publication on February 10 per board decision on February 10 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."

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

SEK (thousands)	Oct - Dec		Jan - Dec	
	2022	2021	2022	2021
Subscription income	55,488	47,761	212,534	179,251
Other income	214	279	737	3,686
Total	55,703	48,040	213,271	182,937

Note 5 Financial instruments

SEK (thousands)	12-31-2022	12-31-2021
Financial assets valued at amortized cost		
Accounts receivable	22,388	21,626
Other receivables	1,496	1,944
Accrued income	-	170
Liquid funds	232,862	165,508
Total financial assets	256,746	189,247
Financial liabilities valued at amortized cost		
Leasing liabilities	4,381	2,521
Accounts payable	14,203	9,755
Other current liabilities	5,849	2,646
Total financial liabilities	24,433	14,922

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.
EBITDA	Operating profit before amortization, write-downs and depreciation.	EBITDA is an indication of the company's earning capacity and is a complement to the operating profit excluding amortization, write-downs and depreciation of tangible and intangible assets.
Exceptional items	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 EBITDA	Operating profit before amortization, write-downs and depreciation, adjusted for exceptional items.	Adjusted EBITDA is used to understand the company's earning capacity adjusted for exceptional items.
Adjusted operating profit	Operating profit adjusted for exceptional items.	Adjusted operating profit is used to understand the company's earning capacity adjusted for exceptional items.
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 exceptional items.
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 liquid funds generated by the company's operating activities, adjusted for exceptional items.
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 liquid funds 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

SEK (thousands)	Oct – Dec		Jan – Dec	
	2022	2021	2022	2021
Net sales previous period	48,040	41,759	182,937	159,448
Net sales current period	55,703	48,040	213,271	182,937
Net sales growth	16.0%	15.0%	16.6%	14.7%
Currency-adjusted net sales previous period	52,219	39,479	189,743	150,399
Net sales current period	55,703	48,040	213,271	182,937
Currency-adjusted net sales growth	6.7%	21.7%	12.4%	21.6%

Operating profit and operating margin

SEK (thousands)	Oct – Dec		Jan – Dec	
	2022	2021	2022	2021
Net sales	55,703	48,040	213,271	182,937
Other operating income	46	129	529	394
Work performed by the company for its own use and capitalized	925	387	3,224	2,838
Platform fees	-12,833	-11,609	-49,741	-43,991
Other external expenses	-22,684	-17,025	-63,383	-89,094
Personnel expenses	-14,769	-10,811	-54,201	-40,578
Depreciation and write-downs of tangible and intangible assets	-1,278	-1,080	-5,261	-2,047
Other operating expenses	-99	-	-329	-134
Operating profit	5,011	8,030	44,110	10,325
Operating margin	9.0%	16.7%	20.7%	5.6%

Adjusted operating profit and adjusted operating margin

SEK (thousands)	Oct – Dec		Jan – Dec	
	2022	2021	2022	2021
Operating profit	5,011	8,030	44,110	10,325
Exceptional items				
External consultants	-2,802	-	-2,802	-23,309
Personnel expenses	-	-	-	-2,752
Exceptional items	-2,802	-	-2,802	-26,061
Adjusted operating profit	7,813	8,030	46,912	36,386
Adjusted operating margin	14.0%	16.7%	22.0%	19.9%

Adjusted operating cash flow and Adjusted cash conversion

SEK (thousands)	Oct – Dec		Jan – Dec	
	2022	2021	2022	2021
Adjusted EBITDA	9,091	9,110	52,173	38,434
Change in working capital	5,595	582	17,662	4,293
Acquisition of tangible fixed assets	-139	-457	-852	-922
Capitalization of development expenses	-2,701	-740	-6,917	-5,013
Adjusted operating cash flow	11,846	8,495	62,066	36,791
Adjusted cash conversion	130.3%	93.2%	119.0%	95.7%

ARPU

SEK (thousands)	Oct – Dec		Jan – Dec	
	2022	2021	2022	2021
Subscription income	55,488	47,761	212,534	179,251
Number of subscriptions previous period (thousands)	912	884	901	788
Number of subscriptions current period (thousands)	904	901	904	901
ARPU (SEK)	244	214	236	212

SUBMISSION OF YEAR-END REPORT JAN – DEC 2022

The Board of Directors and CEO assure that the year-end 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, February 10, 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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