

Q4



OCTOBER - DECEMBER
2023

SLEEP CYCLE
YEAR-END REPORT



YEAR-END REPORT 2023 – SLEEP CYCLE AB

FOURTH QUARTER OCTOBER – DECEMBER 2023

- Net sales totaled tSEK 61,254 (55,405) and increased by 10.6% (16.1%). Currency-adjusted net sales growth amounted to 5.7% (8.6%).
- Operating profit amounted to tSEK 12,689 (4,549), with an operating margin of 20.7% (8.2%).
Operating profit was affected by a non-cash impairment loss of tSEK 6,341. Excluding impairment, the margin was 31.1%.
- Adjusted operating profit totaled tSEK 12,689 (7,351) and adjusted operating margin was 20.7% (13.3%).
- The total number of paying subscribers at end of period was 893k (904k).
- ARPU in the quarter totaled SEK 272 (243). Currency-adjusted ARPU totaled SEK 260.
- Earnings per share before and after dilution for the quarter amounted to SEK 0.52 (0.18).

WHOLE YEAR JANUARY – DECEMBER 2023

- Net sales totaled tSEK 236,146 (212,034) and increased by 11.4% (16.8%). Currency-adjusted net sales growth amounted to 3.1% (12.3%).
- Operating profit amounted to tSEK 56,606 (42,807), with an operating margin of 24.0% (20.2%).
- Adjusted operating profit totaled tSEK 61,437 (45,609) and adjusted operating margin was 26.0% (21.5%). In 2023 adjustments were made for costs related to the efficiency program.
- ARPU for the period totaled SEK 262 (234). Currency-adjusted ARPU totaled SEK 242.
- Earnings per share before dilution totaled SEK 2.28 (1.72) for the period. Earnings per share after dilution totaled SEK 2.28 (1.69).

SIGNIFICANT EVENTS DURING THE QUARTER

- On 1 November, Erik Jivmark took over as the new CEO. Erik's most recent position was at Volvo Car Mobility.
- In November, the new Cough Radar feature was launched. Based on Sleep Cycle's data, the feature shows how coughs and colds develop in real time.
- At an Extraordinary General Meeting on 23 November, it was resolved to implement an incentive program for the company's CEO.
- After a strategic review, the decision was made to discontinue Sleep Cycle Kids. As a result of the discontinuation, earnings will reflect an impairment loss of SEK 6.3 million with no impact on future sales.

SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

- On January 23, it was announced that Sleep Cycle is reorganizing and consolidating its operations to the head office in Gothenburg.
- The Board of Directors proposes a dividend of SEK 2.30 per share, corresponding to SEK 46.6 million, based on the number of outstanding shares as of February 7, 2024. SEK 1.30 per share constitutes an ordinary dividend and SEK 1.00 per share constitutes an extraordinary dividend for 2023.

GROUP KEY PERFORMANCE INDICATORS

tSEK	Oct – Dec		Jan – Dec	
	2023	2022*	2023	2022*
Net sales	61,254	55,405	236,146	212,034
Net sales growth (%)	10.6%	16.1%	11.4%	16.8%
Currency-adjusted net sales growth (%)	5.7%	8.6%	3.1%	12.3%
Operating profit/loss	12,689	4,549	56,606	42,807
Operating margin (%)	20.7%	8.2%	24.0%	20.2%
Non-recurring items	-	-2 802	-4 831	-2 802
Adjusted operating profit/loss	12,689	7,351	61,437	45,609
Adjusted operating margin (%)	20.7%	13.3%	26.0%	21.5%
Profit/loss for the period	10,445	3,685	46,142	33,941
Operational key performance indicators				
Total subscriptions (Thousands)	893	904	893	904
ARPU (SEK)	272	243	262	234
Average number of employees (#)	38	48	45	46

*The key figures for 2022 have been adjusted to reflect the correction of VAT liability. See more under the section Financial overview. For definitions, justifications, and deductions see page 16.

STATEMENT BY THE CEO

CONTINUED USER GROWTH IN THE FOURTH QUARTER SUMS UP A STRONG FULL YEAR 2023

When summing up 2023, we can conclude that the positive trend from the third quarter continued. The number of subscribers continued to increase in the fourth quarter. Despite a cautious market during the year, sales increased by 10.6% in the quarter and 11.4% for the full year, largely driven by price increases and exchange rate effects. The focus on product development and conversion, combined with cost-effective customer acquisition, has not only enabled us to turn around growth in the number of subscribers during the year, but has also provided an improved user experience.

I have had the privilege of being the CEO of Sleep Cycle since the first of November 2023. I have spent the first few months getting to know the company through meetings with colleagues, investors, partners, and other important stakeholders. After my first few months, I can confirm that the company has a strong market position, a highly appreciated offering, and a competent and innovative team. During the spring, we will present an updated strategy with a focus on increased growth.

As part of an ongoing strategic review, we decided in the fourth quarter to discontinue Sleep Cycle Kids in order to focus even more on our core product. This strategic adjustment is accompanied by a non-cash impairment charge of SEK 6.3 million in the fourth quarter. Excluding this write-down, we had an operating margin of over 31% in the quarter. The positive earnings trend in combination with a strong cash flow is another sign of Sleep Cycle's strong position, as we now enter a new exciting 2024.

Over the coming year we will endeavor to further strengthen our market position by increasing productivity in the company, capitalizing more on our data, and increasing our ability to deliver high-quality sleep analysis to our users worldwide. We will also continue to develop our relationship with our major customers and partners, such as Apple, Google, and Samsung. I see good opportunities to strengthen our commercial focus.

A first step in understanding the value of our data outside the core product came in November with the introduction of "Cough Radar," our latest innovation. Sleep Cycle can now apply its extensive user data to analyze the coughing frequency of our users, which we can show in an aggregated format through a so-called "heat-map." It helps the user gain geographical insight into different cough patterns and their development over time, providing a unique insight into the spread of colds and other respiratory symptoms.

Cough Radar is the result of Sleep Cycle's unique sound data, which can provide real-time information about the health status of different regions. My ambition going forward is to maintain focus on the development of the core product based on the insights that our data provides.

As part of our preparations for the future, we decided in January to close our office in Stockholm and offer all employees employment at our office in Gothenburg. This shift brings our various functions closer together in order to increase efficiency and create a stable base for increased growth with reduced overheads.

As the newly appointed CEO of Sleep Cycle, I am positive about the future, and impressed by our dedicated team and its strong execution power. We bring an appreciated product to the market that improves people's health, which is an important purpose. Furthermore, the high quality of the product contributes to a loyal user base. We are now working on an updated growth strategy and a business plan that will leverage the opportunities we see. We will take further steps to strengthen our profitability by focusing on the core product with an even better offering that attracts more users and increases retention.

I look forward to continuing our exciting journey of increased innovation and financial growth.

Thank you for your trust and continued support.



Erik Jivmark
CEO Sleep Cycle AB



Product offering

Sleep Cycle is a leader in the development of AI-based sleep analysis. With more than two 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 attractive profitability. Combined with the fact that the cost of each new user is very low, our business is fully scalable.

TECHNOLOGY AND USER EXPERIENCE

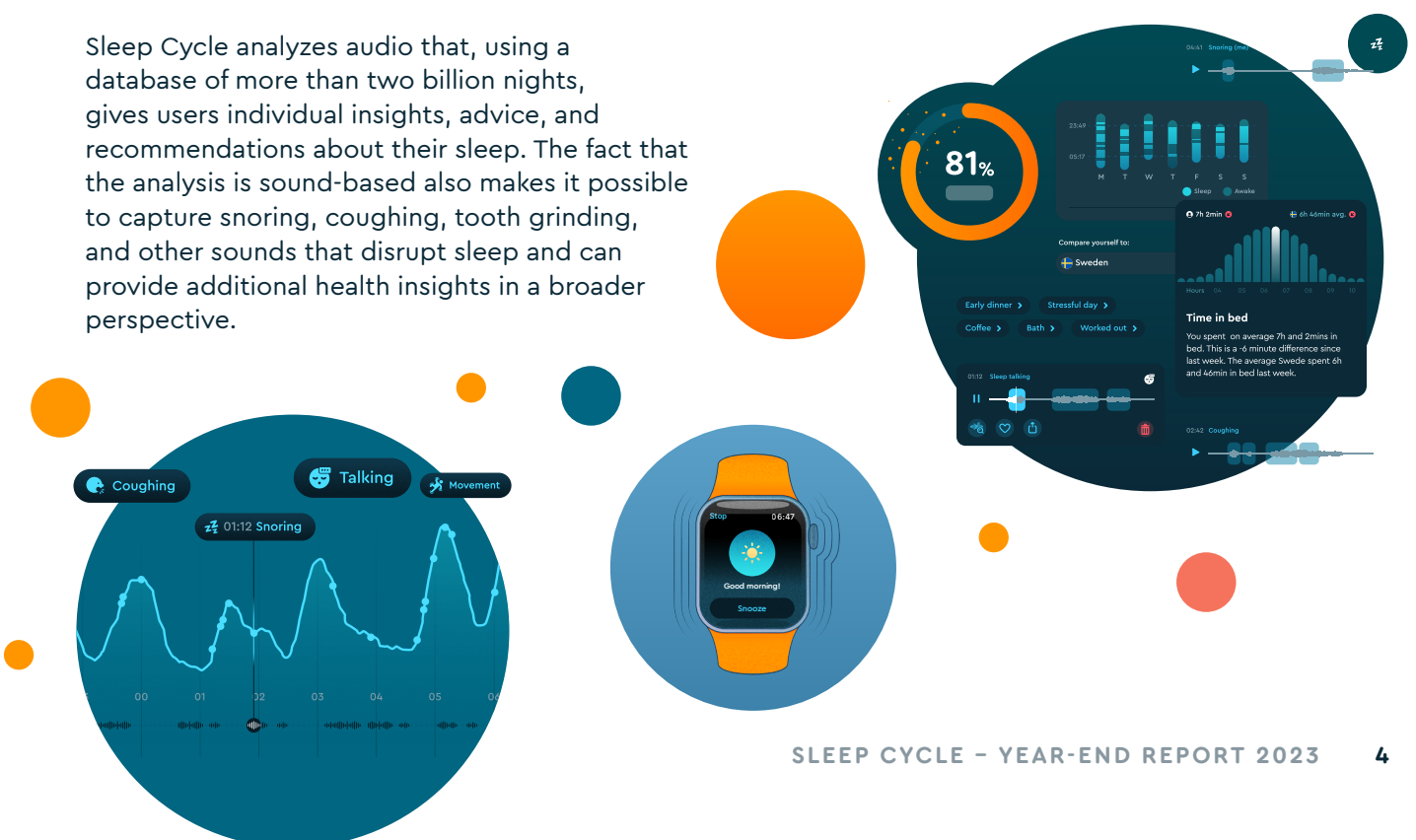
AI and machine learning have revolutionized our ability to manage large amounts of data and extract valuable information. The application of advanced algorithms and techniques allows us to extract patterns and contexts that were previously unknown and inaccessible.

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.

FUTURE OFFERS

The future of sleep optimization offers expansive opportunities in both product development and accessibility of our services on more platforms and in new channels. With a nearly unrivaled volume of sleep data, patented sleep analysis, and a large user base, we are in a very strong position to develop new and innovative services for sleep analysis.

Through continuous product development, Sleep Cycle continues to add new features for analysis of sleep, snoring, sleep hygiene, and coaching tools to help our users achieve better health. Future plans also include bringing out functions for optimizing health, sleep and well-being as well as functions to detect clinical sleep problems such as insomnia and sleep apnea.



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.

FOURTH QUARTER

OCTOBER - DECEMBER 2023

CORRECTION

During a review, it was discovered that Sleep Cycle is liable to pay VAT in Japan, as this is not handled by Apple and Google in that specific market. In total, another current liability of SEK 7.1 million has been booked as of December 31, 2023 regarding VAT on sales for the years 2018 to 2023. The error has been corrected by retroactively recalculating all affected items. Net sales for the fourth quarter of 2022 decreased by tSEK 297. Other operating expenses increased by tSEK 165. Tax on profit for the period decreased by tSEK 95 and Total income for the period decreased by tSEK 367. Current tax receivables increased by tSEK 1,154. Other liabilities increased by tSEK 6,012, and Deferred income decreased by tSEK 534. Equity as of December 31, 2022 decreased by tSEK 4,324. Going forward, Sleep Cycle will handle VAT in Japan through a local agent.

SALES AND EARNINGS

The Group's net sales during the fourth quarter totaled tSEK 61,254 (55,405), which is an increase of 10.6% (16.1%) compared to the previous year. The increase in net sales is due primarily to positive currency effects and higher ARPU. Currency-adjusted net sales growth amounted to 5.7% (8.6%). Average revenue per user (ARPU) increased by 11.9% and amounted to SEK 272 (243). In addition to exchange rate effects, ARPU was positively affected by the price increases introduced in the previous year.

The number of paying users totaled 893k (904k). The decrease in the total number of users is explained by a reduction in the number of users in the previous quarter as a result of a weaker market with fewer downloads. During the third quarter, the negative trend from previous quarters was broken and during the fourth quarter, the number of paying users continued to increase sequentially. An increase of 6k compared to the third quarter, which is explained by positive customer acquisition.

Operating profit totaled 12,689 (4,549) TSEK and the margin 20.7% (8.2%) in the fourth quarter. Earnings have been affected by an impairment charge of tSEK 6,341 related to a strategic decision to discontinue Sleep Cycle Kids. Excluding the write-down, the margin was 31.1%. The improved margin is a result of the efficiency program for increased profitability and continued growth that was communicated during the second quarter. The implementation has had a positive impact on the cost level and margin and entails a reduction in the number of employees, reduced purchases of external services and lower costs for marketing.

Adjusted operating profit totaled tSEK 12,689 (7,351) and the adjusted margin was 20.7% (13.3%). The fourth quarter of 2023 has not been affected by costs affecting comparability.

Net financial items for the quarter totaled tSEK 476 (120) and taxes on profit for the quarter totaled tSEK -2,720 (-985). Profit for the quarter totaled tSEK 10,445 (3,685). Earnings per share before and after dilution amounted to SEK 0.52 (0.18).

CASH FLOW AND FINANCIAL POSITION

Cash flow from operating activities in the fourth quarter totaled tSEK 16,429 (13,520).

Cash flow from investment activities amounted to tSEK -187 (-2,840) related to capitalized development expenses and acquisitions of tangible fixed assets. The change is explained by lower capitalization of development expenditure.

Cash flow from financing activities for the quarter totaled tSEK -727 (-629).

Cash flow for the quarter totaled tSEK 15,515 (10,051). The group's liquid funds at the end of the period totaled tSEK 133,471 (232,862).

Consolidated equity amounted to tSEK 60,998 as of December 31. Opening balance on January 1 was tSEK 156,510.

WHOLE YEAR

JANUARY – DECEMBER 2023

Changes in net sales, profit, cash flow, and financial position for the full year 2023 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.

CORRECTION

During a review, it was discovered that Sleep Cycle is liable to pay VAT in Japan, as this is not handled by Apple and Google in that specific market. In total, another current liability of SEK 7.1 million has been booked as of December 31, 2023 for the years 2018 to 2023. The error has been corrected by retroactively recalculating all affected items. Net sales for 2022 decreased by tSEK 1,237. Other operating expenses increased by tSEK 66. Tax on profit for the period decreased by tSEK 268 and Total income for the period has decreased by tSEK 1,035. Current tax receivables increased by tSEK 1,154. Other liabilities increased by tSEK 6,012 and Deferred income decreased by tSEK 534. Equity as of December 31, 2022 decreased by tSEK 4,324.

NET SALES AND PROFIT

The Group's net sales for the period totaled tSEK 236,146 (212,034), which is an increase of 11.4% (16.8%) compared with prior year. Currency-adjusted net sales growth was 3.1% (12.3%).

Operating profit totaled tSEK 56,606 (42,807) and the margin was 24.0% (20.2%) for the period. Excluding the impairment, the margin was 26.7%.

Adjusted operating profit totaled tSEK 61,437 (45,609) and the adjusted margin was 26.0% (21.5%). The item other external costs includes costs affecting comparability of tSEK 298 (2,802) related to the public cash offer in 2022. Furthermore, tSEK 83 is included in other external costs and tSEK 4,450 in personnel costs

related to the efficiency program implemented in the second quarter. The improved margin is a result of the streamlining initiative for increased profitability and continued growth that was communicated during the second quarter. The increase in personnel costs is related to the change of CEO.

Net financial items for the period totaled tSEK 1,586 (20) and taxes on the profit for the period totaled tSEK -12,050 (-8,886). Profit for the period totaled tSEK 46,142 (33,941). Earnings per share before dilution amounted to SEK 2.28 (1.72) and after dilution SEK 2.28 (1.69).

CASH FLOW AND FINANCIAL POSITION

Cash flow from operating activities for the period totaled tSEK 52,723 (61,528). The change in cash flow from operating activities reflects payments from Apple that do not follow monthly payments and negatively affects working capital. This affects cash flow in that the accounts receivable on the balance sheet date are higher,

as they relate to a longer period, but where the payment is made in the coming period without the accounts receivable falling due.

Cash flow from investment activities amounted to tSEK -6,813 (-7,769) related to capitalized development expenses and acquisitions of tangible fixed assets.

Cash flow from financing activities totaled tSEK -145,302 (14,006) and mainly pertains to amortization of leasing liabilities and dividends paid in 2023. The change in comparison with prior year is due to the dividend paid out.

Cash flow for the period totaled tSEK -99,392 tSEK (67,765). The group's liquid funds at the end of the period totaled tSEK 133,471 (232,862).

Consolidated equity amounted to tSEK 60,998 as of December 31. Opening balance on January 1 was tSEK 156,510.

OTHER INFORMATION

EMPLOYEES

The average number of employees in the group for the quarter October to December 2023 was 38 (48) and for the period from January to December 2023 was 45 (46). The number of employees was 38 (51) at year-end.

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

UPCOMING REPORTING DATES

- Interim report Jan-Mar 2024 on May 3, 2024
- Interim report Apr-Jun 2024 on July 26, 2024
- Interim report Jul-Sep 2024 on October 24, 2024

ANNUAL GENERAL MEETING AND ANNUAL REPORT

The Annual General Meeting will be held on April 11, 2024 in Gothenburg. The notice will contain practical information regarding registration and attendance.

Sleep Cycle's annual report for 2023 is expected to be published on the home page on March 8, 2024.

DIVIDEND

The Board of Directors of Sleep Cycle AB (publ) has adopted a distribution policy with the aim that distribution over time will amount to between 40–60% of earnings after taxes.

Sleep Cycle has a history of good profitability and strong cash flows. With a business model with limited investment needs and advance payments it is the opinion of the Board of Directors that the company can deliver on its long-term strategic objectives, including investments for growth, combined with an annual dividend.

The Board of Directors proposes a dividend of SEK 2.30 per share, corresponding to SEK 46.6 million calculated on the basis of the number of outstanding shares on February 7, 2024. SEK 1.30 per share constitutes an ordinary dividend for 2023 and SEK 1.00 per share constitutes an extraordinary dividend. Closing date for trading with the right to receive dividends is April 11, 2024 and the proposed record date for the dividend is April 15, 2024. Euroclear expects to send the dividend to shareholders on April 18, 2024.

OTHER INFORMATION

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

On February 8 at 9:30 a.m., a presentation of Sleep Cycle's year-end report for 2023 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 under the ticker SLEEP 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 2021 series 1	187,910	187,910	0.9%	94.5	2024
TO 2021 series 2	17,512	17,512	0.1%	94.5	2025
TO 2022	53,700	53,700	0.3%	71.2	2025
CEO LTIP	340,909	340,909	1.7%	241.2	2026
TO 2023	100,000	100,000	0.5%	52.6	2027
Total	700,031	700,031	3.5%		

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

Owner	Number of shares	Votes and capital
Maciej Drejak through company	8,707,984	42.9%
Pierre Siri through company	4,776,686	23.6%
Nordnet Pensionsförsäkring	918,519	4.5%
Avanza Pension	819,034	4.0%
Petter Wallin	691,096	3.4%
Skandia Fonder	633,521	3.1%
Handelsbanken Microcap	500,000	2.5%
Lancelot Avalon	450,000	2.2%
Cancerfonden	291,882	1.4%
Cicero Sustainable Mix	199,446	1.0%
Other	2,289,395	11.3%
Total	20,277,563	100%

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

tSEK	Note	Oct - Dec		Jan - Dec	
		2023	2022*	2023	2022*
OPERATING INCOME					
Net sales	4	61,254	55,405	236,146	212,034
Other operating income		240	46	864	529
OPERATING EXPENSES					
Capitalized work for own account		7	925	1,105	3,224
Platform fees		-14,238	-12,833	-53,641	-49,741
Other external expenses		-13,146	-22,684	-53,127	-63,383
Personnel expenses		-12,693	-14,769	-59,507	-54,201
Depreciation and impairment of tangible and intangible assets		-8,653	-1,278	-14,858	-5,261
Other operating expenses		-83	-264	-376	-395
Operating profit/loss		12,689	4,549	56,606	42,807
FINANCIAL ITEMS					
Financial income		1,253	156	2,793	157
Financial expenses		-777	-36	-1,207	-137
Profit before tax		13,165	4,669	58,192	42,827
Tax on profit for the period		-2,720	-985	-12,050	-8,886
Profit for the period attributable to the parent company's shareholders		10,445	3,685	46,142	33,941
Other comprehensive income		-	-	-	-
Comprehensive income for the period attributable to the parent company's shareholders		10,445	3,685	46,142	33,941
Earnings per share					
Earnings per share before dilution, SEK		0.52	0.18	2.28	1.72
Earnings per share after dilution, SEK		0.52	0.18	2.28	1.69
Average number of shares outstanding for the period before dilution		20,277,203	20,277,203	20,277,203	19,729,788
Average number of shares outstanding for the period after dilution		20,277,203	20,277,203	20,277,203	20,056,591

*The income statement for 2022 has been adjusted to reflect the correction of VAT liability. See more under the section Financial overview.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

tSEK	Note	12/31/2023	12/31/2022*
ASSETS			
Intangible fixed assets			
Capitalized expenses for development work		4,474	9,595
Patent		-	-
Total intangible fixed assets		4,474	9,595
Tangible fixed assets			
Right-of-use assets		15,605	4,132
Cost of improvement on other's property		738	-
Equipment and computers		1,703	1,468
Total tangible fixed assets		18,045	5,601
Financial assets			
Other long-term receivables		411	411
Total financial assets		411	411
Deferred tax			
Deferred prepaid tax		83	13
Total deferred tax		83	13
Current assets			
Accounts receivable		38,224	22,388
Other receivables		2,602	1,084
Current tax assets		2,148	2,628
Prepaid expenses and accrued income		31,086	27,943
Cash and cash equivalents		133,471	232,862
Total current assets		207,531	286,906
TOTAL ASSETS		230,545	302,525
EQUITY AND LIABILITIES			
Equity			
Share capital		563	563
Other contributed capital		288	119,229
Retained earnings, including profit for the year		60,147	36,719
Total equity attributable to the parent company's shareholders		60,998	156,510
Long-term liabilities			
Leasing liabilities		11,743	2,623
Total long-term liabilities		11,743	2,623
Current liabilities			
Leasing liabilities		4,175	1,572
Accounts payable		13,908	14,203
Other liabilities		10,322	8,900
Accrued expenses and deferred income		129,399	118,716
Total current liabilities		157,804	143,392
TOTAL EQUITY AND LIABILITIES		230,545	302,525

*The balance sheet for 2022 has been adjusted to reflect the correction of VAT liability. See more under the section Financial overview.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

tSEK	Attributable to the parent company's shareholders	
	12/31/2023	12/31/2022
Opening balance according to adopted balance sheet	160,834	108,898
Correction of errors (after tax)	- 4,324	- 3,289
Adjusted opening balance	156,510	105,609
Comprehensive income for the period	46,142	33,941*
Dividend	-141,943	-
Option premiums	288	368
New share issues after issue expenses	-	16,593
Closing balance	60,998	156,510

* Equity for 2022 has been adjusted to reflect correction of VAT liability. See more under the section Financial overview.

CONSOLIDATED CASH FLOW STATEMENT

tSEK	Note	Oct - Dec		Jan - Dec	
		2023	2022	2023	2022
Cash flow from operating activities					
Operating profit/loss		12,689	4,549	56,606	42,807
Adjustments for items not included in cash flow:					
Depreciation and impairment		8,653	1,278	14,858	5,261
Interest received		1,253	156	2,793	157
Interest paid		-777	-36	-1,207	-137
Tax paid		-1,963	1,516	-11,639	-5,525
Cash flow from operating activities before changes in working capital		19,854	7,463	61,411	42,563
Change in working capital					
Change in operating receivables		-5,665	-3,597	-20,497	-2,309
Change in operating liabilities		2,240	9,654	11,809	21,274
Cash flow from operating activities		16,429	13,520	52,723	61,528
Investment activities					
Capitalization of development expenses		-187	-2,701	5,086	-6,917
Acquisition of tangible fixed assets		-	-139	-1,727	-852
Cash flow from investment activities		-187	-2,840	-6,813	-7,769
Financing activities					
Repayment of leasing liabilities		-1,015	-629	-3,647	-2,899
Option premiums repaid		-4	-	-4	-11
Option premiums received		292	-	292	378
Dividend		-	-	-141,943	-
New share issues		-	-	-	16,538
Cash flow from financing activities		-727	-629	-145,302	14,006
Cash flow for the period		15,515	10,051	-99,392	67,765
Liquid funds at the beginning of the period		117,956	222,811	232,862	165,508
Reclassification of cash and cash equivalents		-	-	-	-411
Liquid funds at the end of the period		133,471	232,862	133,471	232,862

PARENT COMPANY INCOME STATEMENT

tSEK	Note	Oct - Dec		Jan - Dec	
		2023	2022*	2023	2022*
OPERATING INCOME					
Net sales		61,254	55,405	236,146	212,034
Other operating income		240	46	864	529
Capitalized work for own account		7	925	1,105	3,224
OPERATING EXPENSES					
Platform fees		-14,238	-12,833	-53,641	-49,741
Other external expenses		-14,343	-23,348	-57,378	-66,413
Personnel expenses		-12,693	-14,769	-59,507	-54,201
Depreciation and impairment of tangible and intangible assets		-7,567	-638	-10,961	-2,340
Other operating expenses		-83	-264	-376	-395
Operating profit/loss		12,577	4,524	56,252	42,697
PROFIT FROM FINANCIAL ITEMS					
Interest income and similar income		1,253	156	2,793	157
Interest expenses and similar expenses		-594	-	-594	-
Profit before tax		13,236	4,680	58,451	42,855
Tax on profit for the period		-2,734	-987	-12,101	-8,890
Profit/loss for the period		10,501	3,694	46,350	33,964
COMPREHENSIVE INCOME FOR THE PERIOD		10,501	3,694	46,350	33,964

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.

*The Parent Company's income statement for 2022 has been adjusted to reflect the correction of VAT liability. See more under the section Financial overview.

PARENT COMPANY BALANCE SHEET

tSEK	Note	12/31/2023	12/31/2022*
ASSETS			
Fixed assets			
Intangible fixed assets			
Capitalized expenses for development work		4,474	9,595
Patent		-	-
Total intangible fixed assets		4,474	9,595
Tangible fixed assets			
Cost of improvement on other's property		738	-
Equipment and computers		1,703	1,468
Total tangible fixed assets		2,441	1,468
Financial assets			
Participations in group companies		50	50
Deferred prepaid tax		18	-
Other long-term receivables		411	411
Total financial assets		479	461
Total fixed assets		7,395	11,524
Current assets			
Current receivables			
Accounts receivable		38,224	22,388
Other receivables		2,602	1,084
Current tax assets		2,148	2,628
Prepaid expenses and accrued income		31,086	27,943
Total current receivables		74,061	54,043
Cash and bank balances		133,363	232,746
Total current assets		207,423	286,789
TOTAL ASSETS		214,818	298,314
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		563	563
Fund for development expenditures		4,474	9,595
Total restricted equity		5,038	10,158
Unrestricted equity			
Share premium fund		288	119,229
Retained earnings		9,514	-6,857
Profit/loss for the period		46,350	33,964
Total unrestricted equity		56,151	146,336
Total equity		61,189	156,494
Current liabilities			
Accounts payable		13,908	14,203
Other liabilities		10,322	8,900
Accrued expenses and deferred income		129,399	118,716
Total current liabilities		153,629	141,819
TOTAL EQUITY AND LIABILITIES		214,818	298,314

* The Parent Company's balance sheet for 2022 has been adjusted to reflect the correction of VAT liability. See more under the section Financial overview.

NOTES

Note 1 General information

The address of the company's registered office is Drakegatan 10, 412 50 Gothenburg, Sweden. Sleep Cycle is developing of one of the world's most widely 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, 2023 consists of the wholly owned subsidiary Sleep Cycle Sverige AB (559278-9688).

Sleep Cycle's year-end report for Jan-Dec 2023 was approved for publication on February 8 per board decision on February 7, 2024.

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	Oct - Dec		Jan - Dec	
	2023	2022	2023	2022
Subscription income	60,530	55,191*	234,948	211,297*
Other income	725	214	1,198	737
Total	61,254	55,405	236,146	212,034

*Subscription revenue for 2022 has been adjusted to reflect the correction of VAT liability. See more under the section Financial overview.

Note 5 Financial instruments

tSEK	12/31/2023	12/31/2022
Financial assets valued at amortized cost		
Accounts receivable	38,224	22,388
Other receivables	3,013	1,496
Cash and cash equivalents	133,471	232,862
Total financial assets	174,708	256,746
Financial liabilities valued at amortized cost		
Accounts payable	13,908	14,203
Other current liabilities	10,560	11,861*
Total financial liabilities	24,468	26,064

* Other current liabilities for 2022 have been adjusted to reflect the correction of VAT liability. See more under the section Financial overview.

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.	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.
Items affecting comparability	Non-recurring items not included in normal operations and therefore disrupt comparability between different periods. Refers to costs related to IPO in 2021, public cash offer in 2022, and cost savings in 2023.	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 annual subscription revenue per subscriber during the period. Quarters and periods are annualized.	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	Oct - Dec		Jan - Dec	
	2023	2022*	2023	2022*
Net sales previous period	55,405	47,702	212,034	181,530
Net sales current period	61,254	55,405	236,146	212,034
Net sales growth	10.6%	16.1%	11.4%	16.8%
Currency-adjusted net sales previous period	57,951	51,017	229,045	188,808
Net sales current period	61,254	55,405	236,146	212,034
Currency-adjusted net sales growth	5.7%	8.6%	3.1%	12.3%

Operating profit and operating margin

tSEK	Oct - Dec		Jan - Dec	
	2023	2022*	2023	2022*
Net sales	61,254	55,405	236,146	212,034
Other operating income	240	46	864	529
Capitalized work for own account	7	925	1,105	3,224
Platform fees	-14,238	-12,833	-53,641	-49,741
Other external expenses	-13,146	-22,684	-53,127	-63,383
Personnel expenses	-12,693	-14,769	-59,507	-54,201
Depreciation and impairment of tangible and intangible assets	-8,653	-1,278	-14,858	-5,261
Other operating expenses	-83	-264	-376	-395
Operating profit/loss	12,689	4,549	56,606	42,807
Operating margin	20.7%	8.2%	24.0%	20.2%

Adjusted operating profit and adjusted operating margin

tSEK	Oct - Dec		Jan - Dec	
	2023	2022*	2023	2022*
Operating profit/loss	12,689	4,549	56,606	42,807
Items affecting comparability				
Other external expenses	-	-2,802	-381	-2,802
Personnel expenses	-	-	-4,450	-
Total items affecting comparability	-	-2,802	-4,831	-2,802
Adjusted operating profit/loss	12,689	7,351	61,437	45,609
Adjusted operating margin	20.7%	13.3%	26.0%	21.5%

The item other external costs includes costs affecting comparability of tSEK 298 (2 802) related to the public cash offer in 2022. Furthermore, tSEK 83 is included in other external costs and tSEK 4,450 in personnel costs related to the efficiency program implemented in the second quarter.

*Alternative performance indicators for 2022 have been adjusted to reflect the correction of VAT liability. See more under the section Financial overview.

ARPU

Oct – Dec

Jan – Dec

tSEK	2023	2022*	2023	2022*
Subscription income	60,530	55,191	234,948	211,297
Number of subscriptions previous period (thousands)	887	912	904	901
Number of subscriptions current period (thousands)	893	904	893	904
ARPU (SEK)	272	243	262	234

*Alternative performance indicators for 2022 have been adjusted to reflect the correction of VAT liability. See more under the section Financial overview.

SUBMISSION OF YEAR-END REPORT JAN – DEC 2023

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 7, 2024

Anne Broeng
Chairman of the Board

Olof Nilsson
Board member

Rasmus Järborg
Board member

Mathias Høyer
Board member

Maciej Drejak
Board member

Erik Jivmark
CEO

Contact

For more information,
please contact:

ERIK JIVMARK, CEO

Tel: +46 72-159 20 23

Email: erik@sleepcycle.com

PER ANDERSSON, CFO

Tel: +46 70-939 53 27

Email: per.andersson@sleepcycle.com

SLEEP CYCLE AB

Business reg. No. 556614-7368,

Drakegatan 10, 412 50 Gothenburg

www.sleepcycle.com



Why We Sleep