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This is a translation of the original swedish Sleep Cycle annual report 2022. In the event of any discrepancies between the two versions, the original swedish version shall apply.

SLEEP CYCLE MISSION

Sleep Cycle's mission is to improve global health by helping people worldwide sleep better

904'

904,000 SUBSCRIBERS

2

2 BILLION NIGHTS

150

150 COUNTRIES

SUCCESS FACTOR

COST EFFECTIVE CUSTOMER ACQUISITION
HIGH LEVEL OF RENEWALS
PATENTED AI TECHNOLOGY

STRATEGIC PRIORITIES

CONTINUED PRODUCT DEVELOPMENT
INCREASED REACH
NEW ACQUISITION CHANNELS

Letter from the CEO

The aftermath of the pandemic, political turmoil and war in Europe affected both the global financial markets and the world economy throughout 2022. For Sleep Cycle, this uncertainty has reinforced our sense of purpose and our mission and service become even more important. Our mission to "improve global health by empowering people to sleep better" is our main driving force. Simply put – better sleep leads to better health.



CARL JOHAN HEDEROTH, CEO

During 2022, we continued to build an even stronger company based on good profitability and growth. Through increased investments in product development and launches of several new functions, we advanced the positions during the year. Turnover increased to SEK 213.3 (182.9) million, with an adjusted operating profit of SEK 46.9 (36.4) million, which resulted in a margin of 22.0 percent. This strong result is proof that we are ahead with our technological capabilities and keep creating value for the customer. Overall, we delivered a strong year which holds strong promise for the future. At the same time many of our competitors lost momentum and were forced to take drastic measures.

In line with our strategy, we accelerated our growth journey through new distribution channels, collaborations and partnerships. The launch of the collaboration with Gympass increased growth in parts of the world where we previously had a limited presence, while the

launch on Huawei in China enables us to reach new users on a completely new platform.

We have a subscription-based business model and a critical factor for long-term success is the ability to retain our users over time, which is something we have been successful with. The metric we use to measure customer loyalty is retention, which shows the degree to which our users stay with us and renew their subscriptions. Retention is an indicator that we succeed in creating value for our users. while ensuring recurring revenue.

For us, retention is critical as it is one of the key factors in preventing paying customers from leaving us, also known as churn. Small improvements in churn over time, has significant cumulative positive effects on both sales and user growth. Therefore, one of our focus areas to create long-term and greater growth is to continue investing in technological innovation and product development to



create higher value and higher engagement with our users. Creating long-term customer relationships and clearly demonstrating the value to customers we deliver, is one of the organization's main driving forces.

"First impressions last". We live in an age where decisions are made in seconds. At Sleep Cycle we are obsessed with quantitatively analyzing user behavior. With advanced product and user analysis, we have made it possible to analyze the user experience divided into minutes, hours, days and months. By analyzing the first minutes of a new user, we can optimize the experience and increase the likelihood that the user will stay as a customer for a longer period of time. For us, increased growth and higher sales are about investing in the product offering in order to increase the value for our subscribers. Increased retention, reduced churn and higher growth. This is our approach to achieve long-term success for the company.



sleep patterns and conditions for rest, is both satisfying and challenging. From a technical perspective, it is a complex task and requires continued investment in data infrastructure that leads to a deeper understanding of our users.

Our vision is to provide a tailored and personalized experience to each of Sleep Cycle's more than 2 million active users. A personal experience optimized according to the user's specific conditions, challenges and goals.



We remain convinced of the enormous possibilities of our vision while remaining humble to the challenges we must overcome to achieve it. There are great opportunities ahead of us and our strategy to get there is firm. We are steadfast in our ambition to become bigger, stronger and better – best evaluated through the shareholder value we create in the long term.

Many thanks to all users and shareholders, and a special thanks to all the teams at Sleep Cycle who are persistently developing, improving and polishing our experiences.

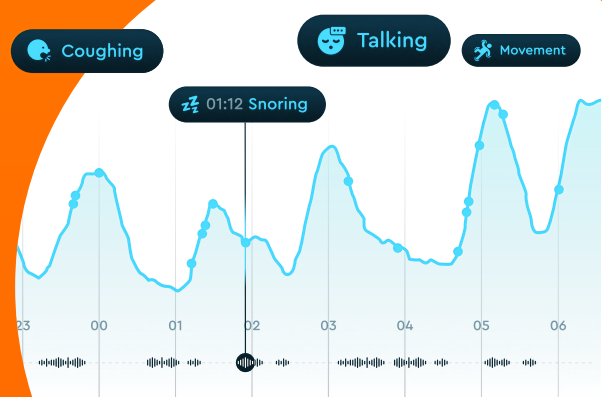
Carl Johan Hederoth
CEO Sleep Cycle

The launch of our Apple Watch

offering in 2022 is a good example of our strategic approach. The function offers a simpler sleep analysis as well as a more comprehensive health analysis and was launched to our paying users just over a year ago. We're excited to see that more

than 7 million nights have been analyzed and nearly a fifth of our paying users are actively engaged with this feature each week. A commitment that contributes to increased conversion and improvement of the important indicator for long-term growth – retention.

Delivering better sleep and a better understanding of their own health, to millions of users across 150 countries who all have different





39,397

HOURS OF SNORING RECORDED BY SLEEP CYCLE LAST YEAR

3,000,000

USERS WE HAVE HELPED UNDERSTAND HOW MUCH AND HOW OFTEN THEY SNORE

4% MEN 2% WOMEN

ABOUT FOUR PERCENT OF MEN AND TWO PERCENT OF WOMEN SUFFER FROM SLEEP APNEA²

20% MEN 10% WOMEN

APPROXIMATELY 20 PERCENT OF ALL MEN AND 10 PERCENT OF ALL WOMEN¹ ARE SOCIAL OR HABITUAL SNORERS

Innovation to improve sleep health

Breathe

The fact that we breathe is rarely something we reflect on. Breathing is actually a rather complex process. When our muscles fully relax during sleep, the tissue of the airway is affected in a very different way than when we are awake. The negative pressure that occur during inhalation can sometimes result in the airway passage becoming too narrow, which leads to snoring.

Approximately 20 percent of all men and 10 percent of all women¹ are social or habitual snorers. Social snorers snore sometimes and habitual snorers snore regularly. Neither of the groups experience a pause in breathing to any great extent during sleep. People suffering from sleep apnea on the other hand, do suffer from this. About four percent of men and two percent of women suffer from sleep apnea².

There are two types of sleep apnea: central and obstructive, with the latter being the most common form. Central sleep apnea refers to when breathing movements gradually decrease and breathing pauses are often long, without the body making any attempt to draw in new air. On the other hand, in a person suffering from obstructive sleep apnea, the breathing movements remain vigorous, but a narrow upper airway does not allow them to draw in enough air, which often results in snoring. Serious repercussions of both types of sleep apnea include daytime fatigue, impaired

concentration, and long-term implications on the heart and blood vessels.

During 2022, Sleep Cycle recorded 39,397 hours of snoring (corresponding to 449 years) in more than 72,000 snorers throughout Sweden. Globally, we registered almost 3 million unique snorers, which speaks of the exhaustive reach of our analysis. Since launching our snore detection feature in 2017, we have helped millions of users worldwide understand how much and how often they snore. Knowledge that has great potential to save lives (and relationships). In November 2022, we launched the new function 'Who's snoring?'. This technology can with the help of a new patented algorithm, which in turn is driven by machine learning, tell the difference between several people in the same room who snore. By being able to identify who the snoring belongs to, we can with improved accuracy increase knowledge about snoring habits and help more people find ways to change.

1. Chung-hong Chan, Billy M. Wong, Jin-ling Tang & Daniel K. Ng. 2021. Springer Link. 16 Dec 2021. (<https://link.springer.com/article/10.1007/s11325-011-0596-8>)
2. Hjärt-Lungfonden. 16 Dec 2021. (<https://www.hjart-lungfonden.se/sjukdomar/lungsjukdomar/somnapne>)

Innovation to improve sleep health

Understand your sleep

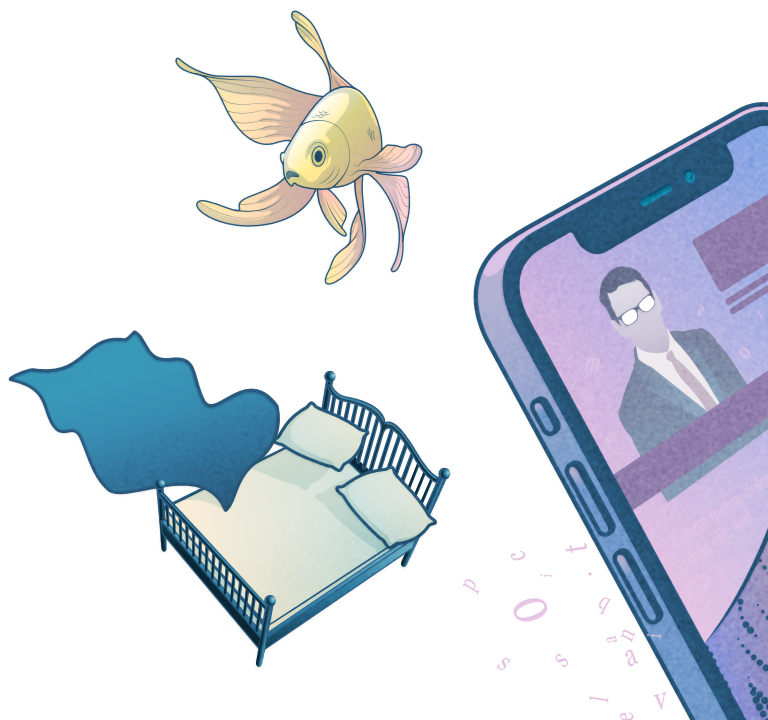
What happens when we sleep? For over a decade, we have collected sleep data from all corners of the world. We analyze it, correlate it and present it from different angles, depths, widths and executions. Our database is at the core of our business. It gives us insight into what impacts, improves and harms good sleep. It guides us in optimizing user experience, features and new solutions. We feed it with sound, motion, user and health data as well as sleep science.

We have always been good at understanding sleep. Today we are experts. Powered by data development and technology innovation, we've taken the next step and launched a collection of sleep programs that invite the user to take action. Sleep Cycle's sleep programs include subject matters grounded in the latest research within sleep and health.

Some are curious to learn and have no sleep problems, while others are on the brink of insomnia and suffer from recurring anxiety. Sleep Cycle's program spans from providing everyday tips and advice for the generally health-conscious, to knowledge and practical exercises drawn from cognitive behavioral science, for those with more severe challenges. The experience is built around a framework that gives sleep programs the ability to co-exist within multiple functions of the product, instead of as a stand-alone section amongst others. Depending on which programs you partake in, other parts

of the product will adapt to provide continuous support throughout the sleep journey.

The format has been carefully tested and developed with several pilots conducted in closed beta groups. We saw positive results early on, which holds great promise for the future. Our goal is to build sleep programs that are more than just a framework to hold content. Keeping this in mind we continue innovating with the same spirit – innovation to improve sleep health.





A glimpse into the app's functionality

Every day, users from all over the world contact our customer service team with a variety of sleep-related questions. The Sleep Cycle app is a wonderful toolbox with solutions to most of the questions we receive. This is how the different features work within the app:



SLEEP

Here you find the alarm clock and sleep analysis. There are three different options: sleep analysis with 'Smart Alarm' which includes a predetermined wake-up window, sleep analysis with a regular alarm and finally only sleep analysis without any alarm. From this tab, Sleep Aid is launched – a comprehensive audio library full of relaxing music, background sounds, sleep stories and relaxation exercises.

JOURNAL

Here you find your daily sleep graph and sleep analysis. Explore historical sleep data by clicking through the different graphs: regularity, when you went to bed, how long it took to fall asleep, when you woke up, how much you snore and what sleep goals you have achieved. Also, weather, activity and morning-mood statistics can be found here.

BOOTCAMP

Boot Camp is our four-week long web-based sleep health program conducted with the help of the Sleep Cycle app as a tool for analysis. Through a series of lectures, videos, exercises and challenges, we guide participants on a knowledge and insight journey, for increased understanding of what sleep is and how it affects all our lives. They learn to practice changes, designed to improve sleep, regardless of their life situation. During Boot Camp, professionals learn why attention to sleep health is so important for improving overall health, wellbeing and performance, on and off work.



Sleep Cycle's B2B Proposition





GUIDANCE

Upon request, we provide guidance to companies and leaders who want support in increasing their focus on sleep health, in order to improve the wellbeing, health and performance of their employees. Our sleep experts, tools and digital services can be tailored to individual organizations' needs, regardless of the end goal.



HEALTH AND WELLNESS ALLOWANCE

Demand for sleep tools as a valuable part of organizations' health and wellness proposition is growing. As a relaxation guide and stress relief, Sleep Cycle can be used as part of the personal wellness allowance (subject to different companies' internal policies). In addition, we offer bundled pricing to companies that choose to give all employees the app as an employment benefit.



Sleep Cycle's B2B proposition creates an interest in sleep and its impact on health and performance amongst employees. Keeping the app with all its features in focus at all times.

Sleeping like a baby

The phrase "sleeping like a baby" is often used as a metaphor for high-quality sleep. But what does the reality look like? According to recent figures, approximately 140 million babies are born each year³. In Western societies, around 20 percent of all parents report that their infants have "sleep problems". The sleep aid industry for infants is valued at 325 million USD per year, with an estimated compound annual growth rate of 9.5 percent per year until 2026⁴.

When a child has difficulty sleeping, it not only affects the child in question, but also the people around them. Healthcare providers that give support for children and parents have been available for decades and through digital services for the last few years. Even so, this demand has not been fully met. Readily available tools, grounded in science, backed by research and psychology and easy to use, are lacking. Strategically, we have taken the step to offer a comprehensive science-based solution for this target group. Built on many of the features our users already love, it's developed by Sleep Cycle's leading engineers and sleep experts in perfect collaboration. Tailored to fit the most precious thing we have – our children.

SLEEP CYCLE KIDS

Sleep Cycle Kids is an app that helps parents track and improve their children's sleep to optimize recovery and wellbeing for the whole family.

Focusing on an intelligent sleep schedule that is tailored to each individual child, Sleep Cycle Kids gives parents the tools to determine the optimal

bedtime, reduce the time it takes to fall asleep, as well as identify and change other behaviors that are problematic for sleep. With statistics showing trends in sleep over time coupled with scientific content about healthy sleep development at different ages, Sleep Cycle Kids provides guidance to parents on when their child is ready to take the next step on their journey towards better sleep. Sleep Cycle Kids will help maintain healthy sleep habits and have a positive impact on sleep and mood for both children and their parents.

Sleep Cycle Kids has been developed in consultation with Sleep Cycle's Dr Li Åslund and Professor Mike Gradisar. Dr Åslund is a psychologist and doctor of sleep medicine, with experience in treating sleep problems as well as developing digital tools for improving sleep in children and adults. Professor Gradisar's infant sleep research has been featured in the New York Times, BBC, Forbes, and Reuters. He also sits on the Advisory Board for the Pediatric Sleep Council in Australia.

3. The World Counts. Number of births per year – The World Counts. 4 Nov 2022. (<https://www.theworldcounts.com/populations/world/births>) 4. Global Markets Estimates. Global infant sleep monitoring market. 4 Nov 2022. (<https://www.globalmarketestimates.com/market-report/global-infant-sleep-monitoring-market-2419>)



SLEEP CYCLE KIDS IS AN APP THAT HELPS PARENTS TRACK AND IMPROVE THEIR CHILDREN'S SLEEP



DATA ACQUISITION
AND MONITORING

ANALYTICS
AND DATA

TRACKING

INSIGHTS

MORE ACTIVE USERS

2.1 MILLION MONTHLY
ACTIVE USERS

NETWORK
EFFECTS

+ ACCURACY + INSIGHTS

91% SLEEP-WAKE
ACCURACY¹

LARGER DATABASE

+2BN NIGHTS OF
SLEEP DATA

IMPROVEMENT

TOOLS AND
PROGRAMS

 PATENTED AI TECHNOLOGY

 CUSTOMER EXPERIENCE

Strategi

The strategy for the coming years is to increase investments in data, AI and product development to increase reach, access more users and grow through new acquisition channels. In order to achieve our goals, a focus on a wider range of services and increased accessibility is crucial. We must be present on platforms where our target groups are and where our unique knowledge and interest in sleep creates value.

Sleep Cycle's value and strengths grow each and every night. With patented sound analysis, we collect and analyze sleep data, which we then translate into insights for users worldwide. With each new user our database grows, with each night tracked, our analytical ability increases and with each analysis we generate even more valuable insights and can continue to develop new leading tools for an enhanced sleep experience.

CONTINUED PRODUCT DEVELOPMENT

Sleep forms the foundation of good health. Through our sleep analysis, we spend the whole night with our users and analyze sleep as well as snoring, coughing and teeth grinding. With our patented sound analysis, AI and machine learning, we continue to drive development, now and in the future.

With over a decade's experience of collection and technical development, there are few market players who with similar precision can read and analyze the copious amounts of data our application can handle on a daily basis. The ability to translate our data into useful information for our users with knowledge and experience is essential. A value-creating work that continues to develop at a rapid pace. Today, we cannot only tell a user how he slept, but we can also analyze the reason why. We know who snores in a room, when they snore, at what sound frequency and how often. We can even interpret patterns in inhalation and exhalation that may be signs of sleep apnea. We can also identify coughing which could indicate the onset of a cold. Everything with a focus on the fact that better sleep leads to a better life.

THE VALUE AND STRENGTH OF SLEEP CYCLE GROWS EACH NIGHT

ARTIFICIAL INTELLIGENCE

AI and machine learning have revolutionized our ability to handle large amounts of data and extract valuable information. By using advanced algorithms and techniques, we can now extract patterns and contexts that were previously unknown and inaccessible.

That is why we continue to invest in capabilities within sleep data, machine learning and, above all, data infrastructure. To be a leader within AI and machine learning is not only about having access to advanced models and techniques, but above all about having a powerful and capable data infrastructure.

Data is the primary raw material for machine learning and the more data, and better quality data we have, the more accurate our predictions and classifications will be. This in turn can lead to better insights, new functions and increased user value.

INCREASED REACH

By being on further platforms and being exposed to more potential users, optimal

conditions are created to grow the number of paying subscribers. In addition to the two largest app distribution channels; AppStore and Google Play, Sleep Cycle is now also available on the Huawei App Gallery. The launch of the collaboration with Gympass gave us exposure to a new audience in corporate health in markets where our reach has historically been limited. Sleep Cycle's continued strategy is to grow by reaching users on new platforms, through more hardware such as smart watches, and through partnerships and collaborations that provide access to user groups with a strong interest in sleep and health.

NEW ACQUISITION CHANNELS

In line with the objective of increasing the reach and accessing users in new channels, an important part of the growth strategy is to increase the number of marketing channels. Our strategy is based on increasing the conversion of organic traffic via marketing efforts with the highest possible efficiency. Through purposeful work, we have created good positions in, among other things, Apple Search Ads and Google Adwords.



EXPAND CORE OFFERING

New features allowing users to take the next step towards sleep improvement

SLEEP IMPROVEMENT

HEALTH TRACKING

FLU WARNING

SNORING

BREATHING DISRUPTIONS

TEETH GRINDING



INCREASE REACH

Reach new users via new platforms, partnerships and other channels

PARTNERSHIPS

CORPORATE OFFERING

NEW PLATFORMS

NEW HARDWARE



NEW ACQUISITION CHANNELS

Increase revenue by attracting new users through effective marketing efforts

CONVERSION DRIVEN MARKETING

SOCIAL MEDIA

SHARING AND INTERACTION

Invest in Sleep Cycle

Four reasons to invest in Sleep Cycle

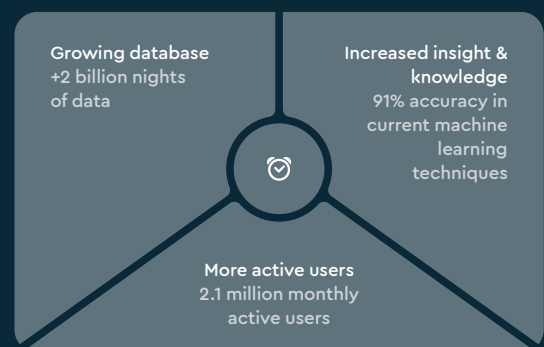


1. A LEADING POSITION IN AN EXTENSIVE MARKET

- The market for sleep applications is estimated at SEK 5 billion and is expected to grow at a 19% CAGR
- Sleep Cycle is the market leader and has the most downloaded app in the sleep health segment
- Sleep Cycle has the world's largest database with over 2 billion nights analyzed

2. ACCESSIBLE PRODUCT WITH ACTIVE USERS

- Sleep Cycle is available in a portable hardware – the smartphone
- High percentage of active users leads to a growing database that strengthens competitive advantage and improves product innovation
- All-encompassing sleep solution (analyze, educate, improve)
- Dynamic product experience based on user behavior



3. WINNING BUSINESS MODEL

- Recurring revenue from subscription model
- High profitability through scalable product offering
- Good cash conversion driven by advance payments



4. THE GROWTH JOURNEY HAS JUST BEGUN

- Data and insights enable expansion of product and service offerings.
- New users are accessed by expansion into new sales channels and partnerships
- Continued strong growth in focus on sleep and health, powered by data-driven insights.



The share and largest owner

OUTSTANDING OPTION PROGRAM

OPTIONS PROGRAM	NUMBER OF OPTIONS	CORRESPONDING NUMBER OF SHARES	PROPORTION OF TOTAL SHARES	EXERCISE PRICE	EXERCISE 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
VD LTIP	340,909	340,909	1.7%	241.2	2026
Total	605,625	751,400	3.7%		

LARGEST SHAREHOLDERS OF SLEEP CYCLE AB (PUBL) AS OF 31 DECEMBER 2022

OWNER	NUMBER OF SHARES	VOTES AND CAPITAL
Maciek Drejak genom bolag	8,527,190	42%
Pierre Siri genom bolag	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%
Övriga	1,994,154	10%
Total	20,277,563	100%

The company's share has been listed on Nasdaq Stockholm since 8 June 2021. The share capital amounted to TSEK 563 on the balance sheet date.

Together

Our people. Their knowledge, experience and understanding of what Sleep Cycle is and will become is invaluable. The following selection highlights a handful of our exceptional employees and show why 'together' is our key to success.



LI ÅSLUND

PHD, PSYCHOLOGIST SLEEP EXPERT

"At Sleep Cycle, I get to combine my background in clinical psychology and sleep science with product development. It feels especially meaningful to use my background to develop tools that help Sleep Cycle's users achieve better sleep health. Exciting things happen when established knowledge about behavior change, research, and statistics come together to create useful tools that make change possible for so many people."



MIKE GRADISAR

HEAD OF SLEEP SCIENCE

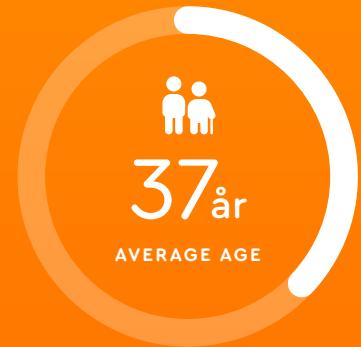
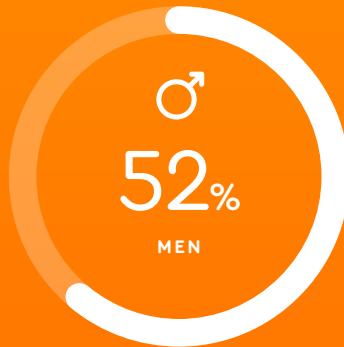
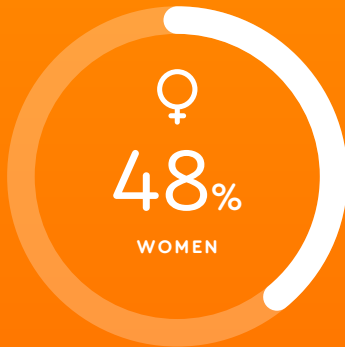
"You could say that my work is all about secret science stuff behind the scenes. But really, my work is about so much more than that. I'm passionate about translating complex sleep studies so everyone can understand their meaning and how that knowledge can help us and our users. It's particularly rewarding to work with such a unique and cool product at Sleep Cycle, a reflection of all the employees who together achieve wonders. Every day."



EMELIE WIRBING

CUSTOMER SUCCESS MANAGER B2B

"I would describe my role as a solution-oriented problem solver. At Sleep Cycle, I nurture the relationship between Sleep Cycle and its B2B customers, where a focus on long-term relationships is especially important. Sleep is a lifelong journey. I am passionate about product development that makes a real impact and think feedback is key to good customer relationships."



NICLAS FLYSJÖ
SENIOR DEVELOPER

"I have worked at Sleep Cycle for just under 10 years and have over 25 years experience as a developer. My area of expertise is Sleep Cycle iOS and mainly the parts related to sleep analysis. The fact that both the application and the codebase behind it maintain high quality feels extra important to me. Code that is easy to maintain and easy to understand frees up more time to develop exciting new features, instead of spending time on maintenance."



MARIA LARSSON
MACHINE LEARNING ENGINEER

"At Sleep Cycle, I work on developing Sleep Cycle machine learning models. Most recently, I spearheaded the work on the recently released feature 'Who's Snoring?'. In which, I worked out how to differentiate between multiple snorers in the same room. I think it feels especially important and rewarding to inspire and lead the way to attract more women to the tech industry."



WANBING ZHU ANDERSSON
PERFORMANCE MARKETING
SPECIALIST

"Together with my team, I am responsible for creating, analyzing, and optimizing campaigns in digital channels. The best part about working at Sleep Cycle are all the inspiring colleagues. I find it especially satisfying to take on new challenges and create measurable strategies that work and deliver results."

The Board



LARS M. BERG

**CHAIRMAN OF THE BOARD AND
CHAIRMAN OF THE REMUNERATION
COMMITTEE SINCE 2020.**

Born: 1947.
B.Sc. Business and Economics,
Gothenburg School of Economics.

Lars Berg has a background as CEO and President, including as President of Telia. He has also been a member of Group Management at Ericsson and a member of the Executive Management team at German Mannesmann Group with responsibility for telecom operations.

OTHER BOARD ASSIGNMENTS: -

PREVIOUS BOARD POSITIONS:
Chairman of the Board of NORMA Group SE, Net Insight AB, Eniro and Greater Than. Board member of Schibsted AS, Telefonica Mobile and Tele2.

SHARES IN THE COMPANY*: 38,015.
WARRANTS*: 200 corresponding to 24,000 shares.



ANNE BROENG

**BOARD MEMBER AND CHAIRMAN
OF THE AUDIT COMMITTEE
SINCE 2020.**

Born: 1961.
M.Sc. Economics, Aarhus
University .

Anne works professionally as a board member and has broad experience of public and private companies. Previously, she served as CEO, CFO and CIO of PFA Pension.

OTHER BOARD ASSIGNMENTS:
Chairman of the Board of Velliv and Asta & Jul.P Justesen Fond. Board member of NNIT A / S, VKR Holding, Aquaporin A / S, Rambøll Group and ATP.

PREVIOUS BOARD POSITIONS:
Board member of Nasdaq Nordic ltd., Danske Commodities, Bikuben Fonden, Købmand Hermand Sallings Fond and related companies as well as Pension Danmark.

SHARES IN THE COMPANY*: 10,000.
WARRANTS*: 100 corresponding to 12,000 shares.

* Holdings in Sleep Cycle AB are stated as of 31 December 2022.



OLOF NILSSON

BOARD MEMBER AND MEMBER OF THE AUDIT COMMITTEE SINCE 2020.

Born: 1969.

M.Sc. Physics, Royal Institute of Technology (KTH) in Stockholm.

Olof joins the Sleep Cycle board with 25 years of experience from the venture capital industry as a VC investor, entrepreneur and board member. Olof has previously worked as head of early investments in the Swedish state pension fund AP6, where he also launched a new mandate to invest in American technology funds. Before this he was co-founder and COO at the incubator IQube.

OTHER BOARD ASSIGNMENTS:

Marton Sverige AB, Marton 1 Holding AB, High Estate AB, Marton International AB and ViOchOl Advisers AB.

PREVIOUS BOARD POSITIONS: –

SHARES IN THE COMPANY*: 428.

WARRANTS*: 100 corresponding to 12,000 shares.



RASMUS JÄRBORG

BOARD MEMBER AND MEMBER OF THE REMUNERATION COMMITTEE SINCE 2020.

Born: 1976.

M.Sc. Economics, Stockholm School of Economics.

Rasmus has a background and vast experience from digitization and digital channels in the financial industry. He has been working as Chief Product Officer at Nordnet since 2018 and in 2021 he was also appointed Deputy CEO of Nordnet. His background includes several senior positions at SEB, such as Chief Strategy Officer with responsibility for the bank's digitization and digital channels. Rasmus has previously also worked at the Global Investment Bank UBS in London.

OTHER BOARD ASSIGNMENTS: –

PREVIOUS BOARD POSITIONS:

Chairman of the Board at Shareville AB. Board member of Nordnet Ventures AB.

SHARES IN THE COMPANY*: 31,970.

WARRANTS*: 100 corresponding to 12,000 shares.



ÖDÖGÄRD ANDERSSON

BOARD MEMBER SINCE 2021.

Born: 1972.

M.Sc. Engineering, Chalmers University of Technology, Gothenburg.

Ödögård is the CEO of Zenseact AB, a company with the task of creating software for autonomous cars. With extensive experience in technical innovation and the telecom industry, she has a background in a number of different positions at Volvo Car Group, including Chief Digital Officer and VP Vehicle SW & Electronic. Prior to her years in the automotive industry, Ödögård worked for over 20 years in the telecom industry within Ericsson, amongst other roles, as VP Vehicle SW & Electronics and as head of Ericsson's Gothenburg office.

OTHER BOARD ASSIGNMENTS: –

PREVIOUS BOARD POSITIONS: Board member of Opus Group AB (publ).

SHARES IN THE COMPANY*: 428.

WARRANTS*: 100 corresponding to 12,000 shares.

Management



CARL JOHAN HEDEROTH

CEO SINCE 2018.

Born: 1980.

B.Sc. Informatics, Gothenburg School of Economics.

With a strong entrepreneurial background, Carl Johan has co-founded MATCHi – Sweden's leading booking platform for sports. His broad knowledge within product and business development comes from his previous background as a consultant for a number of large companies, including Volvo, Gemalto and Telia.

SHARES IN THE COMPANY*: 79,572.

WARRANTS*: 392,849 corresponding to 404,749 shares.



PER ANDERSSON

CFO AND HEAD OF INVESTOR RELATIONS SINCE 2021.

Born: 1983.

M.Sc. Economics, Gothenburg School of Economics.

Per is a growth-oriented CFO with broad experience within strategy, business planning, capital markets and financial analysis. Prior to Sleep Cycle, he worked as CFO at listed Gapwaves AB. Previous experience includes positions at KPMG Deal Advisory, Mondelez International and PwC.

SHARES IN THE COMPANY*: 3,990.

WARRANTS*: 25,937 corresponding to 56,282 shares.

* Holdings in Sleep Cycle AB are stated as of 31 December 2022.



CECILIA MIKKOV

CHRO SINCE 2021.

Born: 1976.

B.Sc. Personnel Science with a focus in Psychology, Stockholm University.

Cecilia has a wealth of experience building and developing technology companies as well as leadership experience with responsibility for issues such as personnel, recruitment and organizational development in Swedish and international organizations. Prior to Sleep Cycle, Cecilia worked at NetEnt for 11 years in a number of different HR roles, most recently as Head of HR CoE.

SHARES IN THE COMPANY*: 0.

WARRANTS*: 19,288 corresponding to 19,288 shares.



SAMUEL CYPRIAN

CPO SINCE 2023.

Born: 1983.

M.Sc. Engineering, Computer Science, Uppsala University.

Samuel comes from a long experience within marketing and business development. Before his role at Sleep Cycle, Samuel was involved and broke new ground on Spotify. He was a key figure in the growth team and was involved its early expansion phase. Prior to Sleep Cycle, he worked as a growth manager at Projectplace and as a CMO at Werlabs.

SHARES IN THE COMPANY*: 8,125.

WARRANTS*: 34,795 corresponding to 34,795 shares.



MIKAEL KÅGEBÄCK

CTO SINCE 2020.

Born: 1981.

Ph.D. Technology and Computer Science, Chalmers University of Technology, Gothenburg.

In his role as CTO at Sleep Cycle, Mikael works, amongst other things, as head of the core technology team with our machine learning research. That research is central to Sleep Cycle. It drives our business forward and enables our users to gain insight into sleep quality and habits. Mikael's previous experience includes several years as a Ph.D student in machine learning and AI at Chalmers, and as a system architect at H&M through Extenda and developer for the Swedish Air Force.

SHARES IN THE COMPANY*: 11,496.

WARRANTS*: 28,237 corresponding to 28,237 shares.

A sustainability effort that grows customer and business value

Sleep Cycle's mission is to improve global health by helping people worldwide sleep better. With this as our starting point, we're executing a long-term sustainability effort that in all aspects is characterized by business ethics, social and environmental responsibility.

Good sleep is just as important for our health as diet and exercise. With Sleep Cycle's digital sleep services, users get help with falling asleep, sleeping well, waking up more rested and better understanding the cause and effect of their sleep habits. By influencing our sleep, we can also impact how we feel during the waking hours of the day. Our vision entails globally improved sleep health. Better sleep leads to healthier people, which is central to a healthy and robust world, where social and economic values are created as performance, innovation and sustainability are elevated.

FIVE FOCUS AREAS THAT SHAPE THE DIRECTION

Engaging in long-term sustainability work is a given for us and we have identified five areas - within the framework of our business - that

are important for us to work with, follow up and report on. We also see that our activities can contribute to several of the UN's Global Goals. To clearly steer the direction of our work, we formulated ambitions for each focus area during 2022 and as a next step we will develop a number of key figures that help us measure our progress.

By rallying around the five sustainability areas below, Sleep Cycle's ambition is to contribute in every way to maximize the positive values our sleep service creates for our users, employees, partners, healthcare sector and owners. We are also responsible for minimizing the risks of our business through proactive sustainability work, robust processes, compliance and holding a high bar for business ethics.

FIVE FOCUS AREAS IN OUR SUSTAINABILITY EFFORTS

SDG	AREA OF FOCUS	AMBITION	CRITICAL QUESTIONS
10	Sustainable Customer Relations	Strengthen sustainable customer relations and offer a positive customer experience.	User and client integrity Customer satisfaction, A product offering available worldwide.
8	Attractive Employer	An innovative workplace where people thrive and are given excellent opportunities to develop.	Exemplary working conditions, Equality, Inclusion, Health & safety.
3,17	Global Health Work	Contribute to improved health and better quality of life for people worldwide.	Global health work, Sleep research, (Exploring) Partnerships, Spreading/ sharing knowledge.
7, 1, 2, 13	Reduced Climate Footprint	Reduce the business's climate footprint across our value chain.	Direct and indirect emissions of greenhouse emissions, Energy consumption
16	Responsible Entrepreneurship	Run a responsible business based on applicable laws and sound business principles	Business ethics, Anti-corruption, Code of Conduct och Policy document



Sustainable Customer Relations

It is business critical for Sleep Cycle to protect our users' personal health data and safeguard their privacy. The user always has control over their own data and all information they share with us is anonymous on a voluntary basis.

Ambition: To strengthen sustainable customer relations and offer a positive customer experience over time.

Customer integrity is for us a matter of trust and plays a fundamental part in an excellent customer relationship. We care about our proactive culture where customer integrity has the highest priority and handling of customer data is based on strict compliance with laws and internal regulations, which specify how the data must be protected and how it may be used. The basic principle is that the user always has control over their sleep data as all personal data is stored locally on the user's device. In order for us to have access to the user's sleep and health data, it is required that they actively give us their consent.

CLEAR GUIDELINES FOR MANAGING SLEEP DATA

In connection with the European data protection regulation GDPR entering into force a few years ago, we added a dedicated function that is involved on an ongoing basis in all processes where personal data is handled and stored. The main task is to ensure that the processing of this data is based on a legal foundation and that relevant security measures are taken.

The guidelines for our work with customer integrity are as follows:

- No sleep or health data is transmitted from the user's device without the user's active and express consent, which the user can revoke at any time.
- The sleep and health data that the user chooses to share is stored with an encrypted upload in cloud-based data centers.
- Our data and risk management policies govern the work and specify approved authentication methods as well as descriptions of how data access at varying role levels should take place.

WE ALWAYS STRIVE TO DO THE RIGHT THING IN A COMPLEX REALITY

Sleep Cycle operates in a global market where laws and regulations differ from country to country, which makes the question of when a breach of customer privacy occurs, complex. We always strive to do the right thing and have a zero-vision goal when it comes to incidents of failing customer integrity. In cases where

incident occurs, our ambition is to always quickly correct any deficiencies and learn from the incident to ensure that it does not happen again. Our data is classified as health data and thus as personal data, it not only requires a high level of security, but also means that we have to report personal data incidents to the Swedish Privacy Agency (Integritetskyddsmyndigheten, IMY).

We continuously carry out internal information efforts to ensure a high awareness among employees of the importance of customer integrity coupled with good knowledge of the regulations governing the handling of personal data.

Keeping our zero-vision goal in mind and the requirements of Swedish legislation, we measure the incidents that must be reported to IMY, as a first step. In 2022, zero customer integrity incidents were reported to IMY.

A SATISFIED CUSTOMER IS A REPEAT CUSTOMER

Sleep Cycle has many returning and repeat customers who continuously use our sleep services. Primarily to sleep better, but also because our digital sleep tool contributes to a better understanding of individual sleep habits and the motivation to change and improve them. A measure of customer satisfaction is also the high ratings our users give us on GooglePlay and AppStore. We are constantly working on

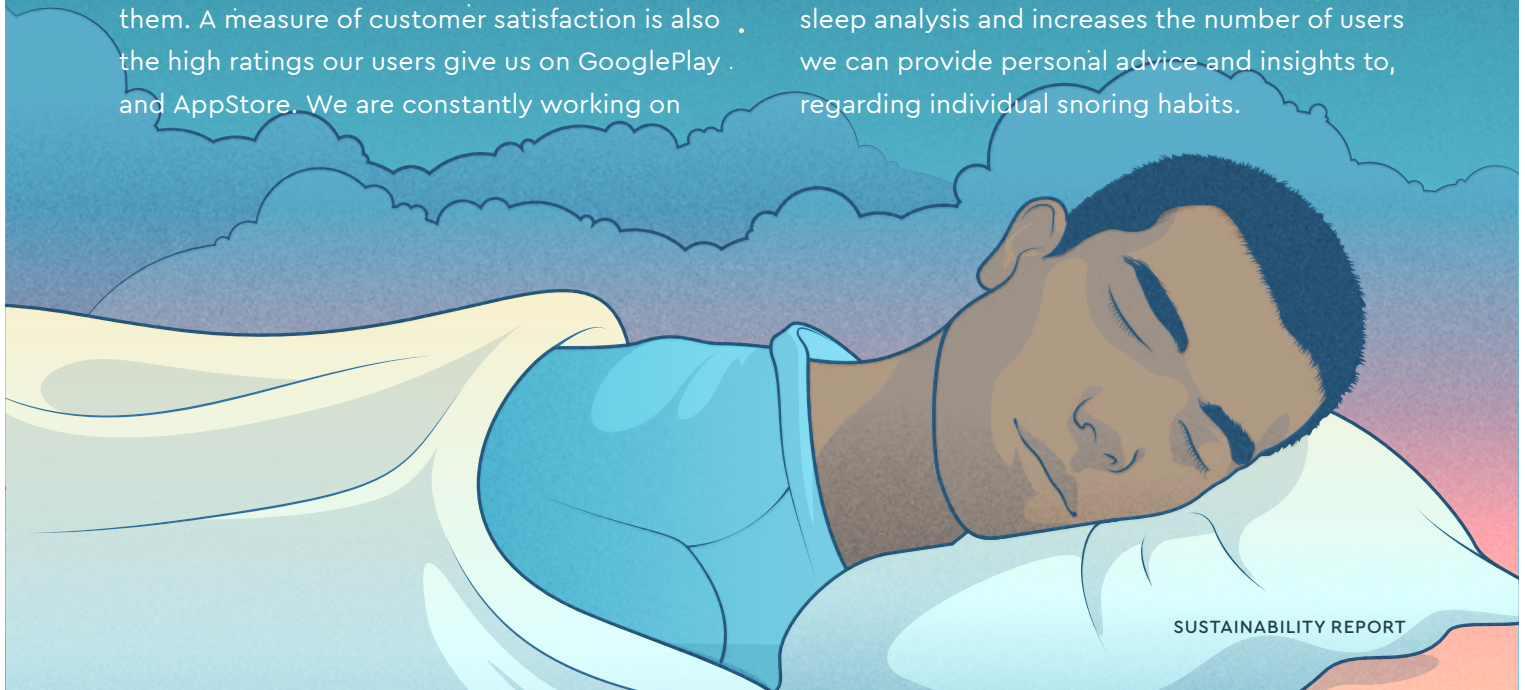
improving user features. Among other things, by making it easier to search for information yourself, as well as to quickly respond to users who contact our customer service desk directly.

PRODUCT DEVELOPMENT FOR USER BENEFIT

Sleep Cycle invests a lot of energy in developing and refining our sleep services to create the greatest possible user benefit. We're constantly getting better at developing new features using AI-based analytics whilst still relying on our users to actively share their sleep data with us to personalize and tailor the service.

In early 2022, Sleep Goal was launched, which aims to promote regular sleep habits by helping the user plan regular sleep routines for themselves.

Based on our long experience in analyzing sleep data, we have continued the development of functions linked to snoring. A breakthrough came when we discovered how snoring from different people in the same room can be identified using machine learning and a new algorithm. We call the function 'Who's snoring?'. Being able to differentiate between several snorers enables an even more accurate sleep analysis and increases the number of users we can provide personal advice and insights to, regarding individual snoring habits.



Attractive employer

As an employer it is self-evident for us to offer a healthy work environment that is characterized by equality and inclusion and that gives every colleague the chance to grow in their professional role.

Ambition: An innovative work place where people thrive and are given excellent opportunities to develop.

Our employees are our most important asset. By virtue of their competences and skills, they are the prerequisite for our ability to create value and achieving our goals. Retaining knowledgeable and experienced employees whilst strengthening the organization with new skills is an important balance. Being seen as an attractive employer is therefore business-critical for us, and we are always mindful with regards to developing an equal and healthy workplace characterized by professionalism and good opportunities for individual development.

PROUD TO BE AN EQUAL TECH COMPANY

We strive to be an equal organization in every way, with the goal of having a gender balance of at least 40/60 distributed across the company. We have already come a long way and see ourselves as an equal tech company with a total proportion of female employees at 48 percent. The proportion of female managers is around 50 per cent and the proportion of women in group management is at 20 per cent.

VERY GOOD – EMPLOYEE REVIEW OF SLEEP CYCLE

With the help of the digital tool Officevibe, we measure the employees' employee Net Promoter Score (eNPS) and engagement every month. Our goal is an eNPS of at least Very Good. A goal we reached in 2022 with an eNPS that ranged between Very good and Great. One step going forward, in order to bring the average response rate up to 65 percent, is to improve direct feedback to employees about the actions taken in response to their answers.

WE ARE BUILDING AN ORGANIZATION OF SUSTAINABLE EMPLOYEES

At Sleep Cycle, an undisputed zero tolerance attitude towards discrimination and sexual harassment prevails. To ensure the continued work with an equal and inclusive workplace, it is also important that we identify and add offers and benefits that contribute to a social and healthy community in the workplace and a good balance between work and private life.



The important preventive work of quickly picking up signals of ill-health and stress among employees is prioritized. As an extra level of support, all employees are covered by health insurance via Skandia with a focus on preventive measures. At Sleep Cycle, we also run various health initiatives and sponsor each employee with SEK 4,000 annually in

wellness allowance.

Sleep Cycle continues to grow and at the end of the year we had 41 employees. The focus for 2023 is to continue developing and packaging our offer as an attractive employer in order to both retain and recruit the skills we need.

Global Health

Improving people's sleep and health is the main purpose of Sleep Cycle and what drives our business. Our vast sleep database is a central source for the innovative development of our sleep services, and it also contributes to crucial global sleep research.

Ambition: Contribute to improved health and better quality of life for people worldwide.

Good health is a fundamental prerequisite for people's possibility to reach their full potential and be an active part of society's development. With our sleep service, we help people to sleep better and thus the opportunity for a better quality of life. We already know that our service has a positive impact on users' sleep as over 70 percent say they sleep better with the help of Sleep Cycle's sleep service.

A UNIQUE SOURCE FOR BETTER KNOWLEDGE REGARDING OUR SLEEP

Sleep research is relatively young and challenging in its format as it depends on large amounts of data on people's sleep. Sleep Cycle's vast database of over half a billion nights coupled with two million global users of our sleep service, offers rare opportunities to get an effective overview of sleep health globally – and is therefore an important and useful source for sleep research. With the users' active consent, we therefore share anonymized and aggregated

data for a number of research projects worldwide.

More and more companies realize the value of having sustainable and healthy employees and how good sleep is a strong contributing factor in this. We have a growing number of collaborations with companies in the health and wellness sector and have developed a corporate offering, Sleep Cycle's Boot Camp, which allows employees to participate in a web-based sleep and health program for four weeks. The stated goal being that better sleep helps employees feel better, improve their sense of well-being and increase their performance both in their professional role and in their private lives.

SPECIFIC CONTRIBUTION TO IMPROVED GLOBAL HEALTH

In order to help the user better understand how sleep quality can be improved, we work with a broad perspective on health markers such as snoring and breathing. Our patented algorithm

for sound analysis captures and analyzes the sounds that arise when the user sleeps. Coughs can be compiled and presented as cough frequency curves over time, for example, for a region or a country. During outbreaks of covid, a direct correlation between covid and coughing could be found by Sleep Cycle's analysts. They linked sleep data from hundreds of thousands of daily US users with the number of confirmed omicron infections in the US during a November 2021 omicron outbreak.

With huge amounts of coughing data stored, where we automatically get more with each passing night, we see excellent opportunities to be able to identify deviations at an early stage. Insights into early detected symptoms can provide new possibilities for providing various public functions with critical information that can potentially contribute to more effective identification, or even predict future outbreaks of disease with a large societal impact.



70%

SAY THEY SLEEP BETTER WITH THE HELP
OF SLEEP CYCLE'S SLEEP SERVICE

PRIMARILY, WE FOCUS ON WHAT WE
CAN DIRECTLY INFLUENCE TO REDUCE
OUR ENVIRONMENTAL IMPACT



Reduced Climate Footprint

Sleep Cycle's ambition is to minimize our impact on the environment and climate. By first mapping the emissions that our operations are creating, we will then be able to set goals and develop a plan for how emissions are to be reduced over time.

Ambition: Reduce the business's climate footprint across our value chain.

Due to its digital operations, Sleep Cycle has a limited impact on the climate and the environment. We are aware however, that the majority of our emissions are indirect and are found within scope 2 and 3, with emission sources such as electricity, district heating, district cooling, operation and use of Sleep Cycle's sleep services. As we create a clearer picture of our impact on the environment and climate, we can also lay the groundwork to set goals and activities that contribute to reducing our emissions moving forwards.

SMALL BUT IMPORTANT STEPS

The environmental impact that comes from Sleep Cycle's business operations mainly consists of the consumption of electricity and heat that takes place in our office premises. Primarily, we focus on what we can directly influence to reduce our environmental impact, such as making conscious choices when purchasing materials and services, and using trains and public transport for business trips whenever possible. During the first quarter of 2023, the business will move to new office premises in a BREEAM-certified property.

This means that the property's environmental performance is assessed by a number of factors, including, the building's energy use, choice of building materials and geographical location with regards to access to public transport. For us as tenants, additional value is added by a beneficial indoor environment, such as, the premises' lighting, acoustics and air quality which are designed to have a positive impact on our well-being, health and productivity.

Sleep Cycle uses cloud-based data storage for the operation of our sleep services and suppliers who carry out active sustainability work in terms of minimizing emissions and energy use.

SUSTAINABLE PRODUCT RANGE WITH EFFICIENT BATTERY LIFE

Our goal in every development project and when updating our sleep service is to ensure efficient operation and that the mobile phone's battery consumption is not increased. Currently, we have reached a level where the sleep service only draws a couple of percent per hour in use, which is the minimum goal even as new functions are added.

Responsible Entrepreneurship

Sleep Cycle must conduct a business based on ethical business practices and regulatory compliance in all parts of the business. Zero tolerance towards all forms of corruption prevails.

Ambition: Run a responsible business based on applicable laws and sound business principles.

Sleep Cycle's code of conduct sets the framework for how we act as a company as well as for how our employees act in relation to customers, suppliers and society at large. The code of conduct is based on the UN's Universal Declaration of Human Rights, the ILO's Declaration on Fundamental Principles and Rights and the UN's Global Compact. During the year, we also developed a sustainability policy that defines our positions and commitments. The two documents are closely linked and reflect our culture and approach to the world around us and to each

other. They include all employees and all companies owned or controlled by Sleep Cycle. For further information: investors.sleepcycle.com/en/governance/code-of-conduct

CLEAR EXPECTATIONS OF PARTNERS

The development of Sleep Cycle's sleep service mainly happens within the company, resulting in limited purchases. However, our expectations of the suppliers we collaborate with are clear with requirements for compliance with human rights, good business ethics, laws and regulations. We manage these expectations as part of the supplier agreement contracting process.

Our endeavor to maintain an entrusted business environment with high business ethics also includes protecting and upholding the safety and respect for all the people affected by our operations. For individuals who want to draw our attention to the fact that something inappropriate may have happened or to deficiencies in rule compliance, our whistleblower function is available on our website for anonymous reporting. In 2022, no cases were reported via the whistleblower channel.



THE CODE OF CONDUCT IS BASED ON THE UN'S UNIVERSAL DECLARATION OF HUMAN RIGHTS, THE ILO'S DECLARATION ON FUNDAMENTAL PRINCIPLES AND RIGHTS AND THE UN'S GLOBAL COMPACT



FINANCIAL STATEMENTS

MANAGEMENT REPORT

The Board of Directors and CEO for Sleep Cycle AB (publ), corporate ID number 556614-7368, with its registered office in Gothenburg, Sweden, hereby issue the annual- and consolidated financial statements for the financial year, 2022.

ABOUT THE BUSINESS

Sleep Cycle is developing of one of the world's most widely used sleep platforms. Using its patented sound analysis, Sleep Cycle tracks sleep habits throughout the night, analyzes them, and correlates the results with everyday factors that affect sleep quality, with the goal of improving sleep in users worldwide. Sleep Cycle is a global distributor of its holistic sleep service, and is represented in more than 150 countries, with more than 55 million downloads. Furthermore, with its extensive sleep database, Sleep Cycle contributes to improved sleep habits and increased awareness of sleep worldwide. The parent company, Sleep Cycle AB, was founded in 2009 and the group's registered office is located in Gothenburg, Sweden.

THE GROUP'S KEY PERFORMANCE INDICATORS

SEK (thousands)	2022	2021
Net sales	213,271	182,937
Net sales growth (%)	16.6%	14.7%
Currency-adjusted net sales growth (%)	12.4%	21.6%
Operating profit/loss	44,110	10,325
Operating margin (%)	20.7%	5.6%
Adjusted operating profit/loss	46,912	36,386
Adjusted operating margin (%)	22.0%	19.9%
Profit/loss for the period	34,976	8,110
Adjusted operating cash flow	62,066	36,791
Adjusted cash conversion (%)	119.0%	95.7%
Operational key performance indicators		
Total subscriptions (Thousands)	904	901
ARPU (SEK)	236	212
Average number of employees (#)	46	33

Calculation and explanation of key performance indicators are shown under alternative KPIs on pages 71-72.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- The Sleep Goals function was launched in the first quarter of 2022. Offering various suggestions for improvement, the function helps the user reach a predetermined sleep goal.
- In March 2022, the Auto Sleep Tracking feature was launched for the Apple Watch. The new function creates fewer pauses in user sleep data and enables daily sleep analysis with fewer deviations. This function is expected to lead to a higher level of user engagement.
- Analysis of coughs captured in Sleep Cycle's data analysis and comparison of these with Covid outbreaks in various locations around the world during the second quarter of 2022 revealed clear correlations, indicating Covid outbreaks several weeks before they were officially recorded. This analysis demonstrates the power of Sleep Cycle's data and sets the stage for bringing out new products and features in the future.
- The first part of Sleep Cycle's platform for sleep training was launched early in the third quarter of 2022. Several different sleep programs based on the user's individual needs and sleep patterns will be launched on the platform.
- In the third quarter of 2022, Sleep Cycle launched a partnership with Gympass, thus increasing its presence on Latin American markets. Membership gives Gympass members access to digital health services, where Sleep Cycle is the only service provider in the area of sleep.

- In the fourth quarter of 2022, the new feature "Who's snoring?" was launched, which can detect with improved accuracy who in a room is snoring. The feature was developed using what is known as few-shot-learning. Combined with Sleep Cycle's data, this method creates opportunities for many additional innovative functions.
- In December 2022, 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 December 19, 2022, Velvet Cichlid AB, a company controlled by a consortium representing approx. 68% of the shares in Sleep Cycle, announced a public cash offer to the shareholders of Sleep Cycle. On February 2, 2023, it was made public that Velvet Cichlid AB had decided not to pursue the public cash offer.

INCOME, EXPENSES, AND PROFIT/LOSS

The group's net sales increased over the year by 16.6% (14.7%) compared to prior year and amounted to tSEK 213,271 (182,937). Currency-adjusted net sales growth amounted to 12.4% (21.6%). The total currency effect amounted to approximately 8 MSEK. This increase in net sales is primarily a result of higher ARPU due to changes to the price mix and adjusted prices. Average revenue per user (ARPU) increased by 11% and amounted to SEK 236 (212). Total number of paying subscribers at end of year was 904k (901k). The rate of increase compared with previously decreased as a result of price adjustments and lower traffic in the Apple App Store, which negatively affected the number of downloads and number of new customer acquisitions. Re-subscribing users were the primary reason for the increase compared with prior year.

Operating profit amounted to 44,110 (10,325) tSEK, with an operating margin of 20.7% (5.6%). Adjusted for one-off expenses, operating profit amounted to tSEK 46,912 (36,386) with an adjusted operating margin of 22.0% (19.9%). In 2022, one-off expenses of tSEK 2,802 related to the Board's evaluation of the offer and recommendation to the shareholders affected other external expenses. For 2021, one-off expenses of tSEK 26,061 were posted; these related to the IPO, of which tSEK 23,309 affected other external expenses and tSEK 2,752 accounted for personnel expenses. Additionally, 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 profit and operating margin is explained in part by lower marketing expenses, tSEK 34,786 (41,997), 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. Customer acquisition expenses have thus been reduced, owing to lower marketing expenses compared with prior year.

Net financial income for the year amounted to tSEK 20 (-78). Tax on the year's profit/loss was tSEK -9,155 (-2,137). Overall, the group's profit/loss for the year amounted to tSEK 34,976 (8,110). Earnings per share before dilution amounted to SEK 1.77 (0.43) and after dilution SEK 1.74 (0.42).

CASH FLOW AND FINANCIAL POSITION

The group's cash position is good, as a result of positive financial earnings and prepayments. Cash flow from operations for the period amounted 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 amounted to -7,769 (-5,935) tSEK related to capitalized development expenses and acquisitions of tangible fixed assets. Adjusted for exceptional items, the adjusted operating cash flow totaled 62,066 (36,791) tSEK. Adjusted cash conversion for the period amounted to 119.0 (95.7) %.

Cash flow from financing activities amounted to tSEK 14,006 (98,218) and relates to the amortization of leasing liabilities, option premiums and a new capital issue as a result of exercising warrants in 2022. The change compared to prior year is explained by the new share issue in conjunction with the IPO in 2021, which provided the Company an injection of tSEK 95,350 after deduction of transaction expenses.

Cash flow for the year amounted to tSEK 67,765 (112,372). The group's cash and cash equivalents at end of year totaled tSEK 232,862 (165,508).

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

OPERATING KEY PERFORMANCE INDICATORS

The total number of paying subscribers at end of year totaled 904k (901k). This rate of increase compared with previously decreased as a result of price adjustments and lower traffic in the Apple App Store, which negatively affected the number of downloads and number of new customer acquisitions. Re-subscribing users were the primary reason for the increase compared with prior year. Average revenue per user (ARPU) increased by 11% and amounted to SEK 236 (212). The increase is due to changed price mix and adjusted prices. The average number of employees amounted to 46 (33).

PARENT COMPANY

As all significant operations in the group are conducted in the parent company, the comments above refer to both the parent company and the group.

The parent company's net sales amounted to tSEK 213,271 (182,937) and operating profit amounted to tSEK 44,000 (10,271). Adjusted for exceptional items, the parent company's operating profit amounted to tSEK 46,802 (36,332).

Profit from financial items amounted to tSEK 157 (-129). Tax on the year's earnings was tSEK -9,159 (-2,135). Profit for the year totaled tSEK 34,999 (8,007). Cash and cash equivalents on the balance sheet date amounted to tSEK 232,746 (165,379). The parent company's cash flow amounted to tSEK 67,778 (112,288). Equity as of the balance sheet date amounted to tSEK 160,818 (108,859).

INNOVATION AND DEVELOPMENT WORK

Innovation and development work is a cornerstone of the group's strategy to reinforce the customer offering, thereby ensuring organic future growth. In 2022 a series of new product functions were introduced in the Sleep Cycle app, such as Sleep Goals, Auto Tracking on the Apple Watch and the "Who's snoring?" function.

The group's expenditures for research and development amounted to tSEK 32,542 (28,054) in 2022. Of this, tSEK 22,560 (18,052) was expensed as personnel expenses, tSEK 3,064 (4,989) was expensed as other external expenses, and tSEK 6,918 (5,013) was capitalized as intangible assets. For more information, see notes 12 and 19.

PERSONAL

The average number of employees in the group for 2022 was 46 (33), all of whom were employed in Sweden.

RISKS AND UNCERTAINTIES

PRODUCT DISTRIBUTION

Sleep Cycle's products are primarily sold through two platforms and are thereby dependent on these players to maintain and attract new subscribers; relying solely on two distributors constitutes a risk for both product distribution and for Sleep Cycle's growth. Sleep Cycle is therefore actively assessing various strategic initiatives and possibilities to reduce the risk of dependency on a small number of channels.

COMPETITION AND MARKET

Sleep Cycle is a leader in its area of activity, and is actively investing in product development. As interest in health and wellness increases, the interest in developing sleep technology also increases. Large companies today equip their users with a large selection of products within the same segment as Sleep Cycle's product, which could potentially have a negative effect on Sleep Cycle's market share. In order to secure its place on the market, Sleep Cycle is actively working to equip users with an innovative and diversified product assortment.

DATA SECURITY AND SENSITIVE DATA

Sleep Cycle handles a large volume of personal data relating to customers and employees. Sleep Cycle is thus required to follow the laws and provisions applicable to data protection and privacy, which includes compliance with the GDPR. If Sleep Cycle's data security is compromised by cyber attacks or computer viruses, Sleep Cycle risks reduced consumer confidence and a blow to the company's reputation and brand. Internally, Sleep Cycle continuously conducts systematic quality work that includes policies and steering documents that describe how each employee should handle and protect the company's sensitive information. The IT environment and security routines connected to this are also subject to continuous oversight in order to ensure that Sleep Cycle's protection is adequate and up to date.

COMPETENCE AND KEY PERSONNEL

Sleep Cycle's senior executives and other key personnel have considerable competence and experience. In order to secure its plans for expansion, Sleep Cycle is dependent on its ability to recruit and maintain qualified and competent personnel in the company. In the absence of such resources, the company could risk having to suspend future expansion and growth or reduce the scope of these objectives.

FINANCIAL RISK

Financial risks primarily relate to currency risk, interest risk, credit risk, counterparty risk, and liquidity. Sleep Cycle has a very good cash position, with positive operating cash flow and no existing loans. Risk management is regulated by a Treasury Policy established by the Board of Directors. It is group management and the finance department that bear the overall responsibility for managing the group's financial risks and for developing methods and principles to manage such risks. See note 4 for more information on financial risks.

EXPECTED FUTURE DEVELOPMENT

The Company's expectations are that increased investments in product development and continued investments in marketing and price increases implemented in 2022 will contribute to increased growth in 2023 and onwards. The Company aims to launch new functions and offers that attract new users, which, together with sales in new channels and on new platforms, will contribute to long-term growth in sales. The Company's goal is to achieve a growth in income of more than 30% annually. In 2022, changes in the market climate and price changes contributed to lower growth in the number of subscriptions than in previous years. The lower growth in the number of subscribers has been partly compensated by higher income per user. Uncertainty due to inflation, higher interest rates, and high energy prices are expected to attract new Sleep Cycle users in 2023.

SUSTAINABILITY AND CSR

Sleep Cycle's Board of Directors has adopted a Code of Conduct that is rooted throughout the entire organization. The Code of Conduct is based on the UN Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the UN Global Compact. The code is subject to annual review and approval by the board. The code applies for all employees and sets the bar for employee professionalism and integrity for the purpose of ensuring that each employee acts legally and appropriately with regard to the company's interests.

The handling of personnel-related matters at Sleep Cycle is based on several policies and routines. The most important is our code of conduct, diversity policy (including diversity, inclusion and integrity), and employee handbook. Responsibility for personnel-related policies lies with the Chief Human Resources Officer ("CHRO").

Sleep Cycles' operations do not involve any particular environmental risks and do not require any special environment-related permits or decisions from authorities. Sleep Cycle is a fully digital product and thus does not require transport or manufacturing processes that can entail environmental risks. Sleep Cycle has two offices in Sweden, with a registered office in Gothenburg and branch office in Stockholm. See pages 28–39 in the Company's Sustainability Report.

PROPOSAL FOR APPROPRIATION OF PROFITS

Parent Company

Total earnings (SEK) at the disposal of the annual general meeting	
Share premium fund	119,228,686
Retained earnings	-3,567,590
Profit for the year	34,999,052
Total unrestricted equity	150,660,148

After adoption of the balance sheet of Sleep Cycle AB for 2022, the Board of Directors recommends that the general meeting appropriate the above funds as follows:

Distributed to shareholders:

SEK 7.00 per share ¹	141,942,941 ²
To be carried forward	8,717,207
Total	150,660,148

¹ Based on number of outstanding shares as of December 31, 2022. The amount of the dividend may change due to the issue of new shares up to the record date.

² See note 5 for dividend policy. This year's dividend deviates from the dividend policy as the board decided to propose an additional dividend of SEK 6.00. Resulting in a total dividend of SEK 7.00 per share.

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

Sleep Cycle has a history of solid profitability and strong cash flow. Given a business model with limited investment requirements and prepayments, the Board of Directors is of the view that the company can meet its long-term strategic objectives, including investments for expanded growth, in combination with an annual distribution.

The last day of trading with dividend rights is May 8, 2023 and the proposed record date for the dividend is May 10, 2023. Euroclear expects to send the dividend to shareholders on May 15, 2023.

Concerning the parent company's and the group's results and position in other respects, please refer to the following results and balance sheets, reports on changes in equity, cash flow analyses, and notes. All amounts are given in thousands of Swedish kronor (tSEK) unless otherwise stated.

CORPORATE GOVERNANCE

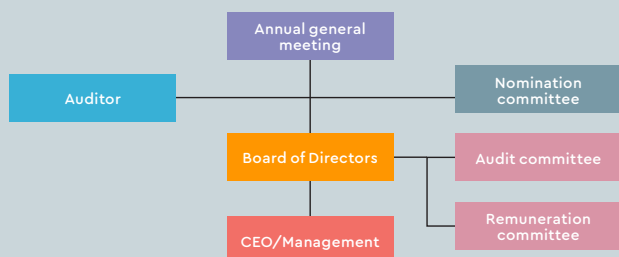
THE BASICS OF SLEEP CYCLE'S CORPORATE GOVERNANCE

Sleep Cycle AB (publ) is a Swedish public limited liability company with offices in Gothenburg and Stockholm. The Company's share has been listed on Nasdaq Stockholm since June 8, 2021. The main decision-making bodies are the annual general meeting, the Board, and Sleep Cycle's CEO. The annual general meeting appoints the Board, who in turn appoints the CEO, who oversees daily operations in accordance with the Board's guidelines. Corporate governance is an important aspect of ensuring that Sleep Cycle is managed sustainably, responsibly, and as efficiently as possible in order to realize strategies and create value for customers and stakeholders. Sleep Cycle has followed the Swedish Corporate Governance Code from the date of its listing on Nasdaq Stockholm. This corporate governance report is part of the administration report and is submitted in accordance with the Annual Accounts Act and the Code. The corporate governance report has been reviewed by Sleep Cycle's auditors, in accordance with what is stated on pages 74–76.

SHARES

As of December 31, 2022, there was a total of 20,277,563 shares in Sleep Cycle. Each share in the Company entitles the shareholder to one vote at the Annual General Meeting and each respective shareholder has the right to vote for all shares they hold in the Company. Shareholding representing at least one-tenth of the number of votes of all shares in Sleep Cycle includes Maciek Drejak, through the company with 42.1% of votes, and Pierre Siri, through the company, with 22.7% of the votes.

ORGANIZATIONAL CHART



ANNUAL GENERAL MEETING

The annual general meeting for 2021 took place on May 10, 2022 in Gothenburg. In accordance with the Board's proposal, the annual general meeting decided to accept the annual report, and that no dividends shall be paid out for the financial year 2021.

The annual general meeting decided to discharge the Board members and the CEO from liability for the financial year 2021.

The annual general meeting decided that the number of Board members shall be five, with no deputies, and that the number of auditors shall be two, with no deputies. Lars Berg, Anne Broeng, Olof Nilsson, Rasmus Järborg, and Ödgård Andersson were reelected as Board members for the period until the end of the next annual general meeting. Lars Berg was reelected as Chairman of the Board. It was decided that tSEK 500 shall be paid out as Board honoraria to the Chairman of the Board, and tSEK 250 to each of the other members, tSEK 100 to the president of the audit committee, and tSEK 50 to the other members of the audit committee, as well as tSEK 50 to the president of the remuneration committee, and tSEK 25 to other members of the remuneration committee.

The general assembly decided to approve the Board's proposals for the 2021 remuneration report.

The general assembly decided on a long-term incentive program for employees in the company or the group through a targeted share issue of warrants, series 2022/2025, with the right to subscribe to new shares in

the company. Issue of up to 100,000 warrants giving the right to subscription of 100,000 new shares. Upon full exercise of the warrants, the increase in the company's share capital may amount to up to SEK 2,777.78, subject to the increase that may occur as a result of issues, etc.

ANNUAL GENERAL MEETING 2023

The next annual general meeting will be held on May 8, 2023 in Gothenburg.

AUDITOR

It was decided at the 2022 general assembly to re-appoint Mazars AB as the auditor for the period until the end of the general meeting of 2023. Samuel Bjälkemo will be serving as the principal auditor with Anders Persson as assistant auditor. The auditors report observations from their audit work to the Board, and the auditors review their audit and risk assessment plan with the audit committee on an annual basis.

BOARD OF DIRECTORS

The Board is the company's highest decision-making body after the annual general meeting. According to the Swedish Companies Act, the Board of Directors is responsible for the management and organization of the company, which means that the Board is responsible for, among other things, setting objectives and strategies, ensuring procedures and systems for evaluating the set objectives, continuously evaluating the company's performance and financial position, and evaluating the operational management. The Board is also responsible for ensuring that the annual report and interim reports are prepared in time. In addition, the Board appoints the company's CEO. The Board follows written rules of procedure, which are revised annually and adopted at the statutory board meeting. The rules of procedure regulate, among other things, the Board's practices, functions and allocation of work between the Board members and CEO. In connection with the statutory Board meeting, the Board also sets out instructions for the CEO, including for financial reporting. The Board also annually reviews and sets out rules of procedure for the Board's audit committee and remuneration committee. The Board is further responsible for preparing and adopting policies, as well as for monitoring compliance with any such policies.

THE COMPOSITION OF THE BOARD

In 2022, the Board consisted of five Board members, three men and two women, elected by the annual general meeting. The Board works to achieve equality, as well as diversity of skills, gender, experience and culture. Lars Berg was elected as the company's Chairman. All Board members are independent in relation to the company and its management, and all members, with the exception of Lars Berg, are independent in relation to major shareholders. See pages 24–25 for a more detailed presentation of the Board of Directors.

THE BOARD'S WORK IN 2022

The Board held 13 board meetings in 2022 (of which 2 were per capsulam). Minutes were kept for all meetings. The Board has established rules of procedure that describe in detail which points of order shall be covered during the different Board meetings throughout the year. In the first part of the year, the Board focused on follow-up of operations and the plan set for the year, establishment of policies, evaluation of internal controls, and risk assessment. One of the board meetings during the year concerned the company's strategic orientation, in which the Board evaluated and established the company's overall objectives and strategy. Other items addressed have included establishment of a budget for the coming financial year, goal-setting and governance, technical development of the company's product and sleep and health as they relate to market and product development. Reports from the audit and remuneration committees have been dealt with during the course of the year.

Each month, the CEO sends out a monthly report including, among other things, a financial report and current events in the business. The purpose is to keep the Board informed of the development of the company's

activities. The Board also approves any financial statements before they are published. The Board regularly evaluates the work of the CEO, but once a year, a formal evaluation is made, in which company management is not involved

Once a year, an evaluation of the work of the Board and its committees is carried out in order to create a sound basis for development work in the Board and committee. The chairperson of the Board is responsible for the evaluation and its presentation to the nomination committee. In 2022, an assessment was carried out by having an external consultant conduct structured interviews with each individual Board member, to get their opinion of the Board's work.. All viewpoints were compiled and discussed by the Company's Board of Directors. The results of the evaluation have been presented and discussed by the nomination committee. The conclusion was that there was a good mix of skills in the Board, and that its work is effective. During the year the Chairman of the Board announced that he would not be a candidate for re-election in the 2023 annual general meeting. As part of its work, the nomination committee's work has therefore been evaluating the composition of the Board and the need for a deputy.

THE BOARD'S COMMITTEE

Members of the committee are appointed at the statutory board meeting, which is held immediately after the annual general meeting.

AUDIT COMMITTEE

The audit committee's duties are described in instructions set out by the Board. The aim and purpose of the audit committee is to oversee the company's financial reporting, monitor the effectiveness of the company's internal control and risk management, keep itself informed of the audit of the annual accounts and consolidated accounts, review and monitor the impartiality and independence of the auditor and assist in the preparation of proposals for the election of the auditor by the General Meeting.

REMUNERATION COMMITTEE

The remuneration committee's duties are described in instructions set out by the Board. The aim and purpose of the remuneration committee is to prepare the Board's decisions on matters relating to remuneration policies, remuneration and other terms and conditions of employment of senior executives, remuneration policies and the remuneration report, to monitor and evaluate variable remuneration programs, both ongoing and those terminated during the year for senior executives and to evaluate the application of the remuneration policies for senior executives adopted at the Annual General Meeting as well as the current remuneration structures and remuneration levels of the Company.

Name	Attending board meeting	Attending remuneration committee	Attending audit committee
Lars Berg	11/13*	4/4	
Anne Broeng	13/13		5/5
Olof Nilsson	13/13		5/5
Rasmus Järborg	13/13	4/4	
Ödgård Andersson	13/13		

*Because of a conflict of interests, Chairman of the Board Lars Berg did not take part in the board meeting addressing matters relating to the public cash offer. Anne Broeng was appointed chairperson of the offer committee.

NOMINATION COMMITTEE

The nomination committee is tasked with nominating and presenting proposals to the Board of Directors and the Chairman of the Board at the Annual General Meeting. In accordance with the instructions that were adopted by Sleep Cycle's annual general meeting held on May 19, 2021, the company shall have a member appointed by each of the three largest voting shareholders or shareholder groups, together with the Board's chairperson. The nomination committee shall be constituted based on shareholder statistics from Euroclear Sweden AB as of September 30 every year and other reliable shareholder information available to the company at that time and the Chairman of the Board who will also convene the first meeting of the nomination committee.

The member who represents the largest shareholder shall be appointed as the nomination committee's chairperson unless the nomination committee unanimously appoints another member as the nomination committee's chairperson. The instructions for the nomination committee can be found on Sleep Cycle's website: investors.sleepcycle.com

The composition of the nomination committee meets requirements regarding independent members. The nomination committee consists of the following members:

Member	Appointed by	% of votes as of Sept. 30, 2022
Mathias Høyer	MCGA AB and H265 AB	Total 42.1
Erik Olsson	GLA Invest SA	22.7
Anna Sundberg	Handelsbanken Fonder	7.1
Lars Berg, Chairman of the Board of Directors in Sleep Cycle		

The nomination committee jointly represents 71.9% of the votes in the company. The nomination committee has appointed Anna Sundberg as chairperson.

THE COMPANY'S ORGANISATION

The CEO is subordinate to the Board, and responsible for the company's general administration and daily operations. Division of duties between the Board and CEO is set out in the rules of procedure for the Board and the instructions to the CEO. The CEO is also responsible for preparing reports and compiling information from management for Board meetings, and serves as rapporteur of any material relating to board meetings. According to the financial reporting instructions, the CEO is responsible for the financial reporting of the Company and shall accordingly ensure that the Board receives sufficient information to enable the Board to assess the Company's financial position on an ongoing basis.

In 2022, senior management consisted of six members including the CEO, four of whom are men. Any lack of equality is noted and taken into account for future recruitment. After reorganization in January 2023, the management group was reduced to 5 persons. See pages 26–27 for a more detailed presentation of management.

REMUNERATION

HONORARIA FOR THE BOARD

At the annual general meeting held on May 10, 2022, it was decided that tSEK 500 shall be paid out as Board honoraria to the Chairman of the Board, and tSEK 250 to each of the other members, tSEK 100 to the president of the audit committee, and tSEK 50 to the other members of the audit committee, as well as tSEK 50 to the president of the remuneration committee, and tSEK 25 to other members of the remuneration committee.

GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES

The Company observes a 6-month notice period to the CEO, the CEO observes a 12-month notice period to the Company. In the event of termination initiated by the company, severance equivalent to 6 months' salary shall be paid.

These guidelines for remuneration of senior executives (the "Guidelines") cover the remuneration of Sleep Cycle AB (publ)'s ("Sleep Cycle" or the "Company") senior executives, including the CEO. The guidelines are forward-looking, i.e. they shall apply to any future remuneration that is agreed, and changes that will be made to previously agreed remuneration after adoption of the guidelines by the annual general meeting in 2021. These guidelines do not cover remuneration that is decided upon by any annual general meeting.

GUIDELINES PROMOTING THE COMPANY'S BUSINESS STRATEGY, LONG-TERM INTERESTS, AND SUSTAINABILITY

The Company's business strategy is, in brief, to give people the opportunity to sleep better in order to improve global health. Sleep Cycle is developing a solution for sleep health and an application for sleep monitoring. Sleep Cycle's vision is to become the market leader solution for sleep health globally. For more information about the Company's business strategy, please see: www.sleepcycle.com. Successful implementation of the Company's business strategy and safeguarding of the Company's long-term interests, including its sustainability, is contingent on the Company's ability to recruit and maintain qualified employees and senior executives. The Company has to be able to offer competitive remuneration in order to achieve this. The present Guidelines enable the Company to offer senior executives a competitive compensation package. Sleep Cycle's remuneration must

also aim to promote the Company's business strategy and long-term interests, including its sustainability. Long-term incentive programs based on shares and share prices have been introduced in the Company. Such programs were confirmed upon by the annual general meeting, and are therefore not covered by the present guidelines. The Board of Directors believes that the possibility of a well-balanced fixed remuneration, combined with the possibility to participate in share-related incentive schemes decided by the Annual General Meeting and the possibility for variable remuneration, will enable Sleep Cycle as a competitive employer to recruit and retain qualified employees and senior executives.

FORMS OF REMUNERATION

Remuneration must be at market rates, and consist of the following elements: fixed cash salary, variable cash remuneration, pension benefits and other benefits. The annual general meeting can, in addition, decide on share and share price-based remuneration.

FIXED REMUNERATION

The fixed remuneration of senior executives is reviewed on an annual basis, and must be competitive and based on each person's skills, responsibility, and performance

VARIABLE REMUNERATION

Variable cash remuneration that is covered by the present Guidelines must aim to promote the Company's business strategy and long-term interests, including its sustainability. Variable cash compensation must be based on predetermined and measurable criteria, which may be financial or non-financial, must be linked directly or indirectly to the fulfillment of Sleep Cycle's business strategy, and must be measured over a period of one or more years. They can also be comprised of individualized, quantitative, or qualitative objectives. The criteria must be defined in such a way as to promote the Company's business strategy and long-term interests, including its sustainability. Additional variable cash compensation may be awarded in extraordinary circumstances, either for the purpose of recruiting or retaining senior executives or as compensation for extraordinary performance over and above the individual's regular duties, provided that such extraordinary circumstances are limited in time and made only on an individual basis. The total variable cash remuneration may amount up to a maximum of 100% of senior executive's fixed, annual cash salary. The extent to which the criteria for awarding variable cash compensation have been met shall be determined and evaluated at the end of the measurement period, and for financial targets, based on the most recent financial information published by the Company. The remuneration committee evaluates variable cash remuneration for the CEO, and the CEO evaluates variable cash remuneration for other executives.

PENSION AND OTHER CUSTOMARY BENEFITS

Pension benefits are offered as defined contribution schemes, and are secured by payment of premiums to the insurance company. Variable cash remuneration does not give entitlement to pension benefits. Other possible benefits must be customary and make it easier for senior executives to perform their duties, such as company healthcare, medical insurance, or a company car. The size of pension premiums and other common perks may jointly amount to a maximum of 30% of the fixed, annual cash salary. Sleep Cycle can instead offer a salary exchange at the request of a senior executive, provided that the total expense to the Company is more or less the same. For individuals in group management who do not reside in Sweden, appropriate adjustments may be made to comply with mandatory rules or established local practice, whereby the overall purpose of these Guidelines shall be met as far as possible.

TERMINATION OF EMPLOYMENT

In the event of termination of contract, the notice period shall not exceed twelve months. Fixed cash salary during the notice of termination period and severance pay must, in total, not exceed an amount equivalent to one year's fixed cash salary. In the event of termination on the part of the senior executive, the maximum notice period is twelve months, and without entitlement to severance pay. In addition, remuneration for any non-compete clauses may be paid. Such remuneration should compensate for any income losses and may only be paid to the extent that the former senior executive is not entitled to severance pay. The remuneration shall not exceed 60% of the average monthly remuneration (both fixed and variable) paid by the Company over the preceding twelve months at the time of termination and shall be paid for the term of the non-compete restriction, which shall not exceed twelve months after termination of employment for senior executives.

SALARY AND EMPLOYMENT CONDITIONS FOR EMPLOYEES

While preparing the Board's proposal for the present Guidelines, salary and employment conditions for Company employees have been taken into account by noting information on employees' total remuneration, remuneration elements, as well as any increase in remuneration and the rate of such an increase over time

DEVIATION FROM GUIDELINES

The Board of Directors may decide to deviate temporarily from the Guidelines if, in an individual case, there are specific reasons for doing so and a deviation is necessary to meet the long-term interests of the Company, including its sustainability, or to ensure the financial viability of the Company.

DECISION-MAKING PROCESS IN ORDER TO ESTABLISH, REVIEW, AND IMPLEMENT THE GUIDELINES

The Board has established a remuneration committee. The remuneration committee's duties include preparing the Board's decision on proposals for the guidelines on remuneration of senior executives. The Board shall draw up a proposal for new guidelines at least once every four years, and set out the proposal for adoption at the annual general meeting. These guidelines shall apply until new guidelines have been adopted by the General Meeting. The remuneration committee shall also prepare decisions on remuneration-related matters, including decisions to deviate from the Guidelines, monitor and evaluate variable remuneration programs for senior executives, the application of the Guidelines on remuneration for senior executives and the current remuneration structures and levels of remuneration within the Company.

The Board of Directors has issued a separate remuneration report, which is available on investors.sleepcycle.com.

THE BOARD'S DESCRIPTION OF INTERNAL CONTROLS RELATING TO FINANCIAL REPORTING

The Board's responsibility for internal controls are regulated by the Swedish Companies Act and the Swedish Corporate Governance Code. The Board adopts policies and other governing documents, and ensures that the contents are communicated to all interested parties. This report is limited to a description of the internal control regarding financial reporting for the financial year 2022. The objective of Sleep Cycle's internal control is to ensure reliable and accurate financial reporting, that the company's and the group's financial statements are prepared in accordance with regulations and applicable accounting standards, that the company's assets are safeguarded, and to ensure compliance with other requirements.

CONTROL ENVIRONMENT

The control environment is the foundation of Sleep Cycle's internal control and includes how the Board and management act, allocate responsibility and authority within the organization, provide information on business objectives, and communicate the overall significance of internal control. The control environment involves the creation of an appropriate risk culture and is manifested through factors such as corporate culture, integrity, ethics, competence, management philosophy, organizational structure, authority and responsibility, as well as governing documents and guidelines. The CEO appoints an appropriate process owner for each financial key process. The process owner is responsible to reducing significant risks in the process through appropriately designed and documented controls, which are then subject to follow-up. The process owner is also responsible for ensuring that there are flow charts, documented risk assessments, and risk- and control matrices.

RISK ASSESSMENT

Risk assessment is the basis of internal control, and the starting point for establishment of controls. Risk is defined as the possibility that an event will occur and negatively affect the ability to achieve performance. Risk assessment takes place continuously throughout the year and the finance division assesses risk for material misstatements in financial reporting. Focus on the key results and balance sheet entries that, relatively speaking, have a higher risk depending on their complexity or where the effect of any errors risks becoming major.

CONTROL OPERATIONS

Control operations refer to the measures that are introduced by means of policies and procedures that help to ensure risk reduction. The goal is to have an effective series of controls that are adapted to the business'

conditions and risk tolerance. In order to ensure that the financial reporting gives a true picture, there are control activities involving multiple parties within the organization, from the Board of Directors and senior management to the finance department and other employees. Financial controls in Sleep Cycle's business process includes, among other things, approval of business transactions, reconciliations and monthly performance monitoring. Reporting and analysis of financial outcomes are regularly submitted to the Board and management.

INFORMATION AND COMMUNICATION

There must be well-functioning two-way communication and flow of information between the Board of Directors and management and Sleep Cycle employees. An important aspect of internal control is to ensure effective distribution of relevant information to both internal and external stakeholders. Sleep Cycle's information policy, adopted by the Board, covers, among other things, the handling of financial information. Sleep Cycle must ensure that all applicable policies and guidelines are made available to relevant parties. Sleep Cycle has a whistleblowing system that is accessible on Sleep Cycle's website. If needed, it can be used anonymously.

MONITORING

The Board continuously evaluates any information submitted by company management, which includes both financial information and key issues about internal controls. Sleep Cycle conducts self-assessments and independent tests to evaluate the effectiveness of the internal control; this is done at least on a yearly basis and the results of the investigation are reported to the audit committee. Proposals for action plans and improvements are identified and implemented on an ongoing basis.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

tSEK	Note	2022	2021
OPERATING INCOME			
Net sales	6	213,271	182,937
Other operating income	7	529	394
OPERATING EXPENSES			
Capitalized work for own account		3,224	2,838
Platform fees		-49,741	-43,991
Other external expenses	8.9	-63,383	-89,094
Personnel expenses	11	-54,201	-40,578
Depreciation and impairment of tangible and intangible assets		-5,261	-2,047
Other operating expenses		-329	-134
Operating profit/loss	10,12,13	44,110	10,325
FINANCIAL ITEMS			
Financial income	15	157	-
Financial expenses	16	-137	-78
Profit before tax		44,130	10,247
Tax on profit for the year	17	-9,155	-2,137
Profit for the year		34,976	8,110
Other comprehensive income		-	-
Comprehensive income for the year		34,976	8,110
Earnings per share			
Earnings per share before dilution, SEK	18	1.77	0.43
Earnings per share after dilution, SEK		1.74	0.42
Average number of shares outstanding before dilution		19,729,788	18,685,592
Average number of shares outstanding after dilution		20,056,591	19,327,109

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

tSEK	Note	12/31/2022	12/31/2021
ASSETS			
Fixed assets			
Intangible fixed assets			
Capitalized expenses for development work	19	9,595	4,638
Patent	20	-	-
Total intangible fixed assets		9,595	4,638
Tangible fixed assets			
Right-of-use assets	21	4,132	2,452
Equipment and computers	22	1,468	996
Total tangible fixed assets		5,601	3,448
Financial assets			
Deferred prepaid tax	17	13	48
Other long-term receivables	24	411	-
Total financial assets		424	48
Total fixed assets		15,620	8,134
Current assets			
Accounts receivable	25	22,388	21,626
Other receivables	26	1,084	1,944
Current tax assets		1,474	5,015
Prepaid expenses and accrued income	27	27,943	25,537
Cash and cash equivalents	28	232,862	165,508
Total current assets		285,751	219,629
TOTAL ASSETS		301,371	227,763
EQUITY AND LIABILITIES			
Equity			
Share capital	29	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	30	2,623	-
Total long-term liabilities		2,623	-
Current liabilities			
Leasing liabilities	30	1,572	2,494
Accounts payable		14,203	9,755
Other liabilities		2,889	1,908
Accrued expenses and deferred income	31	119,250	104,707
Total current liabilities		137,914	118,865
TOTAL EQUITY AND LIABILITIES		301,371	227,763

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

tSEK	Attributable to the parent company's shareholders			Total Equity
	Share capital	Other contributed capital	Retained earnings incl. profit/loss for the year	
Opening equity, January 1, 2021	150	2,020	-2,043	127
Profit for the year			8,110	8,110
Other comprehensive income			-	-
Comprehensive income for the year			8,110	8,110
Other changes in equity				
Option premiums received		4,281		4,281
New share issues after issue expenses and tax	390	95,990		96,380
Equity, December 31, 2021	540	102,292	6,066	108,898
Opening equity, January 1, 2022	540	102,292	6,066	108,898
Profit for the year			34,976	34,976
Other comprehensive income			-	-
Comprehensive income for the year			34,976	34,976
Other changes in equity				
Option premiums received		368		368
New share issues after issue expenses and tax	23	16,570		16,593
Equity as of December 31, 2022	563	119,229	41,042	160,834

CONSOLIDATED CASH FLOW STATEMENT

tSEK	Note	2022	2021
Cash flow from operating activities			
Operating profit/loss		44,110	10,325
Adjustments for items not included in cash flow:			
Depreciation and impairment		5,261	2,047
Interest received		157	-
Interest paid		-137	-78
Tax paid		-5,525	3,501
Cash flow from operating activities before change in working capital		43,866	15,796
Change in working capital			
Change in operating receivables		-2,309	-8,372
Change in operating liabilities		19,971	12,665
Cash flow from operating activities		61,528	20,089
Investment activities			
Capitalization of development expenses	19	-6,917	-5,013
Acquisition of tangible fixed assets	22	-852	-922
Cash flow from investment activities		-7,769	-5,935
Financing activities			
Repayment of leasing liabilities		-2,899	-1,413
Option premiums received		378	4,281
Option premiums repaid		-11	-
New share issues		16,538	95,350
Cash flow from financing activities		14,006	98,218
Cash flow for the year		67,765	112,372
Cash and cash equivalents at the start of the year		165,508	53,136
Reclassification of cash and cash equivalents		-411	-
Cash and cash equivalents at end of year	28	232,862	165,508

PARENT COMPANY INCOME STATEMENT

tSEK	Note	2022	2021
OPERATING INCOME			
Net sales	6	213,271	182,937
Other operating income	7	529	394
Capitalized work for own account		3,224	2,838
OPERATING EXPENSES			
Platform fees		-49,741	-43,991
Other external expenses	8,9,10	-66,413	-90,686
Personnel expenses	11	-54,201	-40,578
Depreciation and impairment of tangible and intangible assets		-2,340	-509
Other operating expenses		-329	-134
Operating profit/loss	12,13	44,000	10,271
PROFIT FROM FINANCIAL ITEMS			
Profit from participation in group companies	14	-	-100
Interest income and similar income	15	157	-
Interest expenses and similar expenses	16	-	-29
Profit before tax		44,158	10,142
Tax on profit for the year	17	-9,159	-2,135
Profit for the year		34,999	8,007

Since the parent company has no items reported as other comprehensive income, total comprehensive income for the year is equal to profit/loss for the year.

PARENT COMPANY BALANCE SHEET

tSEK	Note	12/31/2022	12/31/2021
ASSETS			
Fixed assets			
Intangible fixed assets			
Capitalized expenses for development work	19	9,595	4,638
Patent	20	-	-
Total intangible fixed assets		9,595	4,638
Tangible fixed assets			
Equipment and computers	22	1,468	996
Total tangible fixed assets		1,468	996
Financial assets			
Participations in group companies	23	50	50
Deferred prepaid tax	17	-	39
Other long-term receivables	24	411	-
Total financial assets		461	89
Total fixed assets		11,524	5,723
Current assets			
Accounts receivable	25	22,388	21,626
Other receivables	26	1,084	1,944
Current tax assets		1,474	5,015
Prepaid expenses and accrued income	27	27,943	25,537
Cash and bank balances	28	232,746	165,379
Total current assets		285,635	219,500
TOTALASSETS		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
Retained earnings		-3,568	-6,618
Profit/loss for the year		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	31	119,250	104,702
Total current liabilities		136,341	116,363
TOTAL EQUITY AND LIABILITIES		297,160	225,222

PARENT COMPANY'S CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

tSEK	Restricted equity		Unrestricted equity			Total equity
	Share capital	Fund for development expenditures	Share premium fund	Retained earnings	Profit/loss for the year	
Opening equity, January 1, 2021	150	-	2,020	-46,065	44,085	190
Appropriation of prior year's profits				44,085	-44,085	-
Profit/loss for the year					8,007	8,007
Other comprehensive income					-	-
Comprehensive income for the year					8,007	8,007
Other changes in equity						
Option premiums received			4,281			4,281
New share issues after issue expenses and tax	390		95,990			96,380
Allocation to fund for development expenditures		4,638		-4,638		-
Equity, December 31, 2021	540	4,638	102,292	-6,618	8,007	108,859
Opening equity, January 1, 2022	540	4,638	102,292	-6,618	8,007	108,859
Appropriation of prior year's profits				8,007	-8,007	-
Profit/loss for the year					34,999	34,999
Other comprehensive income					-	-
Comprehensive income for the year					34,999	34,999
Other changes in equity						
Option premiums received			368			368
New share issues after issue expenses and tax	23		16,570			16,593
Allocation to fund for development expenditures		4,957		-4,957		-
Equity as of December 31, 2022	563	9,595	119,229	-3,568	34,999	160,818

PARENT COMPANY'S CASH FLOW STATEMENT

tSEK	Note	2022	2021
Cash flow from operating activities			
Operating profit/loss		44,000	10,271
Adjustments for items not included in cash flow:			
Depreciation and impairment		2,340	509
Interest received		157	-
Interest paid		-	-29
Tax paid		-5,524	3,501
Cash flow from operating activities before change in working capital		40,973	14,252
Change in working capital			
Change in operating receivables		-2,309	-8,237
Change in operating liabilities		19,978	12,677
Cash flow from operating activities		58,642	18,692
Investment activities			
Shareholder contribution paid		-	-100
Capitalization of development expenses	19	-6,917	-5,013
Acquisition of tangible fixed assets	22	-852	-922
Cash flow from investment activities		-7,769	-6,035
Financing activities			
Option premiums received		378	4,281
Option premiums repaid		-11	-
New share issues		16,538	95,350
Cash flow from financing activities		16,905	99,631
Cash flow for the year		67,778	112,288
Cash and cash equivalents at the start of the year		165,379	53,091
Reclassification of cash and cash equivalents		-411	-
Cash and cash equivalents at end of year	28	232,746	165,379

Note 1 General information

Sleep Cycle AB (publ), corporate ID number 556614-7368, is a limited liability company registered in Sweden with its registered office in Gothenburg. The address of the 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, 2022 consists of the wholly owned subsidiary Sleep Cycle Sverige AB (559278-9688).

Note 2 Accounting principles

This is Sleep Cycle AB's third consolidated annual report, which has been prepared in compliance with the EU's recognized International Financial Reporting Standards (IFRS), together with interpretations from IFRS Interpretations Committee (IFRIC). The group also complies with the Swedish Annual Accounts Act, and the Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Groups.

New and amended standards, as well as improvements that came into effect in 2022, have not had any substantial effect on the group's financial statements for the financial year.

The consolidated reports are presented in Swedish krona (SEK), rounded to the nearest thousand krona (tSEK), and concern the period January 1 – December 31 for income statement-related items, and December 31 for balance sheet-related items. Decimal rounding may occur. Assets and liabilities are reported in accordance with the cost method unless otherwise stated. The key accounting policies applied when preparing the financial statement are described below. Differences between the parent company's accounting policies and the group's accounting policies are presented at the end of this section.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The actual outcome can deviate from these estimates and assessments. The estimates and assumptions are routinely reviewed. Changes to estimates are reported in the period in which the change is made if the change only affects this period, or in the period in which the change is made and future periods if the change affects both the period in question and future periods. Assessments made by management in the application of IFRS that have a significant effect on the financial statements and estimates made that may result in material adjustments to the subsequent year's financial statements are described in more detail in note 3.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS NOT YET IN EFFECT

The group has not yet started applying the new and amended standards and interpretations that are issued but which enter into effect for financial years starting after January 1, 2022. It is the senior management's assessment that, when applied for the first time, these will not have any substantial effect on the group's financial statements.

CONSOLIDATED FINANCIAL STATEMENT

The consolidated financial statement includes the parent company Sleep Cycle AB and the companies over which the parent company has direct or indirect controlling influence (subsidiaries). Controlling influence exists if Sleep Cycle AB has influence over the investee, is exposed to or has rights to variable returns from its involvement, and has the ability to use its power over the investee to affect the amount of the returns. When assessing whether a controlling influence exists, potential voting rights for shares are taken into account, and whether de facto control exists.

Subsidiaries are included in the consolidated financial statement from the acquisition date, and are excluded from the consolidated financial statement from the date on which controlling influence ceases.

The group has not concluded any business combinations during the reported financial years.

The group's profit and components in other comprehensive income are in their entirety attributable to the parent company's owners.

All intra-group transactions, dealings and unrealized gains relating to intra-group transactions have been eliminated in the drafting of the consolidated financial statement. Unrealized losses have been eliminated in the same way as unrealized gains, but only to the extent that there were no impairment requirements.

SEGMENT REPORTING

Sleep Cycle's CEO, as the most senior executive decision-maker, monitors and analyses profit and loss and the financial position of the group in its entirety. The CEO does not monitor profit and loss at a disaggregated level lower than the consolidation. The CEO thereby also decides on allocation of resources, and makes strategic decisions based on consolidation in its entirety. Based on the above analysis, which is itself based on IFRS 8, it is concluded that the Sleep Cycle group consists of a single reporting segment.

INCOME

The group reports an income when fulfilling a performance commitment by transferring a promised service/application to a customer. The service is transferred once the customer receives control over the service/application, which may be at either a specific moment or over time. The transaction price is the remuneration that the group expects to receive in exchange for transferring the service to the customer, after any deduction of discounts and VAT.

The vast majority of the group's income consists of income from subscription services relating to Sleep Cycle Premium. Sleep Cycle Premium consists of two service commitments:

- A license to use Sleep Cycle Freemium; as well as
- Access to the services included in Sleep Cycle Premium

The features that are part of Freemium, which is a software that Sleep Cycle has developed, can be used completely offline. Sleep Cycle has therefore determined this to constitute intellectual property. When the customer has access to Freemium, Sleep Cycle thus gives the customer a license to use Sleep Cycle's intellectual property. As Premium users are given the same license to use Sleep Cycle's intellectual property, and can use it separately from the services included in Premium, the license is considered distinct.

The services included in Sleep Cycle Premium are not dependent on the functionality offered to Freemium users. Sleep Cycle therefore considers these services to be distinct. The services provided to Premium users via the application, aside from the license, are reported as a single performance obligation for the sake of simplification. Reporting these services as a single performance commitment does not have any accounting effect, as these services are delivered to the customer in the same way over the contract period.

The stand-alone selling price for the license is zero SEK, as Freemium users have access to the license at no cost. The entire transaction price paid by Premium users for the performance commitment is therefore allocated to providing the services included in Sleep Cycle Premium. The price of Sleep Cycle is fixed and does not contain any variable elements.

Customers receive and consume the benefits offered by Sleep Cycle's service at the same time that the company fulfils its performance commitment in relation to the services included in Sleep Cycle Premium. Thus, this performance commitment meets the criterion of IFRS 15, and the income must be reported over time.

Any commissions paid to the platform owners arise when a Premium user signs an agreement via such platforms. The Commissions are thus directly related to the agreements that are signed, and would not arise if the customer did not sign up for Sleep Cycle Premium via the platform owners. Fees paid to the platform owners are thus an additional expense for concluding the agreement with the customer.

Normally, customers pay for the entire agreement period in advance. Advance payments are reported as a contractual liability (prepaid income) in the balance sheet, and any such income is reported linearly over the subscription period. Sleep Cycle considers a production method based on elapsed time to be the method that best reflects how control of the services related to Sleep Cycle Premium is transferred to the customer.

Paid platform fees are reported as an asset, prepaid expense, and are depreciated so that the expense is reported for the period in which the income is reported (over the agreement period).

To a very slight extent, the group has sold gift cards that can be used for later access to Sleep Cycle Premium. Gift cards are reported as income in the same way as other sales of subscription services.

A very small part of the group's income consists of direct sales in the app. This income is reported at a given point in time, once the customer gains access to the purchase.

GOVERNMENT GRANTS

Government grants are reported as other income when the service required in order to receive the grant is delivered. In cases where the grant is received before the service is delivered, the grant is reported as a liability in the balance sheet. Government grants are valued at the fair value of what is received or will be received.

DIVIDENDS AND INTEREST INCOME

Dividend income is reported once the shareholders' right to receive payment has been established.

Interest income is reported broken down over the term using the effective interest method. The effective interest rate is the interest rate that makes the present value of all future deposits and payments during the fixed interest term equal to the carrying value of the receivable.

LEASING AGREEMENTS – THE GROUP AS LEASEHOLDER

The group recognizes a right-of-use asset and a corresponding lease liability for all leases in which the group is the lessee, except for short-term leases (lease term of 12 months or less) and for leases where the underlying asset has a low value, for which the group recognizes lease payments as an operating expense on a straight-line basis over the lease term.

Sleep Cycle has a leasing contract for office space, which is reported as a right-of-use asset in the statement of financial position.

The leasing liability is initially valued at the present value of the leasing fees that have not been paid at the commencement date, discounted with the implied interest rate of the leasing agreement. If this interest rate cannot be determined, the group uses the marginal loan interest rate. The marginal borrowing rate is the interest rate that a lessee would have to pay for financing through loans during an equivalent period and with security. For the company's leasing contracts, a marginal borrowing rate of 3.5% has been applied when discounting outstanding leasing liabilities.

At the time of acquisition, the right-of-use asset is reported at the same value as the discounted leasing fees. In subsequent periods, the right-of-use asset is valued at acquisition cost after deductions for accumulated depreciation and impairments.

Depreciation takes place over the term of the agreements.

FOREIGN CURRENCY

The consolidated report is prepared in Swedish kronor, which is the functional and reporting currency of the parent company. Transactions in foreign currency are translated into Swedish kronor at the exchange rate applicable on the transaction date. Receivables and liabilities in foreign currency are translated at the rate applicable on the balance sheet date. Exchange rate gains and losses on operating receivables and liabilities are reported under operating profit as other operating income or other operating expenses. Gains and losses on financial receivables and liabilities are reported as financial items.

Foreign exchange rate differences are reported in the income statement during the period in which they arise.

BORROWING COSTS

Borrowing costs are reported in the profit or loss in the period in which they are incurred, as there are no assets in the group that can be subject to the capitalization of interest.

EMPLOYEE REMUNERATION

SHORT-TERM EMPLOYEE REMUNERATION

Employee remuneration in the form of salaries, bonuses, holiday pay, sick pay, etc., together with pensions are reported as these benefits are earned.

REMUNERATION UPON TERMINATION

The group recognizes severance pay when there is a present legal or informal obligation, when it is probable that an outflow of resources will be required to settle the obligation and when the amount can be reliably measured.

PENSIONS

Starting in 2022 the group has an occupational pension agreement with its employees. Total pension expenses refer to defined contribution pension plans. A defined contribution pension is a pension plan according to which the group pays fixed contributions to a separate legal entity. The group has no legal or informal obligations to pay additional contributions if this legal entity does not have sufficient assets to pay all employee compensation related to the employees' service in the current or prior periods. The group's contribution to defined contribution pensions is reported in the profit/loss for the year to which they relate.

SHARE-BASED REMUNERATION

The group has options programs, see note 29.

TAXES

Income taxes consist of the sum of current tax and deferred tax.

CURRENT TAX

Current tax is calculated on the taxable profit for the period and adjustment of current tax for previous periods. Taxable profit differs from the reported profit in the income statement as it has been adjusted for non-taxable income and non-deductible expenses and for income and expenses that are taxable or deductible in other periods. The group's current tax liability is calculated according to the tax rates determined or announced as of the balance sheet date.

DEFERRED TAX

Deferred tax is reported on temporary differences between the carrying amount of assets and liabilities in the financial statements and the tax value used in calculating taxable income. Deferred tax is reported according to the so-called balance sheet method. Deferred tax liabilities are reported for in principle all taxable temporary differences, and deferred tax assets are reported in principle for all deductible temporary differences to the extent that it is probable that the amounts can be utilized against future taxable surpluses. Deferred tax liabilities and tax receivables are not reported if the temporary difference is attributable to goodwill or if it arises as a result of a transaction that constitutes the first recognition of an asset or liability (which is not a business combination) and which, at the time of the transaction, does not affect reported or taxable profit.

Deferred tax is calculated per the tax rates that are expected to apply for the period when the asset is recovered or the liability is settled, based on the tax rates (and tax laws) that have been decided or announced on the balance sheet date.

Deferred tax assets and tax liabilities are set off as they relate to income tax that is debited by the same authority and when the group intends to settle the tax with a net amount.

CURRENT AND DEFERRED TAX FOR THE PERIOD

Current and deferred tax is reported as an expense or income in the income statement, except when the tax is attributable to transactions reported in other comprehensive income or directly against equity. In such cases, the tax must also be reported in other comprehensive income or directly against equity.

TANGIBLE FIXED ASSETS

Computers and equipment are reported at acquisition value after deduction of accumulated depreciation and any impairments. The acquisition value includes the purchase price and expenses directly attributable to the asset in order to reception and use it in accordance with the purpose of the acquisition.

Depreciation is expensed so that the asset's value has fallen by the estimated residual value at the end of its useful life, and is depreciated linearly over its estimated useful life, which is considered to be

Computers	3 years
Equipment	3–5 years

Estimated useful life, residual values and depreciation methods are reviewed at least at the end of each financial year, and the effect of any changes in estimations is reported prospectively. Right-of-use assets consist of leasing contracts for office space. All right-of-use assets are depreciated over the term of the agreements.

The carrying amount of a tangible fixed asset is derecognized from the statement of financial position upon disposal or divestment, or when no future economic benefits are expected from the use or disposal/divestment of the asset. The gain or loss arising on the disposal of the asset, being the difference between any net proceeds on disposal and its carrying amount, is reported in profit or loss in the period in which the asset is derecognized from the statement of financial position.

INTANGIBLE ASSETS

Intangible assets with definite useful lives acquired separately or internally developed, are reported at cost less accumulated amortization and any accumulated impairment losses. Depreciation takes place linearly over the asset's estimated useful life. Estimated useful life, and depreciation methods are reviewed at least at the end of each financial year, and the effect of any changes in estimations is reported prospectively.

CAPITALIZED EXPENSES FOR DEVELOPMENT WORK

The process of developing an internally generated intangible asset is divided into a research phase and a development phase. All expenses arising from the group's research phase are reported as an operating expense as they are incurred. Expenditures on development of an asset are reported as an asset if all of the following conditions are met:

- It is technically possible to complete the intangible asset so that it can be used or sold,
- the company's intention is to complete the intangible asset and to use or sell it,
- the preconditions to use or sell the intangible asset exist,
- it is probable that the intangible asset will generate future economic benefits,
- the necessary and adequate technical, economic and other resources are available to complete development and to use or sell the intangible asset, and
- expenditures attributable to the intangible asset during its development can be reliably measured.

If not all of the above criteria are met, development expenses are reported as an operating expense when they arise.

If it is not possible to report an internally processed intangible asset, development expenses are reported as an expense in the period in which they arise.

Depreciation starts when a product is commercially ready for sale. Depreciation is expensed so that the asset's value has fallen by the estimated residual value at the end of its useful life, and is depreciated linearly over its estimated useful life, which is considered to be 3 years.

PATENT

The group's patent refers to a patent acquisition made in 2015. Depreciation is calculated over 5 years. Expenditures for patent maintenance are expensed on an ongoing basis.

SCRAPPING AND DISPOSAL

An intangible fixed asset is derecognized from the statement of financial position upon disposal or divestment, or when no future economic benefits are expected from the use or disposal/divestment of the asset. The gain or loss arising on the derecognition of an intangible asset, comprised of the difference between the proceeds from its disposal and the carrying amount of the asset, is reported in the income statement when the asset is derecognized from the statement of financial position.

DEPRECIATION OF TANGIBLE FIXED ASSETS AND INTANGIBLE ASSETS

Assets that have an indefinite useful life and intangible assets where depreciation has not yet begun, are tested at least annually with regard to any need for impairment and when there is an indication of impairment. Assets subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount is not recoverable.

An impairment loss is recorded for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less selling expenses and its value in use. When calculating value in use, the estimated future cash flow is discounted to present value with a discount rate before tax that reflects the current market assessment of the time value of money and the risks associated with the asset.

If the recoverable amount of an asset is determined to be lower than the carrying amount, the carrying amount of the asset is written down to the recoverable amount. An impairment loss must be reported immediately in the income statement.

Previously reported impairment losses are reversed if the recoverable amount is judged to exceed the carrying amount. However, reversals do not take place with an amount that is greater than the reported value amounts to what it would have been if the impairment loss had not been reported in previous periods.

FINANCIAL INSTRUMENTS

RECOGNITION AND DERECOGNITION IN THE REPORT ON FINANCIAL POSITION

A financial asset or financial liability is included in the statement on financial position when the company becomes a party under the contractual terms and conditions of the instrument. A receivable is reported when the company has provided a service, and a contractual obligation is incumbent upon the counterparty to pay, even if the invoice has not yet been sent. Trade receivables are included in the statement on financial position after the invoice has been sent. Liabilities are included when the counterparty has provided a service, and a contractual obligation is incumbent upon the counterparty to pay, even if the invoice has not yet been received. Accounts payable are included when the invoice is received. A financial asset is derecognized from a statement on financial position when the rights in the agreement are realized, expire or the company loses control over them. The same applies for part of a financial asset. A financial liability is derecognized from a statement on financial position when the obligation in the agreement is fulfilled or otherwise extinguished. The same applies to part of a financial liability. No financial assets and liabilities are offset in the statement on financial position, as the conditions for off-setting are not met. The acquisition and disposal of financial assets is reported on the transaction date. The transaction date is the day on which the company undertakes to acquire or dispose of the asset.

CLASSIFICATION AND VALUATION

Financial assets are classified according to the business model in which the asset is managed and its cash flow characteristics. If the financial asset is held under a business model the objective of which is to collect contractual cash flows and the contractual terms of the financial asset give rise to cash flows at specified dates that are payments only of principal and interest on the principal amount outstanding, the asset is carried at amortized cost.

This business model is categorized as "hold to collect," which means valuation at amortized cost.

Financial assets:

- Amortized cost
- Fair value via other comprehensive income
- Fair value via balance sheet

The group does not hold any financial assets valued at fair value.

Financial assets valued at amortized cost are initially reported at fair value including transaction expenses. After first recognition, the assets are valued and reported at amortized cost, see below.

Financial liabilities:

- Amortized cost
- Fair value via balance sheet

The group does not hold any liabilities valued at fair value.

Financial liabilities valued at amortized cost are initially reported at fair value including transaction expenses. After first recognition, the liabilities are valued and reported at amortized cost, see below.

FAIR VALUE OF FINANCIAL INSTRUMENTS

For all financial assets and liabilities, the carrying value is considered to be a good approximation of its fair value, unless otherwise specified in subsequent notes.

AMORTIZED COST

Amortized cost refers to the value at which the asset or liability was initially reported with a deduction for amortization, increases or deductions for accumulated accruals according to the effective interest method, of the initial difference between a received/paid amount and an amount to pay/receive on the due date together with deductions for amortization. The effective interest rate is the interest rate that, when discounting all future expected cash flows over the expected maturity, results in the initial carrying value of the financial asset or financial liability.

OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are offset and reported in the balance sheet at a net amount when there is a legal right to offset and when there is the intention to settle the items at a net amount or to realize the asset and settle the liability simultaneously.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and bank balances. Cash and bank balances are financial assets, which means that they are valued at amortized cost. Due to the fact that bank funds are repayable on demand, the amortized cost corresponds to nominal amount.

ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

The loss provisions for accounts receivables is always valued at a value corresponding to expected losses on bad debt during the remaining maturity of the receivable. Amortization of accounts receivables is reported in operating expenses.

LEASING LIABILITIES

The group's lease liabilities are valued and reported at amortized cost.

ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

Accounts payable and other current liabilities are financial liabilities, which means valuation at amortized cost. However, accounts payable and other short-term liabilities' expected maturity is short, which is why the debt is reported at their face value without discounting.

DERIVATIVE INSTRUMENTS

The group does not hold any derivative instruments.

PROVISIONS

Provisions are reported when the group has a present obligation (legal or informal) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

CONTINGENT LIABILITIES

A contingent liability is a possible obligation as a result of past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, or a present obligation as a result of past events, but which is not reported as a liability or provision because it is not probable that an outflow of resources will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

REPORTING OF CASH FLOW

Cash and cash equivalents consist of available cash, bank deposits and, where applicable, other liquid investments with a maturity of 3 months or less from the date of acquisition and which are subject to insignificant fluctuations in value. The cash flow statement is prepared in accordance with the indirect method. The reported cash flow only covers transactions that have led to deposits and payments.

ACCOUNTING POLICIES FOR THE PARENT COMPANY

The parent company applies the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for legal entities. Application of RFR 2 means that the parent company as far as possible applies all IFRS approved by the EU within the framework of the Annual Accounts Act and has taken into account the connection between reporting and taxation. Changes in RFR 2 that came into force in 2022 have

not had any significant impact on the parent company's financial statements for the financial year.

The differences between the parent company's and the group's accounting policies are described below:

CLASSIFICATION AND LAYOUTS

The parent company's income statement and balance sheet are structured in accordance with the Swedish Annual Accounts Act's schedules. The difference with IAS 1, Presentation of Financial Statements, applied in the presentation of the group's financial statements is mainly the recognition of financial income and expenses, non-current assets and equity classifications.

SUBSIDIARIES

Shares in subsidiaries are reported at acquisition value in the parent company's financial statements. This means that transaction expenses are included in the carrying value for holdings in subsidiaries. In the consolidated financial statement, transaction expenses attributable to subsidiaries are reported directly in profit or loss when these arise. Paid shareholder contributions are reported as an increase in the carrying value of the share. Impairment testing of shares in subsidiaries is carried out annually.

FINANCIAL INSTRUMENTS

The parent company does not apply IFRS 9 Financial Instruments: Reporting and valuation In the parent company, a method based on the acquisition value is applied in accordance with the Swedish Annual Accounts Act. However, parts of the principles of IFRS 9 are still applicable - such as for amortization, recognition/ derecognition, and the effective interest rate method for interest income and expenses.

LEASING

The parent company applies the exception from application of IFRS 16 Leasing. Leasing expenses are reported as profit/loss, and are reported linearly over the lease period.

DECIDED CHANGES IN RFR 2 NOT YET IN EFFECT

Senior management is of the position that changes to FRF2 that have not yet entered into force are not expected to have any significant impact on the parent company's financial statements when they are applied for the first time.

PROPOSED CHANGES TO RFR 2 THAT HAVE NOT YET ENTERED INTO FORCE

Senior management is of the position that the proposed changes to FRF2 that have not yet entered into force are not expected to have any significant impact on the parent company's financial statements when they are applied for the first time.

Note 3 Important appraisals and estimates

IMPORTANT SOURCES OF UNCERTAINTY IN APPRAISALS

It is management's opinion that there are no significant sources of estimation uncertainty as of the balance sheet date that would give rise to a significant risk of material adjustments in carrying amounts of assets and liabilities within the next financial year.

IMPORTANT ASSESSMENTS WHEN APPLYING GROUP ACCOUNTING POLICIES

It is management's opinion that there are no significant uncertainties in the application of the Company's accounting policies that have a material impact on the amounts reported in the financial statements.

Note 4 Financial risk management and financial instruments

Through its operations, the group is exposed to different types of financial risks, such as market, liquidity and credit risks. Market risk consists of currency risk and interest risk. Risk management is conducted according to established principles whereby the group's overall risk management focuses on the unpredictability of financial markets while seeking to minimize potential negative impacts on the Group's financial performance and position. It is the company's Board of Directors that is ultimately responsible for any exposure, management and monitoring of the group's financial risks.

The framework that applies to the exposure, management and monitoring of financial risks is established by the Board in a financial policy which is reviewed annually. In the financial policy, the Board has delegated responsibility for day-to-day risk management to the company's CFO.

Since most of the business is conducted in the parent company, the reported amounts in the tables below are essentially the corresponding amount for the parent company.

MARKET RISK

CURRENCY RISK

Currency risk refers to the risk that fair value or future cash flows fluctuate as a result of changes in exchange rates. The exposure to currency risk mainly results from payment flows in foreign currency, so-called transaction exposure.

TRANSACTION EXPOSURE

Transaction exposure entails a risk that the result is negatively affected by fluctuations in exchange rates for the cash flows that occur in a foreign currency. The group's inflows and outflows consist mainly of SEK, but to a certain extent also EUR and USD. The group is therefore, to a limited extent, affected by changes in these exchange rates.

The recorded value of the group's monetary liabilities that are subject to translation to SEK amounts to on the balance sheet date (expressed in SEK).

	12/31/2022	12/31/2021
EUR	2,136	1,684
USD	1,884	110
GBP	-	104

SENSITIVITY ANALYSIS FOR TRANSACTION EXPOSURE

The sensitivity analysis for currency risk shows the group's sensitivity in the event of a rise or fall of 5% in SEK against the three most important currencies. The transaction exposure shows how the group's operating profit/loss had

been affected by a change in the exchange rate. This also includes outstanding monetary receivables and liabilities in foreign currency on the balance sheet date.

Currency exposure	2022	2021
EUR -/+5%	-/+ 657	-/+ 923
USD -/+5%	-/+ 649	-/+ 237
GBP -/+5%	-	-/+ 180

CURRENCY RISK RELATED TO OPERATIONAL RISKS

The group mainly uses two platform owners for customer sales, Google Play and Apple. All transactions between Sleep Cycle and Google Play and Apple are in SEK, which is why there are no transactions in foreign currency regarding the group's income. However, Google Play and Apple also mediate the group's sales in foreign currency when the price of the subscription service is payable in the respective country's currency where the sale takes place. The currency effect that arises when Google Play and Apple translate foreign currency to SEK is offset by the income that Sleep Cycle receives 30 and 45 days later respectively. The impact on earnings is reported in net sales. During the year, pricing has been affected by fluctuations in exchange rates. A statement of this effect is presented in the group's alternative key indicator "Currency-adjusted net sales growth", see page 72.

INTEREST RISK

Interest rate risk refers to the risk that fair value or future cash flows fluctuate as a result of changing market interest rates. Since the group has no outstanding loans, this risk is limited. Interest from lease liabilities relating to the current rental contract, in application of IFRS 16, is estimated to be 3.5%, which is considered to correspond to the group's marginal loan rate.

LIQUIDITY AND FINANCING RISK

Liquidity risk refers to the risk that the group will have problems meeting its commitment related to the group's financial liabilities. Financing risk refers to the risk that the group will not be able to obtain necessary financing at a reasonable cost. At present, both the liquidity risk and the financing risk are limited.

A breakdown of maturity of contractual liabilities related to the group's financial liabilities is presented in the tables below. The amounts in these tables are not discounted values and, where applicable, they also include interest payments, which means that these amounts cannot be reconciled against the amounts reported in the balance sheets. Interest payments are determined on the basis of the conditions that apply on the balance sheet date. Amounts in foreign currency have been translated into Swedish kronor at the exchange rates on the balance sheet date.

The maturity periods of the group's financial liabilities is presented below

	12/31/2022					Total
	Within 3 months	3-12 months	1-2 years	3-5 years	Over 5 years	
Leasing liabilities	665	1,014	1,351	1,351	-	4,381
Accounts payable	14,203	-	-	-	-	14,203
Other current liabilities	5,849	-	-	-	-	5,849
Total	20,717	1,014	1,351	1,351	-	24,433

	12/31/2021					Total
	Within 3 months	3-12 months	1-2 years	3-5 years	Over 5 years	
Leasing liabilities	773	1,748	-	-	-	2,521
Accounts payable	9,755	-	-	-	-	9,755
Other current liabilities	2,646	-	-	-	-	2,646
Total	13,174	1,748	-	-	-	14,922

CREDIT AND COUNTERPARTY RISK

Credit risk refers to the risk that the counterparty in a transaction causes the group a loss by not fulfilling its contractual obligations. The group's exposure to credit risk is mainly attributable to the placement of surplus liquidity. The credit risk is limited by placing only with counterparties with a very good rating.

The group is exposed to a few counterparties in its trade receivables, accrued income and bank balances. Nevertheless, the credit risk is considered to be limited as the counterparties are considered to have good solvency.

The group's maximum exposure to credit risk is assessed to correspond to the reported values of all financial assets, and is shown in the table below.

	Group	
	12/31/2022	12/31/2021
Accounts receivable	22,388	21,626
Other receivables	1,496	1,944
Accrued income	-	170
Cash and cash equivalents	232,862	165,508
Maximum exposure to credit risk	256,746	189,248

CATEGORIZATION OF FINANCIAL INSTRUMENTS

The recorded value of financial assets and financial liabilities, broken down by valuation category in accordance with IFRS 9, is shown in the table below.

	Group	
	12/31/2022	12/31/2021
Financial assets		
Accounts receivable	22,388	21,626
Other receivables	1,496	1,944
Accrued income	-	170
Cash and cash equivalents	232,862	165,508
Total financial assets	256,746	189,248

All financial assets are valued at amortized cost

Financial liabilities		
Leasing liabilities	4,196	2,494
Accounts payable	14,203	9,755
Accrued expenses	5,838	2,578
Total financial liabilities	24,236	14,827

All financial liabilities are valued at amortized cost

There have been no reclassifications between the above valuation categories during the period.

For financial assets and liabilities, the carrying amount is considered as above to be a reasonable approximation of fair value.

Note 5 Capital management

The group defines capital as equity, as the group does not currently have any loan financing. The group has established a Treasury policy for management of excess liquidity that lays out available possibilities for capital management. 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 solid profitability and strong cash flow. Given a business model with limited investment requirements and prepayments, the Board of Directors is of the view that the company can meet its long-term strategic objectives, including investments for expanded growth, in combination with an annual distribution.

Changes in the group's capital are shown in the group's report on changes in equity.

Note 6 Distribution of net sales

	Group		Parent Company	
	2022	2021	2022	2021
Distribution of net sales				
Subscription income	212,534	179,251	212,534	179,251
Other income	737	3,686	737	3,686
Total	213,271	182,937	213,271	182,937

Income from subscription services is reported over time for the period to which the subscription relates.

Other income consists of sales of technology and B2B sales as well as direct purchases in the app. This income is reported at a given point in time, once the customer gains access to the purchase.

	Group		Parent Company	
	2022	2021	2022	2021
Information on geographic markets				
Sweden	213,271	182,937	213,271	182,937
Other countries	-	-	-	-
Total	213,271	182,937	213,271	182,937

Income from external customers is reported per geographic market based on where the selling company is based.

All of the group's fixed assets are located in Sweden.

	Parent Company	
	2022	2021
Information on purchases and sales within the same group		
Sales	0.00%	0.00%
Purchases	0.00%	0.00%

Note 7 Other operating income

	Group		Parent Company	
	2022	2021	2022	2021
Exchange rate gains	37	31	37	31
Contributions received	32	53	32	53
Other income	461	310	461	310
Total	529	394	529	394

Note 8 Other external expenses

	Group		Parent Company	
	2022	2021	2022	2021
Office space expenses	597	909	3,633	2,506
Consumable products, software, and consumable items	5,642	5,193	5,642	5,193
Marketing expenses	34,786	41,997	34,786	41,997
Consultant fees, product development	7,973	5,031	7,973	5,031
Server and technology expenses	2,725	2,034	2,725	2,034
Other external services	10,528	27,198	10,528	27,198
Other expenses	1,133	6,732	1,127	6,727
Total	63,383	89,094	66,413	90,686

In 2022, the item other external services was affected by external expenses includes one-off expenses of tSEK 2,802 related to the Board's assessment of the cash offer. 2021 was affected by one-off expenses of 23,309 tSEK related to the IPO were recorded.

Note 9 Remuneration to auditors

Mazars AB	Group		Parent Company	
	2022	2021	2022	2021
Audit engagement	800	800	800	800
Auditing activities in addition to the audit engagement	100	3,000	100	3,000
Total	900	3,800	900	3,800

Audit engagement refers to the auditor's fee for the statutory audit. This work involves the review of the annual report and consolidated annual report and accounts, administrative actions by the Board of Directors and CEO, and remuneration for audit consulting provided in conjunction with the auditing engagement.

Auditing activities in addition to the audit engagement mainly refer to fees for reviewing prospectuses in connection with IPO, but also include fees for the auditor's general review of the interim report.

Note 10 Leasing

The group is a leaseholder mainly through leasing contracts for office space. The group's main leasing contract extends until December 2025. For this office space the group's assessed marginal borrowing rate at the conclusion of the contracts of 3.5% has been applied when discounting the lease liability.

A maturity analysis of lease liabilities is presented in note 4.

Amount reported in the income statement	Group	
	2022	2021
Depreciation of right-of-use assets	-2,920	-1,538
Interest expenses for leasing liabilities	-137	-49
Costs related to low-value leasing agreements	-14	-11
Total	-3,072	-1,598

Cash flow	Group	
	2022	2021
Repayment of leasing liabilities	-2,899	-1,413
Interest expenses for leasing liabilities	-137	-49
Short-term and low-value leasing agreements	-14	-11
Total	-3,050	-1,473

See note 21 for an itemization of right-of-use assets.

The leasing agreements related to the leasing of office space. The group received income for office subletting in the amount of tSEK 458 (310) in 2022.

PARENT COMPANY

The parent company applies the exception from application of IFRS 16 Leasing. Leasing- are reported as profit/loss, and are reported in a straight line over the lease period.

The total cost of leasing agreements for the year amounted to tSEK 3,290 (2,055).

On the balance sheet date, the parent company had outstanding commitments in the form of minimum lease payments under non-terminable leasing agreements, with maturity dates as follows:

	12/31/2022	12/31/2021
Within 1 year	1,572	2,495
Between 1-5 years	2,623	-
Later than 5 years	-	-
Total	4,195	2,495

The leasing agreements related to the leasing of office space. The parent company has received income for office subletting in the amount of tSEK 458 (310) in 2022.

Note 11 Average number of employees, salaries, other remuneration and social charges

	Group Average number of employees		Parent Company Average number of employees	
	2022	2021	2022	2021
Men	29	24	29	24
Women	17	9	17	9
Total	46	33	46	33

All individuals are employed in Sweden.

Members of the Board of Directors and other senior executives	Group Number		Parent Company Number	
	2022	2021	2022	2021
Women;				
Members of the Board of Directors	2	2	2	2
Other senior executives	2	2	2	2
Men;				
Members of the Board of Directors	3	3	3	3
Other senior executives	4	4	4	4
Total	11	11	11	11

Costs for remuneration to employees	2022	2021
Parent Company;		
Salaries and other remuneration	35,348	29,240
Social security contributions	11,138	9,102
Pension expenses	6,179	1,593
Subsidiary;		
Salaries and other remuneration	-	-
Social security contributions	-	-
Pension expenses	-	-
Total salaries and remuneration in the group	35,348	29,240
Total social charges in the group	11,138	9,102
Total pension expenses in the group	6,179	1,593
Total for the group	52,665	39,935

The decision was made in 2021 to offer a defined contribution occupational pension plan to all employees starting in 2022, which explains the difference in pension expenses. Total pension expenses refer to defined contribution pension plans.

Salaries and other remuneration broken down between senior executives and other employees	2022	2021
Parent Company;		
Salaries and other compensation to senior executives	10,653	10,760
of which bonuses and similar remuneration to senior executives	-	1,842
Salaries and other remuneration to other employees	24,696	18,480
Total salaries and other remuneration in the parent company	35,348	29,240

Salaries and other remuneration and pensions for senior executives	2022	2021
Group;		
Salaries and other compensation to senior executives	10,653	10,760
of which bonuses and similar remuneration to senior executives	-	1,842
Pension expenses for senior executives	2,283	-
Total salary and other remuneration along with pensions to senior executives in the group	12,935	10,760

Remuneration to senior executives 2022	Base salary/ remuneration	Variable remuneration	Other benefits	Pensions	Total
Lars Berg, Chairman of the Board and Chairman of the remuneration committee	550				550
Anne Broeng, board member and chairwomen of the audit committee	329				329
Olof Nilsson, board member and member of the audit committee	290				290
Rasmus Järborg, board member and member of the remuneration committee	275				275
Ödgård Andersson, board member	250				250
Carl Johan Hederöth, CEO	2,425		4	632	3,060
Other senior executives (5 persons)	6,512		18	1,651	8,181
Total compensation to senior executives	10,631	-	22	2,283	12,935

Remuneration to senior executives 2021	Base salary/ remuneration	Variable remuneration	Other benefits	Pensions	Total
Lars Berg, Chairman of the Board and Chairman of the remuneration committee	613				613
Anne Broeng, board member and chairwomen of the audit committee	310				310
Olof Nilsson, board member and member of the audit committee	306				306
Rasmus Järborg, board member and member of the remuneration committee	306				306
Ödgård Andersson, board member*	208				208
Carl Johan Hederöth, CEO	2,113	1,300	6		3,419
Other senior executives (5 persons)	5,024	542	30		5,597
Total compensation to senior executives	8,881	1,842	37	-	10,760

tSEK 135 refers to honoraria for 2020, of which tSEK 63 to Lars Berg, 10 tSEK to Anne Broeng, 31 tSEK to Olof Nilsson and 31 tSEK to Rasmus Järborg.
* Ödgård Andersson was elected as a Board member in February 2021

Terms of employment for CEO

The Company observes a 6-month notice period to the CEO, the CEO observes a 12-month notice period to the Company. In the event of termination initiated by the company, severance equivalent to 6 months' salary shall be paid.

Warrants

The group's options program is described in note 29. The Company's CEO holds 392,849 warrants, equivalent to 404,749 shares. Board members hold 600 warrants, equivalent to 72,000 shares.

Note 12 Research and development expenses

Total expenditure on research and development that was expensed in the group and the company over the year amounted to tSEK 25,624 (23,041). All expenses associated with the development and maintenance of the technical platform and development of algorithms for machine learning, including data analysis and quality assurance of the product are considered research and development expenses.

Note 13 Exceptional items

	Group		Parent Company	
	2022	2021	2022	2021
Other external expenses				
External consultants and services	-2,802	-23,309	-2,802	-23,309
Personnel expenses				
Salaries and other remuneration	-	-2,752	-	-2,752
Total	-2,802	-26,061	-2,802	-26,061

During 2022, one-off expenses of 2,802 tSEK related to the Board's assessment of the cash offer were recorded. For 2021, one-off expenses of 26,061 tSEK related to the IPO were recorded.

Note 14 Profit from participation in group companies

	Parent Company	
	2022	2021
Impairment of shares in subsidiaries	-	-100
Total	-	-100

Note 15 Financial income

	Group		Parent Company	
	2022	2021	2022	2021
Interest income	157	-	157	-
Total	157	-	157	-

All interest income is related to financial assets measured at amortized cost.

Note 16 Financial expenses

	Group		Parent Company	
	2022	2021	2022	2021
Interest costs	137	78	-	29
Total	137	78	-	29

All interest expenses are related to financial liabilities measured at amortized cost.

Note 17 Tax on profit for the year

	Group		Parent Company	
	2022	2021	2022	2021
Current tax				
Current tax on profit for the year	-9,120	-2,071	-9,120	-2,071
Deferred tax				
Deferred tax attributable to temporary differences	4	-2	-	-
Deferred tax attributable to tax loss carry-forwards	-	-102	-	-102
Deferred tax attributable to tax credits for equipment	-39	39	-39	39
Total	-9,155	-2,137	-9,159	-2,135

Income tax in Sweden is estimated at 20.6% on the year's taxable earnings. Below is a reconciliation between reported profits and the year's reported tax:

Reconciliation of tax expenses for the year	2022	2021	2022	2021
Reported profit/loss before tax	44,130	10,247	44,158	10,142
Tax at the applicable tax rate of 20.6%	-9,091	-2,111	-9,096	-2,089
Effect of change in tax rate	-	-4	-	-4
Effect of non-deductible expenses	-65	-60	-64	-80
Effect of other non-taxable income	1	-	1	-
Effect of tax credit for investments in equipment	-	39	-	39
Deficit for which deferred tax assets have not been reported	-1	-1	-	-
Reported tax expense for the year	-9,155	-2,137	-9,159	-2,135

Current tax of tSEK 54 (1,030) is attributable to deductible issue expenses is reported directly in equity.

The group's and the parent company's deferred tax assets refer to the following items:

	Group		Parent Company	
	2022	2021	2022	2021
Deferred tax assets				
Tax credit for equipment	-	39	-	39
Temporary difference for right-of-use assets	13	9	-	-
Total	13	48	-	39

Note 18 Earnings per share

The following results and weighted average number of ordinary shares have been used for the calculation of earnings per share before dilution;

	Group	
	2022	2021
Earnings per share before dilution		
Profit for the year attributable to the parent company's shareholders	34,976	8,110
Weighted average number of ordinary shares before dilution	19,729,788	18,685,592
Earnings per share before dilution, SEK	1.77	0.43

The following results and weighted average number of ordinary shares have been used for the calculation of earnings per share after dilution;

	Group	
	2022	2021
Earnings per share after dilution		
Profit for the year attributable to the parent company's shareholders	34,976	8,110
Weighted average number of ordinary shares before dilution	19,729,788	18,685,592
Effect of potential ordinary shares regarding options	326,803	641,517
Weighted average number of ordinary shares after dilution	20,056,591	19,327,109
Earnings per share after dilution, SEK	1.74	0.42

For information on changes in the number of outstanding shares, see Note 29 Equity.

Note 19 Capitalized expenses for development work

	Group and parent company	
	12/31/2022	12/31/2021
Opening acquisition values	5,013	-
Acquisitions for the year	6,918	5,013
Closing accumulated acquisition values	11,931	5,013
Opening amortization	-376	-
Amortization for the year	-1,960	-376
Closing accumulated amortization	-2,336	-376
Closing carrying amount	9,595	4,638

Capitalized development expenses consist of salary expenses, including social security contributions for own employees and expenses for contracted software development consultants active in the company's product development. This year's impairment testing of activated development expenses concluded that there are no impairment requirements for activated development expenses as of 12/31/2022.

Note 20 Patent

	Group and parent company	
	12/31/2022	12/31/2021
Opening acquisition values	714	714
Acquisitions for the year	-	-
Closing accumulated acquisition values	714	714
Opening amortization	-714	-714
Amortization for the year	-	-
Closing accumulated amortization	-714	-714
Closing carrying amount	-	-

The group's patent refers to a patent acquisition made in 2015. Depreciation is calculated over 5 years. Expenditures for patent maintenance are expensed on an ongoing basis.

Note 21 Right-of-use assets

	Group	
	12/31/2022	12/31/2021
Buildings		
Opening acquisition values	5,484	2,489
Additional rights of use	4,601	2,995
Closing accumulated acquisition values	10,085	5,484
Opening amortization	-3,032	-1,494
Amortization for the year	-2,920	-1,538
Closing accumulated amortization	-5,953	-3,032
Carrying amount	4,132	2,452

Note 22 Equipment and computers

	Group	
	12/31/2022	12/31/2021
Opening acquisition values	1,433	618
Acquisitions for the year	852	991
Disposals	-	-176
Closing accumulated acquisition values	2,285	1,433
Opening amortization	-437	-410
Disposals	-	106
Amortization for the year	-380	-133
Closing accumulated amortization	-817	-437
Closing carrying amount	1,468	996

	Parent Company	
	12/31/2022	12/31/2021
Opening acquisition values	1,434	619
Acquisitions for the year	852	991
Disposals	-	-176
Closing accumulated acquisition values	2,286	1,434
Opening amortization	-438	-411
Disposals	-	106
Amortization for the year	-380	-133
Closing accumulated amortization	-818	-438
Closing carrying amount	1,468	996

Note 23 Participations in group companies

	Parent Company	
	12/31/2022	12/31/2021
Opening acquisition values	150	50
Shareholder contribution received	-	100
Closing acquisition values	150	150
Opening depreciations	-100	-
Depreciations for the year	-	-100
Closing cumulative depreciations	-100	-100
Closing carrying amount	50	50

The parent company holds shares in the following subsidiaries;

Company, Corporate ID number	Headquarters	12/31/2022 Share capital %*	12/31/2021 Share capital %*	12/31/2022 Carrying amount	12/31/2021 Carrying amount
Sleep Cycle Sverige AB (559278-9688)	Gothenburg	100%	100%	50	50

Note 24 Other long-term receivables

	Group and parent company	
	2022	2021
Bank guarantee	411	-
Total	411	-

Note 25 Accounts receivable

	Group and parent company	
	12/31/2022	12/31/2021
Accounts receivable, gross	22,388	21,626
Reserve for bad debts	-	-
Total accounts receivable, net after reserve for bad debts	22,388	21,626
Accounts receivable overdue but not written-down	2022	2021
1-30 days overdue	10	1,666
31-60 days overdue	-	-
61-90 days overdue	-	-
91-120 days overdue	-	-
More than 121 days overdue	-	-
Total	10	1,666

As of December 31, 2022, accounts receivable in the amount of tSEK 10 (1,666) were overdue without any need for impairment. Of these, tSEK 10 (1,666) was settled as of January 2023 (January 2022). Trade receivables are reported after accounting for historical data and bad debt losses incurred during the year. For 2022 trade losses in the group amounted to tSEK 0(0). Management believes that the carrying amount of trade receivables is consistent with fair value. Payment was received in January 2023 and the customers' ability to pay is considered good.

Note 26 Other receivables

	Group	
	12/31/2022	12/31/2021
VAT receivables	741	469
Other items	343	1,475
Total	1,084	1,944
	Parent Company	
	12/31/2022	12/31/2021
VAT receivables	741	469
Other items	343	1,475
Total	1,084	1,944

Note 27 Prepaid expenses and accrued income

	Group	
	12/31/2022	12/31/2021
Prepaid platform fees	23,671	23,109
Accrued income	-	170
Prepaid rents	993	861
Other items	3,279	1,397
Total	27,943	25,537
	Parent Company	
	12/31/2022	12/31/2021
Prepaid platform fees	23,671	23,109
Accrued income	-	170
Prepaid rents	993	861
Other items	3,279	1,397
Total	27,943	25,537

Note 28 Cash and cash equivalents

	Group	
	12/31/2022	12/31/2021
Bank balances	232,862	165,097
Bank guarantee	-	411
Total	232,862	165,508
	Parent Company	
	12/31/2022	12/31/2021
Bank balances	232,746	164,967
Bank guarantee	-	411
Total	232,746	165,379

Note 29 Equity

Share capital and other capital contributions	Number ordinary shares	Share capital (tSEK)	Other contributed capital (tSEK)
As of January 1, 2021	150,000	150	2,020
Share split	17,850,000	-	-
Option premiums received	-	-	4,281
New share issue after issue expenses	1,428,571	390	95,991
As of December 31, 2021	19,428,571	540	102,292
Option premiums received			368
New share issue after issue expenses	848,992	23	16,569
As of December 31, 2022	20,277,563	563	119,229

As of December 31, 2022, the registered share capital comprised 20,277,563 ordinary shares with a quota value of SEK 0.03/share, fully paid. No shares are held by the company itself or its subsidiaries.

On December 14, 2020, the extraordinary annual general meeting decided to introduce an incentive program by issuing warrants to Board members, key personnel and other employees. The program included a maximum of 1,276 warrants, of which 1,225 were subscribed. The subscription period for the options expired on March 31, 2021. Each warrant gives the right to subscribe for 120 shares from December 1, 2023 to December 31, 2023 at a price of SEK 88.9.

The warrants are issued against payment equal to the fair value of the warrants at the date of assignment. The fair value has been determined based on the Black-Scholes valuation model and amounted to SEK 1,474/warrant.

In the event that all warrants in the abovementioned program are exercised, the number of shares in the company will increase by 147,000, equivalent to SEK 4,084 in share capital.

On June 7, 2021, the extraordinary annual general meeting decided on two incentive programs which issued warrants to both employees and the CEO. The employee program includes two series, of which series 1 comprises a maximum of 204,546 warrants, and series 2 a maximum of 22,727 warrants, of which 190,076 warrants have been subscribed in series 1 and 18,595 warrants have been subscribed in series 2. The subscription period for the options in Series 1 expired on June 7, 2021 and for Series 2 on December 4, 2021. Each warrant gives the right to subscribe for 1 share at a rate of SEK 94.5. Series 1 shares can be subscribed for from June 8, 2024 to August 7, 2024. Series 2 shares can be subscribed for from December 5, 2024 to February 5, 2025.

The warrants are issued against payment equal to the fair value of the warrants at the date of assignment. The fair value has been determined based on the Black-Scholes valuation model and amounted to SEK 9.9/warrant.

The CEO's program comprises a maximum of 340,909 warrants, all of which have been subscribed. The subscription period for options ended on June 7, 2021. Each warrant gives the right to subscribe for 1 share at a rate of SEK 241.2 from April 8, 2026 through June 7, 2026.

The warrants are issued against payment equal to the fair value of the warrants at the date of assignment. The fair value has been determined based on the Black-Scholes valuation model and amounted to SEK 2.9/warrant.

In the event that all warrants in series 1 are exercised, the share capital will increase by SEK 5,280. In the event that all warrants in series 2 are exercised, the share capital will increase by SEK 517. In the event that all warrants in the CEO program are exercised, the share capital will increase by SEK 9,470.

On May 10, 2022, the general meeting decided on an incentive program through the issue of warrants for employees. The program included a maximum of 100,000 warrants, of which 54,820 have been subscribed. The subscription period for options ended on May 24, 2022. Each warrant gives the right to subscribe for 1 share at a rate of SEK 71.2 from August 1, 2025 through August 31, 2025.

The warrants are issued against payment equal to the fair value of the warrants at the date of assignment. The fair value has been determined based on the Black-Scholes valuation model and amounted to SEK 6.9/warrant.

In the event that all warrants are exercised, the share capital will increase by SEK 1,523.

Other contributed capital

Other capital contributions consist of contributions from owners in the event of a new share issues and option premiums received.

Retained earnings

Retained earnings consists of accrued earnings less dividends to shareholders.

Note 30 Reconciliation of liabilities related to financing activities

The table below presents the year's change in the group's liabilities related to financing of activities. The table includes long-term and short-term liabilities.

	Group		
	Leasing liabilities	Other borrowings	Total
Opening balance 2021	912	-	912
Items affecting cash flow:			
Repayment of leasing liabilities	-1,413	-	-1,413
Items not affecting cash flow:			
Additional leasing agreements	2,995	-	2,995
As of December 31, 2021	2,494		2,494
Items affecting cash flow:			
Repayment of leasing liabilities	-2,899	-	-2,899
Items not affecting cash flow:			
Additional leasing agreements	4,601	-	4,601
As of December 31, 2022	4,196		4,196

Note 31 Accrued expenses and deferred income

	Group	
	12/31/2022	12/31/2021
Contractual liabilities (deferred income)	104,964	95,213
Accrued platform fees	-	37
Accrued vacation pay	5,236	4,280
Accrued social security contributions	1,645	1,303
Other items	7,405	3,874
Total	119,250	104,707

	Parent Company	
	12/31/2022	12/31/2021
Contractual liabilities (deferred income)	104,964	95,213
Accrued platform fees	-	37
Accrued vacation pay	5,236	4,280
Accrued social security contributions	1,645	1,303
Other items	7,405	3,868
Total	119,250	104,702

Contractual liabilities consist entirely of prepaid subscription services for Sleep Cycle Premium. Contractual liabilities are reported as income over time on a straight-line basis over the term of the subscription. The subscription term never exceeds 12 months, for which reason an opening contract liability is reported as income in its entirety in the current year.

Note 32 Pledged assets and contingent liabilities

	Group and parent company	
	12/31/2022	12/31/2021
Pledged assets		
Blocked bank funds as collateral for bank guarantee	411	411
Contingent liabilities	None	None

Note 33 Related party transactions

Transactions between the company and its subsidiaries, which are related to the company, have been eliminated through the consolidation and disclosures on these transactions are therefore not provided in this note.

There has been no purchase of services or goods from senior executives or other related parties to the group, nor have any corresponding sales been made. No loans have been issued to or transactions conducted with related parties.

Disclosures of remuneration to senior executives are presented in note 11.

Note 34 Dividend and disposal of profit

Parent Company	
Total earnings (SEK) at the disposal of the annual general meeting	
Share premium fund	119,228,686
Retained earnings	-3,567,590
Profit/loss for the year	34,999,052
Total unrestricted equity	150,660,148

After adoption of the balance sheet of Sleep Cycle AB for 2022, the Board of Directors recommends that the general meeting appropriate the above funds as follows:

Distributed to shareholders:

SEK 7.00 per share ¹	141,942,941 ²
To be carried forward	8,717,207
Total	150,660,148

¹ Based on number of outstanding shares as of December 31, 2022. The amount of the dividend may change due to the issue of new shares up to the record date.

² See note 5 for dividend policy. This year's dividend deviates from the dividend policy as the board decided to propose an additional dividend of SEK 6.00. Resulting in a total dividend of SEK 7.00 per share.

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

Sleep Cycle has a history of solid profitability and strong cash flow. Given a business model with limited investment requirements and prepayments, the Board of Directors is of the view that the company can meet its long-term strategic objectives, including investments for expanded growth, in combination with an annual distribution.

The last day of trading with dividend rights is May 8, 2023 and the proposed record date for the dividend is May 10, 2023. Euroclear expects to send the dividend to shareholders on May 15, 2023.

Note 35 Events after the balance sheet date

- In January, a reorganization was carried out with the aim of tying the commercial functions together more closely with development and product strategy.
- On February 2, it was made public that Velvet Cichlid AB had decided not to pursue the public cash offer.
- In February, 'Sleep Cycle Kids' was launched, a science-based app providing parents with the tools needed to help their kids sleep better and by doing so, enhancing the wellbeing for the whole family. With this launch, Sleep Cycle positions themselves in the fast-growing market for sleep – for children and their families.

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 performance indicators, including alternative key performance indicators that are not defined by IFRS. The Company considers these key performance indicators to be an important complement, because they enable a better evaluation of the Company's financial trends. These financial indicators should not be assessed independently or considered substitutes for performance indicators 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 used by other companies. This is because the following key performance indicators are not always defined in the same way, and other companies can calculate them in a different way 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/loss	Operating profit before interest and tax.	Operating profit is used to understand the company's earning capacity in relation to net sales.
Operating margin	Operating profit as a percentage of the company's net sales.	Operating margin is an indication of the company's earning capacity.
EBITDA	Operating profit before amortization, impairment losses and depreciation.	EBITDA is an indication of the company's earning capacity and is a complement to the operating profit excluding, impairment losses 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 group's development and comparison between the years.
Adjusted EBITDA	Operating profit/loss before depreciation, amortization and impairment, adjusted for items affecting comparison.	Adjusted EBITDA is used to understand the company's earning capacity cleared for items affecting comparability.
Adjusted operating profit/loss	Operating profit adjusted for exceptional items.	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 translated 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

Net sales growth and currency-adjusted net sales growth

tSEK	2022	2021
Net sales previous period	182,937	159,448
Net sales current period	213,271	182,937
Net sales growth	16.6%	14.7%
Currency-adjusted net sales previous period	189,743	150,399
Net sales current period	213,271	182,937
Currency-adjusted net sales growth	12.4%	21.6%

Operating profit and operating margin

tSEK	2022	2021
Net sales	213,271	182,937
Other operating income	529	394
Capitalized work for own account	3,224	2,838
Platform fees	-49,741	-43,991
Other external expenses	-63,383	-89,094
Personnel expenses	-54,201	-40,578
Depreciation and impairment of tangible and intangible assets	-5,261	-2,047
Other operating expenses	-329	-134
Operating profit/loss	44,110	10,325
Operating margin	20.7%	5.6%

Adjusted operating profit and Adjusted operating margin

tSEK	2022	2021
Operating profit/loss	44,110	10,325
Exceptional items		
External consultants	-2,802	-23,309
Personnel expenses	-	-2,752
Exceptional items	-2,802	-26,061
Adjusted operating profit/loss	46,912	36,386
Adjusted operating margin	22.0%	19.9%

Adjusted operating cash flow and Adjusted cash conversion

tSEK	2022	2021
Adjusted EBITDA	52,173	38,434
Change in working capital	17,662	4,293
Acquisition of tangible fixed assets	-852	-922
Capitalization of development expenses	-6,917	-5,013
Adjusted operating cash flow	62,066	36,791
Adjusted cash conversion	119.0%	95.7%

ARPU reconciliation

tSEK	2022	2021
Subscription income	212,534	179,251
Number of subscriptions previous period (thousands)	901	788
Number of subscriptions current period (thousands)	904	901
ARPU (SEK)	236	212

The annual report and consolidated financial statement were approved for issue by the Board on March 29, 2023. The group's statement of comprehensive income and statement on its financial position, as well as the parent company's income statement and balance sheet, will be subject to certification at the annual general meeting on May 8, 2023.

The Board of Directors and CEO hereby certify that the Annual Report has been prepared in accordance with the Annual Accounts Act and RFR 2 Accounting for Legal Entities and gives a fair view of the company's position and results and that the administration report gives a true and fair view of the company's position and performance, and that the

management report gives a fair overview of the development of the company's performance, position and results, and describes the material risks and uncertainties that the company faces. The Board of Directors and CEO hereby certify that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and give a true and fair view of the group's position and performance, and that the group's administration report gives a true and fair view of the development of the group's business, position and performance, and of the principal risks and uncertainties that the companies included in the group face.

Gothenburg, March 29, 2023

Lars Berg
Chairman of the Board

Anne Broeng
Board member

Olof Nilsson
Board member

Ödgård Andersson
Board member

Rasmus Järborg
Board member

Carl Johan Hederöth
CEO

Our audit report was submitted on March 29, 2023
Mazars AB

Samuel Bjälkemo
Certified public accountant

Anders Persson
Certified public accountant

AUDITOR'S REPORT

To the general meeting of the shareholders of Sleep Cycle AB, corporate identity number 556614-7368.

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Sleep Cycle AB for the year 2022 with the exception of the corporate governance report on pages 44–47. The annual accounts and consolidated accounts of the company are included on pages 41–73 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2022 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2022 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Revenue recognition

See notes 2 and 6 in the annual report and consolidated accounts for detailed information and a description of the area.

Description of key audit matter

The absolute largest part of the Parent Company and the Group's revenues consist of revenues from subscription services which are reported over time. The accounting for revenue includes manual procedures, which increases the risk of revenue recognition in the wrong period or to a wrong amount.

How the area has been considered in the audit

We have audited the company's procedures to ensure that internal controls linked to the revenue accounting are appropriate. We have reviewed the calculation model used to accrue revenue and performed tests on the model to ensure correct and consistent application.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts

and consolidated accounts and is found on pages 1–40. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures

- made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Sleep cycle AB for the year 2022 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be dealt with in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. I We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the Esef report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528) for Sleep cycle AB for the financial year 2022.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Sleep Cycle AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with the Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a validation that the Esef report has been prepared in a valid XHTML format and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the Esef report have been marked with iXBRL in accordance with what follows from the Esef regulation.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 44–47 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's standard RevR 16. The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Mazars AB, with Samuel Bjälkemo as principal, Box 1317, 111 83 Stockholm, was appointed auditor of Sleep Cycle AB by the general meeting of the shareholders on the 10th of May 2022 and has been the company's auditor since the 9th of September 2014. Anders Persson, Mazars AB Box 159, 261 22 Landskrona, was appointed auditor by the general meeting of the shareholders on the 10th of May 2022 and has been the company's auditor since the 19th of April 2021.

Stockholm 29th of March 2023

Mazars AB

Samuel Bjälkemo
Authorized Public Accountant

Anders Persson
Authorized Public Accountant

Contact

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please contact:

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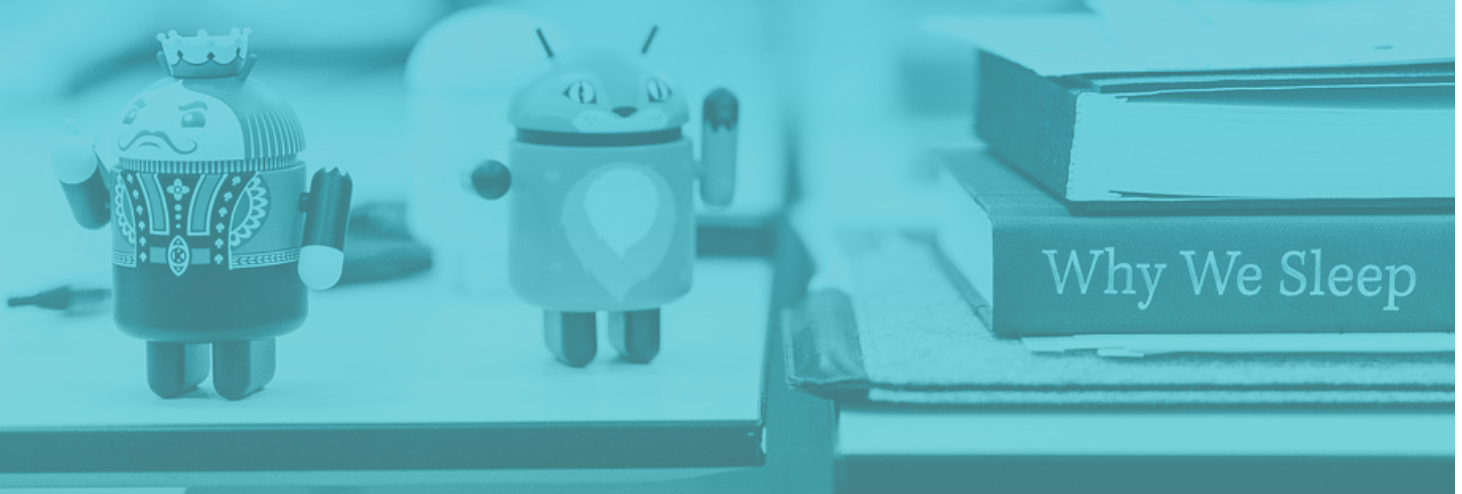
Email: malin@sleepcycle.com

SLEEP CYCLE AB

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Invest in Sleep Cycle

Four reasons to invest in Sleep Cycle

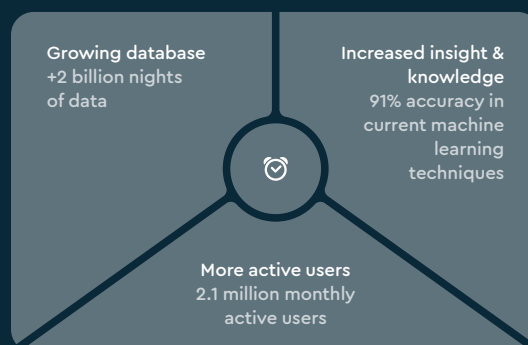


1. A LEADING POSITION IN AN EXTENSIVE MARKET

- The market for sleep applications is estimated at SEK 5 billion and is expected to grow at a 19% CAGR
- Sleep Cycle is the market leader and has the most downloaded app in the sleep health segment
- Sleep Cycle has the world's largest database with over 2 billion nights analyzed

2. ACCESSIBLE PRODUCT WITH ACTIVE USERS

- Sleep Cycle is available in a portable hardware – the smartphone
- High percentage of active users leads to a growing database that strengthens competitive advantage and improves product innovation
- All-encompassing sleep solution (analyze, educate, improve)
- Dynamic product experience based on user behavior



3. WINNING BUSINESS MODEL

- Recurring revenue from subscription model
- High profitability through scalable product offering
- Good cash conversion driven by advance payments



4. THE GROWTH JOURNEY HAS JUST BEGUN

- Data and insights enable expansion of product and service offerings.
- New users are accessed by expansion into new sales channels and partnerships
- Continued strong growth in focus on sleep and health, powered by data-driven insights.

