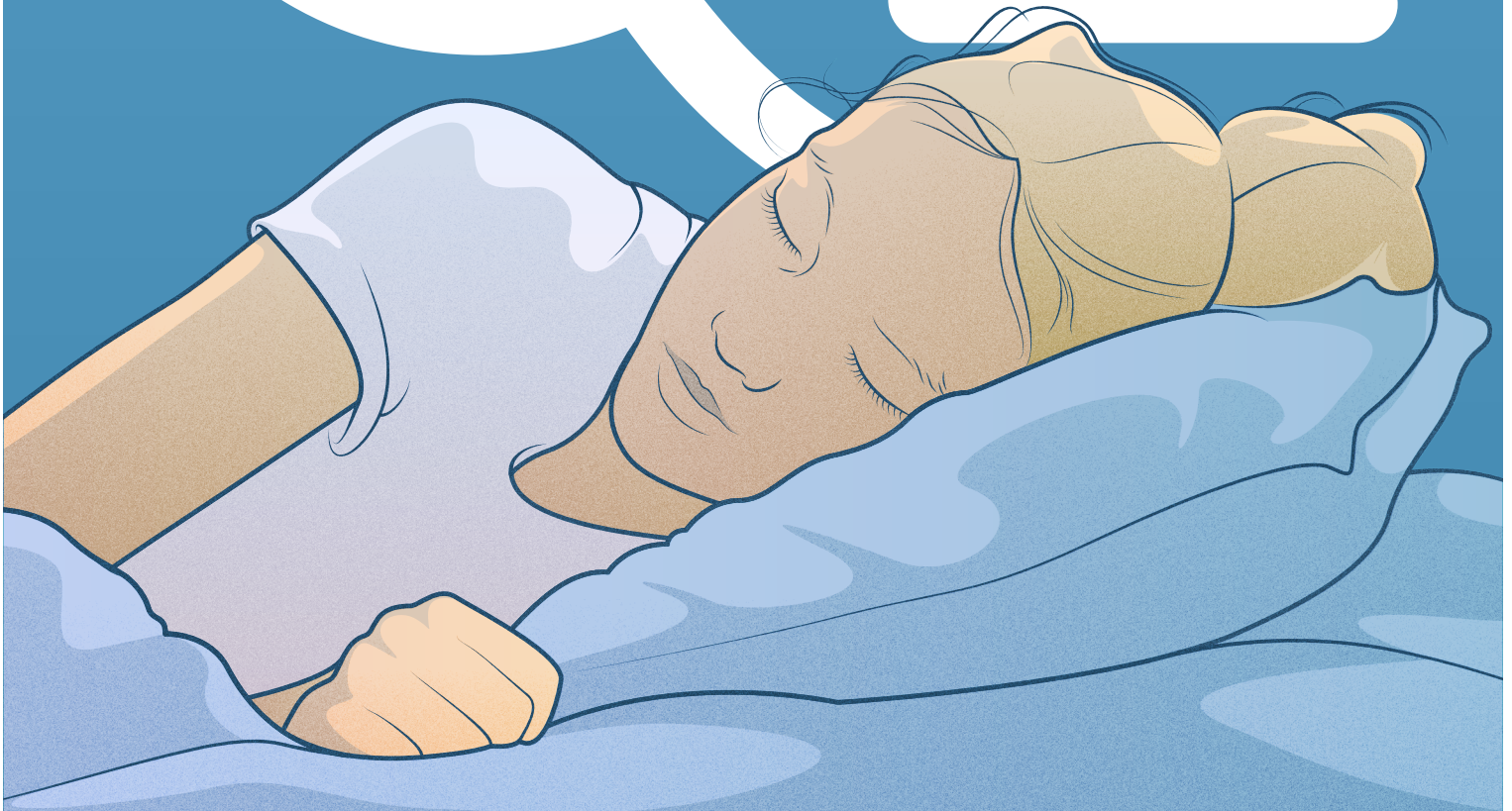


Q2



APRIL - JUNE
2023

SLEEP CYCLE
INTERIM REPORT



INTERIM REPORT APRIL – JUNE 2023 – SLEEP CYCLE AB

SECOND QUARTER: INCREASED FOCUS ON CORE BUSINESS TO DRIVE GROWTH

Revenues increased by 11% in the second quarter and 1% excluding foreign exchange effects. The growth was driven by price increases of up to 30% for new users in selected markets implemented during 2023, improving blended ARPU by 6%, offset by a reduction in the number of subscribers of 5% compared to last year. The number of new subscribers increased in the second quarter compared to last year, which is a reversal of the trend of the prior three quarters that all saw a decline in new subscribers. During the second quarter, an optimisation program was launched to refocus resources to drive growth in the core product, while also reducing the cost base by an expected MSEK 25 on a yearly basis, in turn increasing the adjusted EBIT margin to 30%.

SIGNIFICANT EVENTS DURING THE SECOND QUARTER

- In mid-May, Sleep Cycle initiated an optimisation programme to save around MSEK 25 annually, while focusing the operations on product-driven growth. MSEK 4.5 in non-recurring items related to the optimisation programme was incurred during the second quarter.
- Several new features were launched in the second quarter, incl. Bedroom Noise and Ambient Sound. These features lend an additional dimension to Sleep Cycle's sleep analysis and help users understand and improve their sleep.
- At the end of the quarter a new partnership with Revolut was launched, a supplier of payment solutions for private individuals. With the partnership, Revolut's most loyal

customers will get access to Sleep Cycle as part of their membership.

- At the annual general meeting on 8 May, the audit firm Öhrlings PricewaterhouseCoopers was elected as new auditor in Sleep Cycle. The meeting elected Mathias Høyer as new board member, while Lars Berg and Ödgård Andersson declined being re-elected and were thanked for their service. Anne Broeng was elected new chairperson

SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

- During an extraordinary general meeting on 26 July, it was decided to add an additional member to the board and to elect Sleep Cycle's founder and principal owner Maciej Drejak as new board member.

GROUP KEY PERFORMANCE INDICATORS

TSEK	Apr – Jun		Jan – Jun		Jan – Dec
	2023	2022	2023	2022	2022
Net sales	58,233	52,503	114,680	102,593	213,271
Net sales growth (%)	10.9%	19.0%	11.8%	19.1%	16.6%
Currency-adjusted net sales growth (%)	1.0%	16.1%	2.0%	18.6%	12.4%
Operating profit/loss	12,734	12,793	23,824	25,536	44,110
Operating margin (%)	21.9%	24.4%	20.8%	24.9%	20.7%
Adjusted operating profit/loss	17,267	12,793	28,655	25,536	46,912
Adjusted operating margin (%)	29.7%	24.4%	25.0%	24.9%	22.0%
Net profit	10,313	10,102	19,386	20,196	34,976
Operational key performance indicators					
Total subscriptions (Thousands)	877	921	877	921	904
ARPU (SEK)	264	228	257	225	236
Average number of employees (#)	50	46	49	45	46

For definitions, justifications and derivations, see page 18.

STATEMENT BY THE CEO

During the second quarter, we launched an optimisation program to refocus on our core business. Sleep Cycle offers a valued consumer application, which historically has resulted in low acquisition costs and high customer loyalty, and we believe through continued investment in product development that we can add even more value and reach even more consumers. At the same time, the optimisation program allows us to free up resources resulting in a an expected reduction in costs of MSEK 25 on an annual basis.

During the second quarter we saw a stable development in the number of users with only a minor change from the first quarter. The total amount of users declined to 877k compared to the previous year, but I am very happy to see an increase in the inflow of new subscribers compared to the second quarter last year. This, combined with rising ARPU, shows that we are not only attracting more new customers, but are also doing this with higher revenue per user than previously. By continuously investing in innovative solutions and products that drive conversion, I am confident that we will soon see even stronger growth in sales and user base.

The adjusted operating profit for the period was MSEK 17.3, which is MSEK 4.5 higher than in the second quarter of the previous year. The result has mainly been affected by the optimisation programme we implemented to focus the operations, increase productivity and create room for continued product-driven growth. The measures, that incurred MSEK 4.5 in non-recurring items during the quarter, have been carried out according to plan, and total savings are expected to result in the operating margin exceeding 30% in the coming quarter. By prioritising investments in the core product, while also reducing additional initiatives, the effect on the user base is expected to be limited.

Sleep Cycle's success and profitability have historically been linked to low costs for customer

acquisition. This is basically about us having an appreciated product that is given consistently high ratings by our users. With higher investments in the core products we create an even better user experience that affects the conversion and renewal rate, which creates growth in the user base. We also continue finetuning our marketing strategy and diversifying our distribution channels to reach more users.

Apple Watch is a growing platform and last year we launched the feature Auto Sleep Tracking on the platform, which was an important milestone for us. This feature makes using our product even easier, while it also provides us with more data points to use in our analyses for users. We have now been able to evaluate this service over the course of several months, and it has shown to be very appreciated. At the same time, the service has successfully contributed to us being able to deliver on our business targets as we see that customers are not just more active and also use the product more often, and for longer periods, but also that they are more loyal. The service has converted more than 7,000 users and we also see that the renewal rate among those who use the feature is clearly higher than for other users.

When we now enter the second half of the year, we do so with an enhanced organisation that is fully focused on increasing the appeal in our offer. During the coming quarter we are going to roll out several new features, updates with improvements and technical novelties linked to our patented sound analysis. We feel confident in our strategy and the way forward. The feedback we continuously receive from our users show that they appreciate what we do and that Sleep Cycle delivers value in many different ways. This bodes well!



Carl Johan Hederoth
CEO Sleep Cycle AB

SECOND QUARTER APRIL – JUNE 2023

- Net sales increased by 10.9 (19.0)% and amounted to TSEK 58,233 (52,503). Currency-adjusted net sales growth was 1.0 (16.1)%. This change is due primarily to a higher ARPU and a change in the number of subscriptions.
 - Operating profit amounted to TSEK 12,734 (12,793), and the operating margin was 21.9 (24.4)%. The second quarter of 2023 was affected by costs affecting comparability of TSEK 4,533 related to the optimisation programme, which is expected to save about MSEK 25 annually.
 - Adjusted operating profit amounted to TSEK 17,267 (12,793) and the adjusted operating margin was 29.7 (24.4) %. In the second quarter of 2023 costs related to the optimisation programme were adjusted for.
- The higher margin is explained primarily by lower marketing costs and less staff.
- The total number of paying subscribers at the end of the period was 877k (921k). The drop is explained by a poorer market atmosphere combined with price increases.
 - ARPU in the quarter amounted to SEK 264 (228). The improvement is a result of price adjustments, currency effects and a changed price mix.
 - Earnings per share before dilution amounted to SEK 0.51 (0.52) in the quarter. Earnings per share after dilution amounted to SEK 0.51 (0.51).

FIRST SIX MONTHS JANUARY – JUNE 2023

- Net sales increased by 11.8 (19.1)% and amounted to TSEK 114,680 (102,593). Currency-adjusted net sales growth was 2.0 (18.6)%. The change is due mainly to higher ARPU and price adjustments as well as the negative effect of a drop in the number of subscriptions.
 - Operating profit amounted to TSEK 23,824 (25,536), and the operating margin was 20.8 (24.9)%. The first six months of 2023 were affected by costs affecting comparability of TSEK 4,831 related to the optimisation programme to save about MSEK 25 annually and TSEK 298 related to the public cash offer from Velvet Cichlid AB in 2022.
 - Adjusted operating profit amounted to TSEK 28,655 (25,536) and the adjusted operating margin was 25.0 (24.9) %. In 2023 costs related to the optimisation programme and the cash offer 2022 were adjusted for.
- ARPU in the period amounted to SEK 257 (225). The improvement is a result of price adjustments, currency effects and a changed price mix.
 - Earnings per share before dilution amounted to SEK 0.96 (1.04) in the period. Earnings per share after dilution amounted to SEK 0.96 (1.01).



Product offering

Sleep Cycle is a leader in the development of AI-based sleep analysis. With more than two million users in over 150 countries, Sleep Cycle is one of the world's most used sleep services.

HEALTH AS A BUSINESS MODEL

Our business is built on a subscription-based business model, which through advance payments and recurring income creates predictability and strong cash flow. As we offer an appreciated product that is based on many years of development, and for which the inflow of customers to a large part takes place organically, we have low costs for customer acquisition which gives high profitability. In combination with the costs for each new user being zero, our business becomes fully scalable.

TECHNOLOGY AND THE USER EXPERIENCE

AI and machine learning have revolutionised our ability to manage large amounts of data and to extract valuable information. By using advanced algorithms and technologies we can extract patterns and connections that were previously unknown and inaccessible.

Sleep Cycle analyses sound which by using a database with more than two billion nights gives users individual insights, advice and recommendations about their sleep. As the analysis is sound-based, even snoring, coughing, teeth grinding and other sounds that disturb sleep are captured and can provide us with further knowledge of health in a greater perspective.



Strategy

Sleep Cycle's strategy for the coming year is to increase investment in data, AI and product development in order to increase our range, create user value and be able to grow through new acquisition channels. In order to reach our targets, our focus is set on offering a wider range of services and increased availability. We want to be present on platforms on which our target groups are and where our unique knowledge and interests in sleep creates value.



PRODUCT DEVELOPMENT

NEW DATA-DRIVEN FEATURES THAT GIVE USERS MORE INSIGHTS INTO SLEEP AND HEALTH.

SLEEP ANALYSIS

HEALTH MONITORING FLU

SYMPTOMS

SNORING

SLEEP APNEA TEETH GRINDING



INCREASED RANGE

NEW USERS VIA NEW PLATFORMS, PARTNERSHIPS AND CHANNELS.

PARTNERSHIPS

MORE PLATFORMS

NEW HARDWARE

FINANCIAL OVERVIEW

Since all material activities in the group are conducted in the parent company, comments below refer to both the parent company and the group. For profit and cash flow, comparative figures refer to the corresponding period last year. For financial position, comparative figures refer to balance sheet items as of 31 December 2022.

SECOND QUARTER APRIL – JUNE 2023

NET SALES AND PROFIT

The group's net sales in the second quarter amounted to tsek 58,233 (52,503), which is an increase of 10.9 (19.0) % compared to the previous year. The increase in sales is due mainly to the effect of the exchange rate as the swedish krona has weakened against most foreign currencies, primarily EUR and USD. Price adjustments implemented during 2022 have also contributed to higher revenue per user, but with a lower volume having contributed to a limited effect on total revenue. Currency-adjusted net sales growth was 1.0 (16.1)%. Average revenue per user (ARPU) increased by 16.0% and amounted to sek 264 (228).

The number of paying users was 877k (921k). The drop in the total number of users is due mainly to a lower acquisition rate of new customers resulting from a weaker market with fewer downloads and previously implemented price adjustments. The development in the number of users during the second quarter was relatively stable and the drop compared to the first quarter limited. The second quarter saw an increase in gaining new customers compared to the previous year, which may indicate a positive reverse in the trend in the development of volume from previous periods.

Operating profit amounted to TSEK 12,734 (12,793) and the margin was 21.9 (24.4) % in the second quarter. The underlying cost level

remained at approximately the same level as the previous year but with the difference in operating profit resulting mainly from items affecting comparability in connection with the optimisation programme.

Adjusted operating profit was TSEK 17,267 (12,793) and adjusted margin was 29.7 (24.4) %. The items other external costs and personnel costs include costs affecting comparability of TSEK 83 and TSEK 4,450, respectively, related to the optimisation programme to save about MSEK 25 annually, while focusing the operations on product-driven growth. Cost-cutting measures involved reducing the number of employees, less purchasing of external services and lower investments in marketing. The measures are expected to lead to the operating margin in the coming quarter exceeding 30%. The measures have been implemented gradually and have, adjusted for items affecting comparability, had a positive effect on the cost level during the second half of the quarter.

Net financial income during the quarter amounted to TSEK 274 (-45) and tax on profit for the quarter amounted to SEK -2,695 (-2,646). Profit for the quarter amounted to TSEK 10,313 (10,102). Earnings per share before dilution amounted to SEK 0.51 (0.52) and after dilution to SEK 0.51 (0.51).

CASH FLOW AND FINANCIAL POSITION

Cash flow from operating activities in the second quarter amounted to TSEK 19,049 (14,736). The change in cash flow from operating activities is due mainly to positive changes in the working capital.

Cash flow from investment activities amounted to TSEK -2,593 (-2,019) related to capitalized development expenses and the acquisition of tangible assets.

Cash flow from financing activities amounted to TSEK -142,936 (-376) in the quarter. The change relates to dividend from the financial year 2022 which was paid in the second quarter of 2023.

Cash flow for the quarter amounted to TSEK -126,481 (12,340) as a result of the dividend paid. The group's cash and cash equivalents amounted to TSEK 104,716 (202,515) at the end of the period.

The group's equity amounted to TSEK 38,277 as of 30 June. Opening balance on 1 January was TSEK 160,834.

FIRST SIX MONTHS JANUARY – JUNE 2023

NET SALES AND PROFIT

Changes in turnover, profit, cash flow and financial position for the six-month period 2023 compared to the previous year are largely due to the same reasons as for the second quarter. Below you can see the development for the half-year with comments in case there are other reasons for the development than for the second quarter.

The group's net sales during the period amounted to TSEK 114,680 (102,593), which is an increase of 11.8 (19.1)% compared to the previous year. currency-adjusted net sales growth was 2.0 (18.6)%.

Operating profit amounted to TSEK 23,824 (25,536) and the margin was 20.8 (24.9)% in the period. Adjusted operating profit amounted to TSEK 28,655 (25,536) and the adjusted margin was 25.0 (24.9)%. The item other external costs includes items affecting comparability of TSEK 298 related to the public cash offer during 2022. Other external costs further include TSEK 83 and TSEK 4,450 in personnel costs related to the optimisation programme to save about MSEK 25 annually. Adjusted for the items above, the operating profit was in line with the previous year but improved thanks to a reduction in personnel in the second quarter (which resulted in items affecting comparability).

Net financial income during the period amounted to TSEK 636 (-59) and tax on net profit amounted to TSEK -5,075 (-5,281). Net profit amounted to TSEK 19,386 (20,196). Earnings per share before dilution amounted to SEK 0.96 (1.04) and after dilution to SEK 0.96 (1.01).

CASH FLOW AND FINANCIAL POSITION

Cash flow from operating activities amounted to TSEK 21,029 (41,664) in the period.

Cash flow from investment activities amounted to TSEK -5,606 (-3,101) related to capitalized development expenses and the acquisition of tangible assets. The change is due primarily to investments related to moving to new offices and investments in the new application Sleep Cycle Kids.

Cash flow from financing activities amounted to TSEK -143,570 (-1,145) and relate to repayment of lease liabilities and dividend paid during 2023. The change compared to the previous year results from the dividend paid.

Cash flow for the period amounted to TSEK -128,147 (37,418). The group's cash and cash equivalents amounted to TSEK 104,716 (202,515) at the end of the period.

The group's equity amounted to TSEK 38,277 as of 30 June. Opening balance on 1 January was TSEK 160,834.

OTHER INFORMATION

STAFF

The average number of employees in the group for the quarter April to June 2023 was 50 (46) and for the period January to June 2023 it was 49 (45). The number of employees after reductions as part of the efficiency program was 39.

INFORMATION ABOUT RISKS AND UNCERTAINTIES

The group's overall risk management involves striving for minimal adverse effects on profit and position. Significant risks and uncertainties are described in the annual report for 2022. No events of significant importance have occurred during the period that affect or change the descriptions of the group's risks and their management.

PARENT COMPANY

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

RELATED PARTY TRANSACTIONS

Apart from transactions with senior executives in the capacity of their roles, there have been no transactions with related parties.

UPCOMING REPORTING DATES

- Interim report Jul-Sep 2023 on 25 October 2023
- Year-end report 2023 on 8 February 2024

OTHER INFORMATION

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

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

THE SHARE

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

OUTSTANDING OPTIONS PROGRAM

Options program	Number of options	Corresponding number of shares	Proportion of total shares	Exercise rate	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
CEO LTIP	340,909	340,909	1.7%	241.2	2026
Total	605,625	751,400	3.7%		

LARGEST SHAREHOLDERS IN SLEEP CYCLE AB (PUBL) AS OF 30 JUNE 2023

Owner	Number of shares	Votes and capital
Maciek Drejak through company	8,707,984	42.9%
Pierre Siri through company	4,776,686	23.6%
Handelsbanken Microcap	1,307,240	6.4%
Avanza Pension	743,642	3.7%
Skandia Fonder	714,285	3.5%
Petter Wallin	691,394	3.4%
Nordnet Pensionsförsäkring	605,233	3.0%
Lancelot Avalon	400,000	2.0%
Cancerfonden (Swedish Cancer Society)	291,882	1.4%
SEB Nanocap	220,000	1.1%
Other	1,819,217	9.0%
Total	20,277,563	100%

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

TSEK	Note	Apr – Jun		Jan – Jun		Jan – Dec
		2023	2022	2023	2022	2022
OPERATING INCOME						
Net sales	4	58,233	52,503	114,680	102,593	213,271
Other operating income		51	208	67	398	529
OPERATING EXPENSES						
Capitalized work for own account		569	1,123	1,029	1,801	3,224
Platform fees		-13,034	-12,367	-25,676	-24,264	-49,741
Other external expenses		-12,344	-13,572	-29,172	-25,445	-63,383
Personnel costs		-18,319	-13,652	-32,970	-26,858	-54,201
Depreciation and write-downs of tangible and intangible assets		-2,286	-1,362	-3,903	-2,603	-5,261
Other operating expenses		-135	-86	-230	-86	-329
Operating profit/loss		12,734	12,793	23,824	25,536	44,110
FINANCIAL ITEMS						
Financial income		479	-	872	1	157
Financial expenses		-205	-45	-235	-60	-137
Profit before tax		13,009	12,748	24,460	25,477	44,130
Tax on profit for the period		-2,695	-2,646	-5,075	-5,281	-9,155
Profit for the period attributable to the parent company's shareholders		10,313	10,102	19,386	20,196	34,976
Other comprehensive income		-	-	-	-	-
Comprehensive income for the period attributable to the parent company's shareholders		10,313	10,102	19,386	20,196	34,976
Earnings per share						
Earnings per share before dilution, SEK		0.51	0.52	0.96	1.04	1.77
Earnings per share after dilution, SEK		0.51	0.51	0.96	1.01	1.74
Average number of shares outstanding for the period before dilution		20,277,203	19,427,535	20,277,203	19,427,535	19,729,788
Average number of shares outstanding for the period after dilution		20,277,203	19,919,146	20,277,203	19,948,780	20,056,591

CONSOLIDATED STATEMENT ON FINANCIAL POSITION

TSEK	Note	30/06/2023	30/06/2022	31/12/2022
ASSETS				
Intangible fixed assets				
Capitalized expenses for development work		11,669	6,476	9,595
Patent		-	-	-
Total intangible assets		11,669	6,476	9,595
Tangible fixed assets				
Right-of-use assets		17,777	5,215	4,132
Leasehold improvements		825	-	-
Equipment and computers		1,997	1,173	1,468
Total tangible assets		20,599	6,388	5,601
Financial assets				
Other long-term receivables		411	411	411
Total financial assets		411	411	411
Deferred taxes				
Deferred tax asset		33	49	13
Purple deferred taxes		33	49	13
Current assets				
Trade receivables		30,276	16,793	22,388
Other receivables		755	668	1,084
Current tax assets		3,023	3,780	1,474
Prepaid expenses and accrued income		31,768	28,509	27,943
Cash and cash equivalents		104,716	202,515	232,862
Total current assets		170,537	252,265	285,751
TOTAL ASSETS		203,249	265,589	301,371
EQUITY AND LIABILITIES				
Equity				
Share capital		563	540	563
Other capital contributions		-	102,660	119,229
Profit brought forward including profit/loss for the year		37,714	26,262	41,042
Total equity attributable to shareholders in the parent company		38,277	129,462	160,834
Long-term liabilities				
Lease liabilities		13,854	3,251	2,623
Total long-term liabilities		13,854	3,251	2,623
Current liabilities				
Lease liabilities		4,084	2,010	1,572
Accounts payable – trade		11,405	11,155	14,203
Other liabilities		3,689	2,944	2,889
Accrued expenses and deferred income		131,939	116,767	119,250
Total current liabilities		151,118	132,876	137,914
TOTAL EQUITY AND LIABILITIES		203,249	265,589	301,371

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

TSEK	Attributable to shareholders of the parent company		
	30/06/2023	30/06/2022	31/12/2022
Opening balance	160,834	108,898	108,898
Net profit	19,386	20,196	34,976
Dividend	-141,943	-	-
Option premiums	-	368	368
New share issues after issue expenses	-	-	16,593
Closing balance	38,277	129,462	160,834

CONSOLIDATED STATEMENT OF CASH FLOW

TSEK	Note	Apr – Jun		Jan – Jun		Jan – Dec
		2023	2022	2023	2022	2022
Cash flow from operating activities						
Operating profit/loss		12,734	12,793	23,824	25,536	44,110
Adjustments for non-cash items, etc.:						
Depreciation and write-downs		2,286	1,362	3,903	2,603	5,261
Interest received		479	-	872	1	157
Interest paid		-205	-45	-235	-60	-137
Tax paid		-3,032	-2,994	-6,644	-4,048	-5,525
Cash flow from operating activities before changes in working capital		12,263	11,117	21,720	24,032	43,866
Change in working capital						
Change in operating receivables		11,806	5,983	-11,383	3,136	-2,309
Change in operating liabilities		-5,020	-2,364	10,693	14,496	19,971
Cash flow from operating activities		19,049	14,736	21,029	41,664	61,528
Investment activities						
Capitalization of development expenses		-1,626	-1,800	-3,906	-2,766	-6,917
Acquisition of tangible assets		-967	-219	-1,699	-335	-852
Cash flow from investment activities		-2,593	-2,019	-5,606	-3,101	-7,769
Financing activities						
Repayment of lease liabilities		-993	-754	-1,627	-1,512	-2,899
Repaid option premiums		-	-	-	-11	-11
Option premiums received		-	378	-	378	378
Dividend		-141,943	-	-141,943	-	-
New share issues		-	-	-	-	16,538
Cash flow from financing activities		-142,936	-376	-143,570	-1,145	14,006
Cash flow for the period		-126,481	12,340	-128,147	37,418	67,765
Cash and cash equivalents at the beginning of the period		231,196	190,174	232,862	165,508	165,508
Reclassification of liquid assets		-	-	-	-411	-411
Cash and cash equivalents at the end of the period		104,716	202,515	104,716	202,515	232,862

PARENT COMPANY'S INCOME STATEMENT

TSEK	Note	Apr – Jun		Jan – Jun		Jan – Dec
		2023	2022	2023	2022	2022
OPERATING INCOME						
Net sales		58,233	52,503	114,680	102,593	213,271
Other operating income		51	208	67	398	529
Capitalized work for own account		569	1,123	1,029	1,801	3,224
OPERATING EXPENSES						
Platform fees		-13,034	-12,367	-25,676	-24,264	-49,741
Other external expenses		-13,542	-14,370	-31,028	-27,011	-66,413
Personnel costs		-18,319	-13,652	-32,970	-26,858	-54,201
Depreciation and write-downs of tangible and intangible assets		-1,200	-598	-2,178	-1,086	-2,340
Other operating expenses		-135	-86	-230	-86	-329
Operating profit/loss		12,623	12,760	23,694	25,486	44,000
RESULT FROM FINANCIAL ITEMS						
Interest income and similar income		479	-	872	1	157
Profit before tax		13,102	12,760	24,566	25,487	44,158
Tax on profit for the period		-2,715	-2,649	-5,095	-5,282	-9,159
Net profit		10,387	10,111	19,471	20,205	34,999
COMPREHENSIVE INCOME FOR THE PERIOD		10,387	10,111	19,471	20,205	34,999

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

BALANCE SHEET – PARENT COMPANY

TSEK	Note	30/06/2023	30/06/2022	31/12/2022
ASSETS				
Fixed assets				
Intangible fixed assets				
Capitalized expenses for development work		11,669	6,476	9,595
Patent		-	-	-
Total intangible assets		11,669	6,476	9,595
Tangible fixed assets				
Leasehold improvements		825	-	-
Equipment and computers		1,997	1,173	1,468
Total tangible assets		2,822	1,173	1,468
Financial assets				
Participations in group companies		50	50	50
Deferred tax asset		-	39	-
Other long-term receivables		411	411	411
Total financial assets		461	500	461
Total fixed assets		14,953	8,149	11,524
Current assets				
Current receivables				
Trade receivables		30,276	16,793	22,388
Other receivables		755	668	1,084
Current tax assets		3,023	3,780	1,474
Prepaid expenses and accrued income		31,768	28,509	27,943
Total current receivables		65,821	49,751	52,889
Current investments				
Other current investments		75,000	-	-
Total current investments		75,000	-	-
Cash and bank balances		29,607	202,398	232,746
Total current assets		170,428	252,148	285,635
TOTAL ASSETS		185,381	260,297	297,160
EQUITY AND LIABILITIES				
Equity				
Restricted equity				
Share capital		563	540	563
Fund for development expenditures		11,669	6,476	9,595
Total restricted equity		12,232	7,015	10,158
Non-restricted equity				
Share premium reserve		-	102,660	119,229
Accumulated profit or loss		6,643	-449	-3,568
Net profit		19,471	20,205	34,999
Total non-restricted equity		26,114	122,416	150,660
Total equity		38,346	129,431	160,818
Current liabilities				
Accounts payable – trade		11,405	11,155	14,203
Other liabilities		3,689	2,944	2,889
Accrued expenses and deferred income		131,939	116,767	119,250
Total current liabilities		147,034	130,866	136,341
TOTAL EQUITY AND LIABILITIES		185,381	260,297	297,160

NOTES

Note 1 General information

The address of the head office is Drakegatan 10, 412 50 Gothenburg. Sleep Cycle drives the development 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, plus with their large sleep database contribute to improving sleep habits and increased sleep awareness worldwide. The business is mainly conducted in the parent company. The parent company's participations in group companies as of 30 June 2023 consist of the wholly-owned subsidiary Sleep Cycle Sverige AB (559278-9688).

Sleep Cycle's interim report for January-June 2023 was approved for publication on 27 July, following a decision by the board of directors on 26 July 2023.

Note 2 Accounting policies

The consolidated financial statement for Sleep Cycle AB has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, the Swedish Annual Accounts Act (ÅRL) and The Swedish Financial Reporting Board

RFR 1 "Supplementary accounting rules for groups". The parent company's financial statements are prepared in accordance with the Annual Accounts Act and RFR 2, "Financial reporting for legal entities".

This interim report has been prepared in accordance with IAS 34 "Interim Reporting". Disclosures pursuant to IAS 34 are provided in both notes and elsewhere in the interim report.

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

Note 3 Segment Information

Sleep Cycle's CEO, as the highest executive decision maker, follows up and analyses the results and financial position for the group as a whole. The CEO does not follow up on a result lower than the group as a whole. Thus the CEO also decides on the distribution of resources and make strategic decisions based on the group as a whole. 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.

Note 4 Distribution of net sales

TSEK	Apr – Jun		Jan – Jun		Jan – Dec
	2023	2022	2023	2022	2022
Subscription revenue	58,108	52,459	114,365	102,330	212,534
Other income	126	45	316	262	737
Total	58,233	52,503	114,680	102,593	213,271

Note 5 Financial instruments

TSEK	30/06/2023	30/06/2022	31/12/2022
Financial assets valued at amortised cost			
Trade receivables	30,276	16,793	22,388
Other receivables	1,167	1,079	1,496
Accrued income	265	-	-
Cash and cash equivalents	104,716	202,515	232,862
Total financial assets	136,423	220,387	256,746
Financial liabilities valued at an amortised cost			
Lease liabilities	19,724	5,845	4,381
Accounts payable – trade	11,405	11,155	14,203
Other current liabilities	2,390	2,645	5,849
Total financial liabilities	33,519	19,645	24,433

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

DEFINITIONS OF KEY PERFORMANCE INDICATORS

Sleep Cycle applies the ESMA guidelines for alternative performance measures. This report presents certain financial performance measures, including alternative performance measures, that are not defined under IFRS. The Company believes that these ratios are an important complement, as they allow a better evaluation of the Company's financial trends. These financial performance measures should not be viewed

in isolation or be considered to replace the performance indicators that have been prepared in accordance with IFRS. In addition, such performance measures as Sleep Cycle has defined them should not be compared with other performance measures with similar names used by other companies. This is because the above-mentioned performance measures are not always defined in the same manner, and other companies may calculate them differently.

Key performance indicator	Definition	Reason for alternative performance indicator
Net sales growth	Change in net sales compared to the same period last year.	The measure shows the company's growth in net sales compared to the same period last year.
Currency-adjusted net sales growth	Defined as net sales for the year divided by the previous year's net sales converted to the year's average exchange rates for the company's main foreign exchange exposures (USD, EUR, JPY, GBP, AUD and CAD).	Used to measure the company's underlying net sales growth cleared for currency effects.
Operating profit/loss	Operating profit/loss before interest and tax	The operating profit/loss is used to understand the company's earning capacity
Operating margin	Operating profit/loss as a percentage of the company's net sales.	Operating margin is an indication of the company's earning capacity in relation to net sales.
Items affecting comparability	Non-recurring items which are not part of the normal operations, and are therefore affecting comparability between different periods. Refers to costs related to the IPO 2021, public cash offer 2022 and cost savings 2023.	The measure is used to understand the company's development and comparison between the years.
Adjusted operating profit/loss	Operating profit/loss adjusted for items affecting comparability.	Adjusted operating profit/loss is used to understand the company's earning capacity cleared for items affecting comparability.
Adjusted operating margin	Adjusted operating profit/loss as a percentage of the company's net sales.	Adjusted operating margin is used to understand the company's earning capacity adjusted for items affecting comparability.
Total subscriptions	Total number of users at the end of the period (Closing Balance).	The measure indicates how many users the company has at the end of the period.
ARPU	Average annual subscription revenue per subscriber during the period. Quarter and period count up to full years.	The measure indicates the company's subscription revenue per subscription on average during the period.

RECONCILIATION OF ALTERNATIVE KEY PERFORMANCE INDICATORS

The table below derives the calculation of alternative key ratios that are not defined under IFRS or where the calculation is not shown in another table in this report.

Net sales growth and currency-adjusted net sales growth	Apr – Jun		Jan – Jun		Jan – Dec
	2023	2022	2023	2022	2022
TSEK					
Net sales previous period	52,503	44,128	102,593	86,138	182,937
Net sales current period	58,233	52,503	114,680	102,593	213,271
Net sales growth	10.9%	19.0%	11.8%	19.1%	16.6%

Currency-adjusted net sales previous period	57,635	45,206	112,470	86,482	189,743
Net sales current period	58,233	52,503	114,680	102,593	213,271
Currency-adjusted net sales growth	1.0%	16.1%	2.0%	18.6%	12.4%

Operating profit/loss and operating margin	Apr – Jun		Jan – Jun		Jan – Dec
	2023	2022	2023	2022	2022
TSEK					
Net sales	58,233	52,503	114,680	102,593	213,271
Other operating income	51	208	67	398	529
Work performed by the company for its own use and capitalised	569	1,123	1,029	1,801	3,224
Platform fees	-13,034	-12,367	-25,676	-24,264	-49,741
Other external expenses	-12,344	-13,572	-29,172	-25,445	-63,383
Personnel costs	-18,319	-13,652	-32,970	-26,858	-54,201
Depreciation and write-downs of tangible and intangible assets	-2,286	-1,362	-3,903	-2,603	-5,261
Other operating expenses	-135	-86	-230	-86	-329
Operating profit/loss	12,734	12,793	23,824	25,536	44,110
Operating margin	21.9%	24.4%	20.8%	24.9%	20.7%

Adjusted operating profit/loss and adjusted operating margin	Apr – Jun		Jan – Jun		Jan – Dec
	2023	2022	2023	2022	2022
TSEK					
Operating profit/loss	12,734	12,793	23,824	25,536	44,110

Items affecting comparability					
External consultants	-83	-	-381	-	-2,802
Personnel costs	-4,450	-	-4,450	-	-
Total items affecting comparability	-4,533	-	-4,831	-	-2,802

Adjusted operating profit/loss	17,267	12,793	28,655	25,536	46,912
Adjusted operating margin	29.7%	24.4%	25.0%	24.9%	22.0%

ARPU

Apr - Jun

Jan - Jun

Jan - Dec

TSEK	2023	2022	2023	2022	2022
Subscription revenue	58,108	52,459	114,365	102,330	212,534
Number of subscriptions previous period (thousands)	881	920	904	901	901
Number of subscriptions current period (thousands)	877	921	877	921	904
ARPU (SEK)	264	228	257	225	236

SUBMISSION OF INTERIM REPORT JAN – JUN 2023

The Board of Directors and the Chief Executive Officer certify that this interim report provides a fair view of the parent company's and the group's operations, position and result and describes material risks and uncertainties facing the parent company and the companies included in the group.

Gothenburg, 26 July 2023

Anne Broeng
Chairperson of the board

Olof Nilsson
Board member

Rasmus Järborg
Board member

Mathias Høyer
Board member

Maciej Drejak
Board member

Carl Johan Hederöth
Chief Executive Officer

Contact

For further information,
please contact:

CARL JOHAN HEDEROTH, CEO

Tel: +46 72-164 62 75

email: cj@sleepcycle.com

PER ANDERSSON, CFO

Tel: +46 70-939 53 27

email: per.andersson@sleepcycle.com

SLEEP CYCLE AB

Corp. ID No. 556614-7368,

Drakegatan 10, 412 50 Gothenburg

www.sleepcycle.com



Why We Sleep