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## **The Board of Directors' proposal for resolution on (i) directed issue of warrants, Series 2024/2027 to employees and (ii) payment of a gratuity**

The Board of Directors proposes that the Annual General Meeting on 11 April 2024 of Sleep Cycle AB (publ), reg. no. 556614-7368, resolves on an incentive program for employees in the company by i) a directed issue of warrants with the right to subscribe for new shares in the company and ii) a gratuity in the form of a gross salary supplement. The purpose of the incentive program is to align the employee's interests closely with those of the shareholders and to create a long-term commitment to the company. The incentive program is also expected to contribute to the possibilities to retain motivated and committed employees who are crucial for the company's long-term success. As part of the incentive program, the participant will receive a gratuity in the form of a gross salary supplement. The Board of Directors' proposal to implement the incentive program in accordance with i) and ii) constitutes a combined proposal and shall be resolved as one resolution. A valid resolution requires approval of at least nine-tenths (9/10) of both the votes cast and the shares represented at the Annual General Meeting.

### **i) Directed issue of warrants, series 2024/2027 to employees**

The issue shall be made with deviation from the shareholders' preferential rights on the following terms and conditions:

1. The company shall issue a maximum of 800,000 warrants entitling the holder to subscribe for 800,000 new shares. Oversubscription is not possible.
2. The right to subscribe for the warrants shall, with deviation from the shareholders' preferential rights, be granted to employees of the company, who shall be offered to subscribe for warrants on a separate subscription list.
3. The warrants shall be issued at a price corresponding to a calculated market value for the warrants (warrant premium) using the Black-Scholes model. The valuation of the warrants shall be carried out by an independent appraiser or auditing firm. A preliminary calculation based on a subscription price of SEK 52.00 per share, at the time of exercise of the warrants, gives a value of the warrant of SEK 2.60. The following values of the parameters included in the calculation model have been used:

Risk-free interest rate:	2.696%
Volatility:	35.9%
Dividend payout ratio of future profit:	4.0%
Market value of the share:	SEK 32.48

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4. The warrants shall be subscribed for no later than 2 May 2024 on a separate subscription list. The Board of Directors shall have the right to extend the subscription period, however, not beyond 1 October 2024.
5. Payment of the warrant premium for the warrants shall be made within two weeks from the date of subscription. The Board of Directors shall have the right to extend the time for payment.
6. The increase of the company's share capital may, upon full exercise of the warrants, amount to a maximum of SEK 22,222.2222222661, subject to the increase that may be caused by recalculation due to issues, etc.
7. Payment for shares upon exercise of warrants shall be made in cash at a subscription price corresponding to 160 per cent of the average of the volume-weighted price paid for each trading day according to Nasdaq Stockholm's official price list for shares in the company during the period 10 trading days preceding the meeting.
8. Each warrant shall entitle the holder to subscribe for one new share during the period 15 May 2027 up to and including 15 June 2027 against cash payment. However, the warrants may be exercised at any earlier point in time as a result of a merger, compulsory redemption of shares, liquidation, etc.
9. Shares issued after exercise of warrants entitle to dividend for the first time on the record date for dividend that occurs after the new shares have been registered with the Swedish Companies Registration Office and entered in the share register kept by Euroclear.
10. In connection with the subscription of warrants by the participant, the company shall reserve the right to repurchase warrants if the participant's employment is terminated or if the participant wishes to transfer the warrants.
11. The share premium upon subscription of shares through the exercise of warrants shall be added to the unrestricted share premium reserve.
12. The warrants may be subject to recalculation in accordance with customary recalculation principles due to, among other things, bonus issues, reverse share splits or splits of shares, rights issues or similar events.
13. The complete terms and conditions of the program are set out in *Appendix A*.

#### **(ii) Payment of a gratuity**

As part of the incentive program, the participant receives a gratuity in the form of a gross salary supplement where the net salary corresponds to the amount paid by the participant for the warrants. The gratuity is paid in connection with the regular salary payment the following month and the total salary cost excluding social security contributions shall not exceed SEK 60,000 and comprise a maximum of 10,000 warrants per participant. The Board of Directors may, if deemed necessary in individual cases, decide on alternative payment dates or that gratuities under certain circumstances shall

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not be paid in whole or in part or may be reclaimed, subject to the limitations that may follow by law.

#### Allocation of warrants

The offer to subscribe for warrants shall be made with a maximum of 100,000 warrants per participant and the total number of participants may not exceed 35. The offer is distributed between the employees and future employees based on a resolution by the Board of Directors of the company in accordance with the following structure:

The CEO is offered a maximum of 100,000 warrants

Other senior executives (maximum 4 participants) are offered a maximum of 100,000 warrants

Other employees (maximum 30 participants) are offered a maximum of 10,000 warrants

#### Reasons for deviation from the shareholders' preferential rights

The reason for deviating from the shareholders' preferential rights is a wish to have a warrant program introduced suitable for allotment to employees of the company, whereby employees can be offered the opportunity to take part in an increase in the value of the company's share. This is expected to lead to a strengthening of interest in the company's development – as well as the company's share price development – and to a stimulus for continued company loyalty in the coming years.

#### Dilution

In the event that all warrants are exercised, the number of shares will increase by 800,000, which corresponds to a dilution of a maximum of approximately 3.8 per cent of the shares and votes based on the company's current number of shares. The above is subject to re-calculation of the warrants in accordance with the customary recalculation terms and conditions set out in the complete terms and conditions.

#### Other outstanding warrants

There are currently five outstanding warrant programs as set out below.

The Warrants Program 2021/2024:1 consists of 190,076 warrants where one warrant entitles the holder to subscribe for 1.18 shares for SEK 79.82 during the period from and including 8 June 2024 up to and including 7 August 2024.

The Warrants Program 2021/2024:2 consists of 18,595 warrants where one warrant entitles the holder to subscribe for 1.18 shares for SEK 79.82 during the period from and including 5 December 2024 up to and including 5 February 2025.

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The Warrants Program 2021/2026 (CEO LTIP) consists of 340,909 warrants where one warrant entitles the holder to subscribe for 1.18 shares for SEK 203.72 during the period from and including 8 April 2026 up to and including 7 June 2026.

The Warrants Program 2022/2025 consists of 54,820 warrants where one warrant entitles the holder to subscribe for 1.02 share for SEK 69.58 during the period from and including 1 August 2025 up to and including 31 August 2025.

The Warrants Program 2023/2027 (CEO LTIP) consists of 100,000 warrants where one warrant entitles the holder to subscribe for one share for SEK 52.60 during the period from and including 1 December 2026 up to and including 2 January 2027.

In the event that all of the warrants above are exercised for subscription including the proposed program, the number of shares will increase by 1,604,419, which corresponds to a dilution of a maximum of 7.3 per cent of the shares and votes based on the company's current number of shares.

#### Costs

As the warrants are issued at market value, it is the company's assessment that no salary costs or social security contributions will arise for the company as a direct result of the warrant program in accordance with i). When paying a gratuity, salary costs and social security contributions are incurred. Assuming that all warrants are acquired at a price of SEK 2.60 per warrant and an assumed marginal tax rate of 50 per cent and social security contributions of 31.42 per cent, the total salary cost including social security contributions amounts to approximately SEK 2.4 million.

The total costs, including other costs in the form of fees to external advisors and costs for administration of the program, are estimated to amount to approximately SEK 2.6 million over the term of the program.

#### Preparation of the proposal

The proposal for an incentive program has been prepared by the Board of Directors' Remuneration Committee and the Board of Directors in cooperation with external expertise.

#### Special authorisation

The Board of Directors, or a person appointed by the Board of Directors, shall have the right to make such minor adjustments to the above-mentioned proposal that may be required in connection with the registration of the above resolution with the Swedish Companies Registration Office and, where applicable, Euroclear Sweden's affiliation of

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the warrants.

Majority requirement

The decision is covered by Chapter 16 of the Swedish Companies Act and requires the support of shareholders representing at least nine-tenths (9/10) of both the votes cast and the shares represented at the meeting.

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Gothenburg in March 2024

**Sleep Cycle AB (publ)**

*The Board of Directors*