An illustration of a woman with long dark hair, wearing a light blue tank top, sitting up in bed. She is stretching her arms upwards, holding her hands together. To her left, a smartphone is on a bedside table with a charging cable plugged into it. Several musical notes are floating in the air around her. In the background, there is a bookshelf with books and a potted plant on a table. The overall color palette is soft and pastel, with shades of purple, pink, and blue.

Corporate Governance Report 2023



Sleep Cycle

CORPORATE GOVERNANCE

THE BASICS OF SLEEP CYCLE'S CORPORATE GOVERNANCE

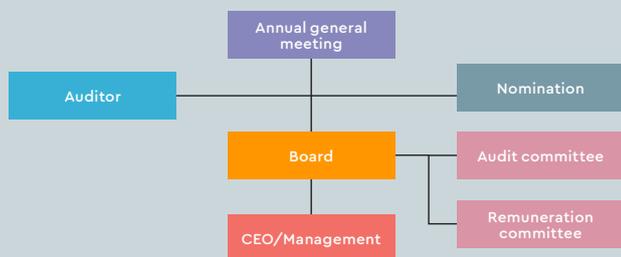
Sleep Cycle AB (publ) is a Swedish public limited liability company with offices in Gothenburg and Stockholm. Since June 8, 2021, the company's share has been listed on Nasdaq Stockholm. The main decision-making bodies are the General Meeting, the Board and Sleep Cycle's CEO. The General Meeting appoints the Board of Directors, which in turn appoints the CEO, who manages the day-to-day management in accordance with the Board's guidelines. Corporate governance is an important part 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 (the "Code") from the date that its shares were listed on Nasdaq Stockholm. This Corporate Governance Report is part of the Board of Directors' 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, as set out in pages 69-71.

Sleep Cycle reports no deviations from the Code during the financial year 2023, except for what is stated below regarding approval of the minutes of the Extraordinary General Meeting and the time for information about the names of the members of the nomination committee. No violations of applicable stock exchange rules or best practices in the stock market have been reported in relation to Sleep Cycle.

SHARES

As of December 31, 2023, the total number of shares was 20,277,563. Each share in the company entitles the holder to one vote at the General Meeting, and each shareholder has the right to vote for all shares that the shareholder holds in the company. Shareholdings representing at least one-tenth of the voting rights of all shares in Sleep Cycle include Maciej Drejak (through company) with 42.9% of the votes and Pierre Siri (through company) with 23.6% of the votes.

ORGANIZATIONAL CHART



GENERAL MEETING

According to the Swedish Companies Act (2005:551), the General Meeting is the company's highest decision-making body. At the General Meeting, shareholders exercise their voting rights on key issues, such as the adoption of income statements and balance sheets, appropriation of the company's profits, discharge from liability for the members of the Board of Directors and the CEO, election of Board members and auditors, and remuneration to the Board of Directors and auditors.

The Annual General Meeting must be held within six months of the end of the financial year. In addition to the Annual General Meeting, an Extraordinary General Meeting may be convened. In accordance with the Articles of Association, notice of General Meetings is given through an announcement in the Swedish Official Gazette and by making the notice available on the company's website. At the same time, an announcement that notice has been issued shall be published in Svenska Dagbladet.

Shareholders wishing to participate in the proceedings of a General Meeting must be registered in the share register maintained by Euroclear Sweden six banking days prior to the meeting and must notify the company of their intention to participate in the General Meeting by no later than the date specified in the notice convening the meeting. Shareholders may attend general meetings in person or by proxy and may be assisted by a maximum of two persons. Shareholders can usually register for the General Meeting in several different ways, which are

specified in more detail in the notice to convene the General Meeting. Shareholders are entitled to vote for all shares held by the shareholder. Shareholders who wish to have a matter addressed at the General Meeting must submit a written request to the Board of Directors. The request must normally be received by the Board of Directors by no later than seven weeks prior to the Annual General Meeting.

ANNUAL GENERAL MEETING 2023

The Annual General Meeting for 2023 was held on May 8, 2023 in Gothenburg. The Annual General Meeting adopted the income statement and balance sheet as well as the consolidated income statement and consolidated balance sheet for the financial year 2022. In accordance with the Board of Directors, the Annual General Meeting decided on a dividend of SEK 7.00 per share, of which SEK 1.00 per share constitutes the ordinary dividend for the financial year 2022 and SEK 6.00 per share constitutes the extraordinary dividend.

The Annual General Meeting decided to grant the members of the Board of Directors and the discharge from liability for the CEO for the financial year 2022.

The Annual General Meeting decided that the number of members of the Board of Directors shall be four without deputies and that the number of auditors shall be one without deputies. Anne Broeng, Olof Nilsson, and Rasmus Järborg were re-elected as members of the Board of Directors and Mathias Høyer was elected as a new member of the Board of Directors for the period until the end of the next Annual General Meeting. Anne Broeng was elected Chairman of the Board. It was decided that remuneration to the Board of Directors shall be paid with tSEK 700 to the Chairman of the Board and tSEK 250 to each of the other Board members. For work in the Audit Committee, it was decided that tSEK 100 shall be paid to the Chairman and tSEK 50 to each of the other members. For work in the Remuneration Committee, it was decided that tSEK 50 shall be paid to the Chairman and tSEK 25 to each of the other members.

The registered accounting firm Öhrlings PricewaterhouseCoopers AB was elected as the company's auditor for the period until the end of the next Annual General Meeting. It was decided that remuneration to the auditor shall be paid as invoiced.

The Annual General Meeting decided to approve the Board of Directors' proposed remuneration report for 2022.

EXTRAORDINARY GENERAL MEETING JULY 26, 2023

On July 26, 2023, an Extraordinary General Meeting was held in Gothenburg. The general meeting decided, in accordance with the nomination committee's proposal, to increase the company's Board of Directors by one member through election of Maciej Drejak as new member of the Board of Directors for the period until the end of the next Annual General Meeting. The Annual General Meeting further decided that directors' fees shall continue to apply in accordance with the resolution of the Annual General Meeting on May 8, 2023. For the incoming Board member, remuneration shall be paid pro rata for the Board member's actual period of service.

According to the Code, shareholders or proxies of shareholders who are not members of the Board of Directors or employees of the Company shall be appointed to approve the minutes of the General Meeting. At the Extraordinary General Meeting held on July 26, 2023, Board members Rasmus Järborg (representing own holdings) and Olof Nilsson (representing Petter Wallin, GLA Invest S.A., h265 AB and MCGA AB) were appointed to approve the minutes together with the Chairman. Due to the fact that there was no other shareholder present at the meeting, Sleep Cycle thus deviated from that code provision.

EXTRAORDINARY GENERAL MEETING NOVEMBER 23, 2023

On November 23, 2023, an Extraordinary General Meeting was held in Gothenburg. The general meeting decided, in accordance with the Board of Directors' proposal, to implement an incentive program for the CEO through a directed share issue of not more than 100,000 warrants with the right to subscribe for 100,000 new shares in the company. Subscription of shares by exercise of the warrants may be effected during the period from and including December 1, 2026 through January 2, 2027. The increase of the company's share capital may, upon full exercise of the warrants, amount to an approximate maximum of SEK 2,777.78, with reservation for the increase that may occur as a result

of recalculation in accordance with the terms and conditions. According to the Code, shareholders or proxies of shareholders who are not members of the Board of Directors or employees of the Company shall be appointed to approve the minutes of the General Meeting. At the Extraordinary General Meeting on November 23, 2023, Board members Rasmus Järborg (representing own holdings) and Maciej Drejak (representing Petter Wallin, GLA Invest S.A., h265 AB and MCGA AB) were appointed to approve the minutes together with the Chairman. Due to the fact that there was no other shareholder present at the meeting, Sleep Cycle thus deviated from that code provision.

ANNUAL GENERAL MEETING 2024

The next Annual General Meeting will be held on April 11, 2024 in Gothenburg.

AUDITOR

The auditor shall review the company's annual report and accounts as well as the administration of the Board of Directors and the CEO. After every financial year, the auditor shall submit an auditor's report and the auditor's report on the consolidated financial statements to the Annual General Meeting. According to the company's articles of association, the company shall have a minimum of one and a maximum of two auditors and a maximum of two deputy auditors. An authorized public accountant or registered public accounting firm shall be appointed as auditor along with a deputy auditor, where applicable.

At the 2023 Annual General Meeting, the registered accounting firm Öhrlings PricewaterhouseCoopers AB was elected as the company's auditor for the period until the end of the 2024 Annual General Meeting. Ulrika Ramsvik will be the lead auditor. The auditors report observations from their audit work to the Board, and the auditors check their audit and risk assessment plan with the audit committee, on an annual basis.

NOMINATION COMMITTEE

Companies that comply with the Code must have a Nomination Committee. According to the Code, the General Meeting shall appoint the members of the nomination committee or specify how the members are to be appointed. According to the Code, the Nomination Committee shall consist of at least three members and a majority of these shall be independent in relation to the company and the Group management. In addition, at least one member of the Nomination Committee shall be independent in relation to the largest shareholder in terms of voting rights or the Group of shareholders who collaborate on the management of the company.

According to the instruction for the Nomination Committee in Sleep Cycle adopted at the Annual General Meeting on May 19, 2021, the Nomination Committee shall, in addition to the Chairman of the Board, consist of representatives of the three largest shareholders in terms of voting rights as of September 30 of the year prior to the Annual General Meeting.

Once each of the three largest shareholders appointed a representative, the Chairman of the Board convened the first meeting of the Nomination Committee. The composition of the Nomination Committee for the 2024 Annual General Meeting was presented on Sleep Cycle's website on November 10, 2023. According to the Code, the company shall, by no later than six months prior to the Annual General Meeting, provide information on the company's website about the names of the members of the Nomination Committee and, where applicable, which owner the member represents. Due to the fact that the 2024 Annual General Meeting will take place approximately one month earlier in the year compared to previous years, Sleep Cycle has deviated from the said code provision. The Nomination Committee for the 2024 Annual General Meeting consists of the following members:

Member	Appointed by	% of votes as of 09/30/2023
Martin Anthonson	MCGA AB and h265 AB	Total 42.9
Erik Olsson	GLA Invest SA	23.6
Anna Sundberg	Handelsbanken Fonder	3.6
Anne Broeng, Chairman of the Board Sleep Cycle		

The Nomination Committee jointly represents 70.1% of the votes in the company. The Nomination Committee has appointed Anna Sundberg as Chairman.

The Nomination Committee shall prepare and present the following proposals to the Annual General Meeting:

- Chairman of the Meeting,

- Number of members of the Board of Directors,
 - Board members,
 - Chairperson,
 - Directors' fees with a breakdown between the Chairman and the other members of the Board and remuneration for committee work,
 - Auditors,
 - Fees to the company's auditors, and
 - To the extent deemed necessary, amendments to the applicable instruction for the Nomination Committee
- As part of its mandate, the Nomination Committee shall fulfil the tasks that are incumbent on the Nomination Committee in accordance with the Swedish Companies Act and the Swedish Corporate Governance Code.

Information about the work of the Nomination Committee and the instructions to the Nomination Committee can be found on the company's website, <https://investors.sleepcycle.com/>.

BOARD

The Board is the company's highest decision-making body after the General Meeting. According to the Swedish Companies Act, the Board of Directors is responsible for: the company's administration and organization, which means that the Board of Directors is responsible for, among other things, setting objectives and strategies, ensuring procedures and systems for the evaluation of the objectives set, continuous assessment of the company's results and financial position and assessment of operational management. The Board of Directors is also responsible for ensuring that the annual report and interim reports are prepared on time. In addition, the Board of Directors appoints the company's CEO.

The members of the Board of Directors are normally elected by the Annual General Meeting for the period until the end of the next Annual General Meeting. According to the company's Articles of Association, the Board of Directors, insofar as it is elected by the General Meeting, shall consist of a minimum of three members and a maximum of ten members without deputies.

According to the Code, the Chairman of the Board shall be elected by the Annual General Meeting and shall have special responsibility for the management of the Board's work and for ensuring that the Board's work is well organized and efficiently executed.

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 of Directors is responsible for appointing any committees and has appointed an Audit Committee and a Remuneration Committee. The Board adopts the committees' respective rules of procedure, which regulate the committees' work. The Board is further responsible for preparing and adopting policies, as well as for monitoring compliance with any such policies.

The Board of Directors meets according to an annually established schedule. In addition to these Board meetings, additional Board meetings may be convened to address matters that cannot be referred to an ordinary Board meeting. In addition to the Board meetings, the Chairman of the Board and the CEO maintain an ongoing dialogue regarding the management of the company.

COMPOSITION OF THE BOARD OF DIRECTORS

In 2023, the Board of Directors consisted of five members elected by the Annual General Meeting, four men and one woman. Anne Broeng was elected Chairman of the Board. All members of the Board of Directors are independent in relation to the company and its management and all members, with the exception of Maciej Drejak, are independent in relation to major shareholders. For a more detailed presentation of the Board of Directors, see pages 18-19.

THE BOARD'S WORK IN 2023

In 2023, the Board held 12 board meetings (of which 1 per capsulam), all of which have been recorded. The Board of Directors has established rules of procedure which describe in detail which agenda items are to be included at the various board meetings of the year. During the first part of the year, the Board of Directors focused on the follow-up of the business and the plan that has been put in place for establishment of policies, evaluation of internal controls, and risk assessment. One of the Board meetings during the year concerned the streamlining, program including a more optimized strategy with a focus on the core product, which was subsequently implemented. Other items addressed included

the company's strategic direction and overall goals, adoption of the budget for the coming financial year, Objectives and governance, technical development of the company's product as well as sleep and health related to marketing and product development. Throughout the year, reports from the audit and the Remuneration Committee have been discussed.

Every month, the CEO sends out a monthly report containing, among other things, a financial report and current events in the business. This is meant to keep the Board informed of developments in the company's operations. The Board of Directors also approves the financial reports before they are published. The Board continuously evaluates the work of the CEO, but conducts a formal review once a year at which the executive management is not present. Once a year, an evaluation of the work carried out by the Board of Directors and the Board's committees is conducted in order to create a good basis for the development work of the Board and committees. It is the Chairman of the Board of Directors who is responsible for the evaluation and for presenting it to the Nomination Committee. In 2023, an internal evaluation was made by the Board's chairman, who conducted 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 in the Nomination Committee. The conclusion was that there is a good mix of competence of the Board and that its work is functioning effectively. In 2022, a formal Board evaluation was carried out with external assistance and presented to the Nomination Committee, which is why an internal evaluation was considered sufficient for 2023.

AUDIT COMMITTEE

Sleep Cycle has an Audit Committee consisting of two members, Anne Broeng (Chairman) and Mathias Høyer. The Audit Committee shall, without prejudice to the Board's responsibilities and duties in general, monitor the company's financial reporting, monitor the effectiveness of the company's internal control, internal audit and risk management, keep itself informed of the audit of the annual report and consolidated accounts, review and monitor the auditor's impartiality and independence, paying particular attention to whether the auditor provides the company with services other than accounting services, and assist in the preparation of proposals for the election of auditor by the General Meeting. All members of the Audit Committee are independent in relation to the company and its management as well as in relation to major shareholders.

REMUNERATION COMMITTEE

Sleep Cycle has a Remuneration Committee consisting of two members, Olof Nilsson (Chairman) and Rasmus Järborg. The remuneration committee is tasked with preparing the Board's decisions in matters relating to remuneration principles, salary and other employment conditions for senior executives, remuneration guidelines, as well as the remuneration report, to monitor and evaluate programs for variable remuneration, both ongoing and any such programs that have been concluded during the year for senior executives, as well as to evaluate the application of remuneration guidelines on senior executives, adopted by the Annual General Meeting, as well as the current salary structures and salary levels in the company. The Remuneration Committee shall regularly, and always after its meetings, report its decisions, proposals, notes, conclusions, etc. in writing to the Board of Directors.

Name	Attendance board meetings	Attendance audit committee	Attendance remuneration committee
Anne Broeng ¹	12/12	6/6	
Lars Berg ²	3/12		1/5
Olof Nilsson ³	12/12	3/6	4/5
Mathias Høyer ⁴	8/12	3/6	
Rasmus Järborg	12/12		5/5
Ödgård Andersson ⁵	3/12		
Maciej Drejak ⁶	5/12		

¹Chairman of the Board as of the 2023 Annual General Meeting. Board member and Chairman of the Audit Committee since 2020.

²Chairman of the Board through the 2023 Annual General Meeting. Due to a conflict of interest, Lars Berg has not participated in a board meeting that dealt with matters related to the 2022 public cash offer.

³Member of the Audit Committee through the 2023 Annual General Meeting. Chairman of the Remuneration Committee as of the 2023 Annual General Meeting.

⁴Elected at the 2023 Annual General Meeting.

⁵Member of the Board through the 2023 Annual General Meeting.

⁶Board member as of the Extraordinary General Meeting on July 26, 2023.

CEO AND OTHER SENIOR EXECUTIVES

The CEO is subordinate to the Board of Directors and is responsible for the company's general management and daily operations. The work allocation between the Board and CEO is given 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 is rapporteur of any material relating to board meetings. According to the instructions for financial reporting, the CEO is responsible for financial reporting in the company and shall consequently ensure that the Board of Directors receives sufficient information to enable the Board of Directors to be able to evaluate the company's financial position. The CEO shall keep the Board of Directors continuously informed of the development of the company's operations, the development of sales, the company's results and financial position, liquidity and credit situation, important business events and any other event, circumstance, or condition that can be assumed to be of material importance to the company's shareholders.

In 2023, the company's management team consisted of five members, including the CEO, four of whom are men. Any lack of equality is noted and taken into account for future recruitment. For a more detailed presentation of management, see pages 20–21.

REMUNERATION

BOARD OF DIRECTORS' FEES

At the Annual General Meeting held on May 8, 2023, it was decided that directors' fees shall be paid as tSEK 70 to the Chairman of the Board and tSEK 250 to each of the other members, tSEK 100 to the Chairman of the Audit Committee and tSEK 50 to other members of the Audit Committee and tSEK 50 to the Chairman of the Remuneration Committee and tSEK 25 to the members of the Remuneration Committee.

GUIDELINES ON REMUNERATION TO SENIOR EXECUTIVES

General information

These guidelines for executive remuneration (the "Guidelines") concern the remuneration for Sleep Cycle AB (publ)'s ("Sleep Cycle" or the "Company") senior executives, including the CEO. The guidelines are forward-looking, i.e. they are applicable to remuneration agreed and amendments to remuneration already agreed after adoption of the guidelines by the annual general meeting 2021. These Guidelines do not apply to any remuneration decided or approved by the general meeting.

The guidelines' promotion of the Company's business strategy, long-term interests and sustainability

In short, Sleep Cycle's business strategy is to empower people to sleep better to improve global health. Sleep Cycle develops a sleep health solution and sleep tracking application. Sleep Cycle's vision is to become the leading sleep health solution globally. For more information regarding the Company's business strategy, please see www.sleepcycle.com. It is a prerequisite for the successful implementation of the Company's business strategy and safeguarding of its long-term interests, including its sustainability, that the Company is able to recruit and retain qualified personnel and senior executives. To this end, it is necessary that the Company offers competitive remuneration. These Guidelines enable the Company to offer the senior executives a competitive total remuneration, while at the same time promoting the Company's business strategy and long-term interests, including its sustainability. Long-term share and share price-related incentive plans have been implemented in the Company. Such plans have been resolved by the general meeting and are therefore excluded from these guidelines.¹ The board of directors assesses that the possibility of a well-balanced fixed remuneration together with the possibility for variable remuneration as well as participation in possible share-related incentive plans resolved by the general meeting will enable Sleep Cycle to recruit and retain qualified personnel and senior executives by being a competitive employer.

Forms of compensation

The remuneration shall be on market terms and may consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. Additionally, the general meeting may resolve on share and share price-related remuneration.

Fixed salary

The senior executives' fixed salary is revised each year and shall be competitive and based on the individual's competence, responsibility and performance.

Variable remuneration

Variable cash remuneration covered by these Guidelines shall aim at promoting the Company's business strategy and long-term interests, including its sustainability. Variable cash remuneration shall be based on predetermined and measurable criteria, which can be financial or non-financial, shall directly or indirectly be linked to the achievement of Sleep Cycle's business strategy and shall be measured over a

period of one or several years. They may also be individualized, quantitative or qualitative objectives. Further variable cash remuneration may be awarded in extraordinary circumstances, either for the purpose of recruiting or retaining senior executives or as remuneration for extraordinary performance beyond the individual's ordinary tasks, provided that such extraordinary circumstances are limited in time and only made on an individual basis. The total variable cash remuneration may amount to not more than 100 per cent of the senior executive's fixed annual cash salary. To which extent the criteria for awarding variable cash remuneration have been satisfied shall be determined and evaluated when the measurement period has ended and, for financial objectives, be based on the latest financial information made public by the Company. The remuneration committee evaluates variable cash remuneration to the CEO and the CEO evaluates variable cash remuneration to other executives.

Pension and other customary benefits

Pension benefits shall be premium defined and are secured by premium payments to insurance companies. Variable cash remuneration shall not qualify for pension benefits. Other possible benefits shall be customary and facilitate the senior executive's ability to perform its tasks, such as occupational health care, health insurance (Sw. sjukvårdsförsäkring), and company cars. The size of the pension premiums and other customary benefits may amount to not more than 30 percent of the fixed annual cash salary. Sleep Cycle may instead choose to provide exchange pension for salary (Sw. löneväxling), upon request by a senior executive, provided that the total cost for the Company remains largely the same. For any member of the group management not resident in Sweden, appropriate adjustments for compliance with mandatory rules or established local practice may be made, taking into account, to the extent possible, the overall purpose of these Guidelines.

Termination of employment

Upon termination of employment, the notice period may not exceed twelve months. Fixed cash salary during the notice period and severance pay may not together exceed an amount corresponding to the fixed cash salary for one year. When termination is made by the executive, the notice period may not exceed twelve months without the right to severance pay. Additionally, remuneration may be paid for non-compete undertakings. Such remuneration shall compensate for the loss of income and shall only be paid in so far as the previously employed executive is not entitled to severance pay. The remuneration shall amount to not more than 60 percent of the average monthly remuneration (both fixed and variable) paid by the Company during the 12 months preceding the time of termination of the employment and be paid during the time the non-compete undertaking applies, however not for more than 12 months following termination of employment for the senior executives.

Salary and employment conditions for employees

In the preparation of the board of directors' proposal for these Guidelines, salary and employment conditions for employees of the Company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time.

Deviation from the guidelines

The board of directors may temporarily resolve to derogate from the Guidelines if in a specific case there is special cause for the derogation and a derogation is necessary to serve the Company's long-term interests, including its sustainability, or to ensure the Company's financial viability.

The decision-making process to determine, review and implement the guidelines

The board of directors has established the remuneration committee. The remuneration committee's tasks include preparing the board of directors' decision to propose guidelines for executive remuneration. The board of directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the general meeting. The Guidelines shall be in force until new guidelines are adopted by the general meeting. The remuneration committee shall also prepare resolutions on remuneration-related matters, including resolutions to derogate from the Guidelines, monitor and evaluate programs for variable remuneration for the executive management, the application of the Guidelines for executive remuneration as well as the current remuneration structures and compensation levels in the Company.

The Board has submitted a separate remuneration report, which can be accessed by investors at: <https://investors.sleepcycle.com/>.

THE BOARD OF DIRECTORS' DESCRIPTION OF INTERNAL CONTROL OVER FINANCIAL REPORTING

The Board's responsibility for internal control is governed by the Swedish Companies Act and Swedish Code of Corporate Governance. The Board adopts policies and other governing documents and ensures that the content is conveyed to relevant stakeholders. This report is limited to a description of the internal control over the financial reporting of financial year 2023. The purpose of internal control in Sleep Cycle is to ensure reliable and accurate financial reporting, that the company's and the Group's financial reports are prepared in accordance with legal regulations and applicable accounting principles, that the company's assets are protected, along with compliance with other requirements.

CONTROL ENVIRONMENT

The control environment forms the basis for Sleep Cycle's internal control and includes how the board and management act, allocate responsibilities and authority within the organization, provides information on the business objectives and communicates the overall meanings for internal control. The control environment involves creating an appropriate risk culture and is concretized by factors such as corporate culture, integrity, ethics, competence, management philosophy, organizational structure, authority and responsibilities, as well as governing documents and guidelines. For each financial key process, the CEO appoints a relevant process owner. The process owner is responsible for mitigating significant risks in the process by means of appropriately designed and documented controls, which are subject to follow-up. The process owner is also responsible for ensuring that flowcharts, documented risk analyses, as well as risk- and control matrices are in place.

RISK ASSESSMENT

The risk assessment is the basis for internal control, as well as the starting point for the establishment of controls. Risk is defined as: the possibility of an event occurring and negatively affecting the possibility of achieving performance. Risk assessment is carried out continuously during the year and the Finance Department evaluates risks of material misstatement in financial reporting. The focus is on material performance and balance sheet items that have a relatively higher risk due to complexity or where the effects of any errors are likely to be substantial.

CONTROL ACTIVITIES

Control activities are the measures established by policies and procedures that help ensure the reduction of risks. The goal is to have an effective series of controls that are adapted to the business' conditions and risk tolerance. To ensure that the financial reporting gives a true and fair view, there are control activities that involve several parties in the organization, from the board and management to the finance department and other employees. Financial controls in Sleep Cycle's business process includes, among other things, approval of business transactions, account 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 and management and Sleep Cycle's employees. An important part of internal control is to ensure effective dissemination of relevant information to both internal and external stakeholders. Sleep Cycle has an information policy adopted by the Board of Directors that deals with, among other things, the handling of financial information. Sleep Cycle shall 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.

FOLLOW-UP

The Board of Directors continuously evaluates the information provided by the company's management, which includes both financial information as well as material issues relating to internal control. Sleep Cycle carries out self-assessment and independent tests to assess the effectiveness of internal control, which is carried out at least annually, and the results of the assessment are reported to the Audit Committee. Suggestions for action plans and improvements are identified and implemented on an ongoing basis.

INTERNAL AUDIT

The need for a separate internal audit function is assessed annually. No reason to establish this has been identified based on the size of the company in combination with the established internal control environment.

AUDITOR'S REPORT

Unofficial translation

To the general meeting of the shareholders of Sleep Cycle AB (publ), 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 (publ) for the year 2023 except for the corporate governance statement on pages 38–41. The annual accounts and consolidated accounts of the company are included on pages 34–68 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 and the group as of 31 December 2023 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 2023 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. Our opinions do not cover the corporate governance statement on pages 38–41. 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 statement of comprehensive income and statement of financial position of 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.

Other matter

The audit of the annual accounts and consolidated accounts for 2022 was performed by another auditor who submitted an auditor's report dated 29 March 2023, with unmodified opinions in the Report on the annual accounts and consolidated accounts.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial

statements are free from material misstatement. Misstatements may arise due to fraud or error. They 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 consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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.

Key Audit Matters

Revenue recognition

Referencing note 2, 6 and 31 in the annual report.

The majority of the group's revenues come from subscription services related to Sleep Cycle Premium, which is sold through platform owners. Payments from customers are made in advance for the entire contract period and is reported as prepaid revenues referred to as contract liabilities in the annual report. Revenues are recognized in the income statement linearly over the duration of the subscription period.

The group's accounting and recognition of revenues are based on daily sales data obtained from the platform owners who carry out the sale of subscription services to end customers. The recognition of revenues involves manual processes, which increases the risk of potential errors, primarily concerning the timing and amount.

How the area has been considered in the audit

Our audit has included, among other procedures:

- We have gained an understanding of the group's sales of subscription services and evaluated the group's processes, procedures, and internal controls related to revenues.
- We have evaluated the group's accounting policies and their compliance with IFRS Accounting Standards as adopted by the EU.
- We have obtained the daily sales data that the group has obtained from the platform owners, which forms the basis for the group's revenue recognition. Using the daily sales data, we have recalculated the group's revenues attributable to the year and the group's contract liabilities for prepaid subscription revenues, with the aim of verifying the timing of revenue recognition.
- We have reviewed the related disclosures in the annual report and reconciled them with the accounting records and other financial information.

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 1–33. 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 Director's 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 intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

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.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Report on other legal and regulatory requirements The auditor's examination of the administration of the company and the proposed appropriations of the company's profit or loss

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the Managing Directors of Sleep Cycle AB (publ) for the year 2023 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Director's and the Managing Directors 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. 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 Director's 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 fulfill 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

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 (publ) for the financial year 2023.

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 (publ) 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 Director's and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of 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 38–41 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing 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.

Öhrlings PricewaterhouseCoopers AB was appointed auditor of Sleep Cycle AB (publ) by the general meeting of the shareholders on the 8 May 2023 and has been the company's auditor since then.

Gothenburg on the date indicated by our electronic signature
Öhrlings PricewaterhouseCoopers AB

Ulrika Ramsvik
Authorized Public Accountant

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