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## **The Board of Directors' proposal for a directed issue of warrants, Series 2023/2027**

The Board of Directors proposes that the Extraordinary General Meeting on 23 November 2023 in Sleep Cycle AB, corporate identity number 556614-7368, resolves on an incentive program for the CEO of the company (the "**Participant**") through a directed issue of warrants with the right to subscribe for new shares in the company. The purpose of the incentive program is to create a close alignment of interests between the CEO and the shareholders and to create a long-term commitment to the company. The incentive program is also expected to contribute to the opportunities to retain a motivated and committed CEO, which is crucial for the successful implementation of the company's business strategy and the safeguarding of the company's long-term interests. The issue shall be made with deviation from the shareholders' preferential rights on the following terms:

1. The company shall issue a maximum of 100,000 warrants entitling to subscription of 100,000 new shares. Oversubscription cannot take place.
2. The right to subscribe for the warrants shall, with deviation from the shareholders' preferential rights, accrue to the Participant, who shall be offered to subscribe for options on a special subscription list.
3. The warrants shall be issued at a price corresponding to an estimated market value of the warrants (option premium) applying the Black-Scholes model. The valuation of the options shall be carried out by independent valuation agencies or audit firms. A preliminary calculation based on a subscription price upon exercise of the warrants that is SEK 40.00 per share gives the value of the option SEK 2.19. The following values of the parameters included in the calculation model have then been used:

Risk-free rate:	3.256 %
Volatility:	38.4 %
Payout ratio of future profit:	4.1 %
Market value of the share:	25.00 kr

4. The warrants shall be subscribed no later than 31 December 2023 on a separate subscription list. The Board of Directors shall have the right to extend the subscription period, but not beyond 1 March 2024.
5. Payment of the option premium for the warrants shall be made within two weeks of subscription. The Board of Directors shall have the right to extend the time for payment.

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6. The increase in the company's share capital may, upon full exercise of the warrants, amount to a maximum of SEK 2,777.77777778326, subject to the increase that may be caused by recalculation as a result of issues, etc.
7. Payment for shares upon exercise of the Warrant shall be made in cash at a subscription price corresponding to 160 percent of the average volume-weighted price quoted 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 against cash during the period 1 December 2026 up to and including 2 January 2027. However, the warrants may be exercised at any earlier date as a result of merger, compulsory acquisition 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 falls immediately after the new shares have been registered with the Swedish Companies Registration Office and entered in the share register maintained 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 ceases or if the Participant in turn wishes to reassign the warrants.
11. The premium when subscribing for shares through the exercise of warrants shall be added to the free share premium fund.
12. The warrants may be subject to recalculation according to customary conversion principles due to, among other things, a bonus issue, reverse share split or split, a rights issue or similar events.
13. The full terms and conditions of the plan are set out in *Terms and conditions for warrants of series 2023/2027*.

#### Allocation of warrants

The participant shall be offered to subscribe for a maximum of 100,000 options.

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

The reason for deviating from the shareholders' preferential rights is a desire to have an option program introduced suitable for allotment to the CEO of the company, whereby the CEO can be offered the opportunity to take part in a value growth in 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 corporate loyalty in the coming years.

#### Dilution

In the event that all warrants are exercised, the number of shares will increase by 100,000, which corresponds to a dilution of not more than approximately 0.5 percent of the shares and votes based on the company's current number of shares. The above

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applies subject to recalculations of the warrants in accordance with the customary conversion terms contained in the complete terms and conditions.

#### Other outstanding warrants

There are currently 5 outstanding option programs as shown below.

The Warrant Program 2020/2023 consists of 1,225 warrants where an option entitles the holder to subscribe for 120 shares at SEK 81.89 during the period from and including December 1, 2023 and up to and including December 31, 2023 (after recalculation according to the terms).

The Warrant Program 2021/2024:1 consists of 190,076 warrants where an option entitles the holder to subscribe for 1.18 shares for SEK 79.82 during the period from and including 8 June 2024 and up to and including 7 August 2024 (after recalculation according to the terms).

The Warrant Program 2021/2024:2 consists of 18,595 warrants where one option entitles the holder to subscribe for 1.18 shares for SEK 79.82 during the period from and including 5 December 2024 and up to and including 5 February 2025 (after recalculation according to the terms).

The Warrant Program 2021/2026 (CEO LTIP), consists of 340,909 warrants where an option entitles the holder to subscribe for 1.18 shares for SEK 203.72 during the period from and including 8 April 2026 and up to and including 7 June 2026 (after recalculation according to the terms).

The Warrant Program 2022/2025 consists of 54,820 warrants where an option entitles the holder to subscribe for 1.02 shares for SEK 69.58 during the period from and including 1 August 2025 and up to and including 31 August 2025 (after recalculation according to the terms).

In cases where all the above options are exercised for subscription including the proposed program, the number of shares will increase by 951,419, which corresponds to a dilution of not more than approximately 4.5 percent 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 result of the option program. 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

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SEK 100,000 over the duration of the program.

*Preparation of the proposal*

The proposal for an incentive program has been prepared by the Board's Remuneration Committee and the Board in collaboration with external expertise. Documents according to Chapter 14. Section 8 of the Swedish Companies Act has been established.

*Special authorisation*

The Board of Directors, or the person appointed by the Board of Directors, shall have the right to make such minor adjustments to the above-mentioned proposals as may prove necessary in connection with the registration of the above resolutions with the Swedish Companies Registration Office and any Euroclear Sweden accession of the warrants.

*Majority requirement*

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

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Gothenburg, October 2023

**Sleep Cycle AB (publ)**

*Board*