



Gothenburg, Sweden — 28 December 2022

The independent members of the Board of Directors of Sleep Cycle unanimously recommend the shareholders to not accept the public cash offer by Velvet Cichlid

Following an overall assessment, the Board is of the opinion that the Offer does not reflect Sleep Cycle's growth potential and fundamental value.

Background

This statement is made by Sleep Cycles AB (publ)'s ("**Sleep Cycle**" or the "**Company**") independent members of the Board of Directors (the "**Board**") pursuant to section II.19 of the Nasdaq Stockholm takeover rules (the "**Takeover Rules**").¹

On 19 December 2022, Velvet Cichlid AB (the "**Bidder**"), a company controlled by a consortium consisting of GLA Invest SA, MCGA AB, h265 AB and Petter Wallin (the "**Consortium**"), announced a public takeover offer to Sleep Cycle's shareholders, in which the Bidder offers SEK 42.50 in cash for each share in Sleep Cycle (the "**Offer**"). The total value of the Offer, based on all outstanding shares in Sleep Cycle, amounts to approximately SEK 861.8 million.

The Board notes that the price per share which the Bidder is offering represents:

- A premium of 33.6 per cent compared to the closing price of SEK 31.8 for Sleep Cycle's share on Nasdaq Stockholm on 16 December 2022, which was the last trading day prior to the announcement of the Offer;² and
- A premium of 37.3 per cent compared to the volume-weighted average share price of Sleep Cycle's share on Nasdaq Stockholm during the last 30 trading days prior to the announcement of the Offer;³ but

¹ The Chairman of the Board, Lars Berg, has due to conflict of interest not participated in the Board's handling of or decisions related to the Offer.

² Based on information in the Offer Document.

³ Based on information in the Offer Document.

- A discount of 39.3 per cent compared to the Initial Public Offering (the "**IPO**") price of SEK 70.0 for Sleep Cycle's shares on 8 June 2021.

The Consortium holds shares in Sleep Cycle amounting to approximately 68.2 per cent of the shares in the Company. After the announcement of the Offer, the Bidder has acquired 1.8 per cent of the shares in Sleep Cycle.⁴ In total, the Bidder and the Consortium hold 70.0 per cent of the shares in Sleep Cycle. In addition, Handelsbanken Microcap Sverige, Cicero Fonder and Evli Swedish Small Cap have irrevocably undertaken to accept the Offer, which together with the shares held by the Bidder and the Consortium corresponds to 78.6 per cent of the total number of shares and votes in Sleep Cycle. Furthermore, the Board notes that the Bidder states that some additional shareholders with a combined shareholding of approximately 7.0 per cent of the shares in Sleep Cycle have declared that they are positive to the Offer.

According to the timetable included in the offer document for the Offer, which was made public on 20 December 2022 (the "**Offer Document**"), the acceptance period commenced on 20 December 2022 and is expected to end around 31 January 2023. Settlement is expected to commence on or around 6 February 2023. For further information about the Offer, please see the Offer Document.

The Board has appointed SEB Corporate Finance as financial advisor and Mannheimer Swartling as legal advisor in relation to the Offer.

BDO Corporate Finance ("**BDO**") has, at the request of the Board, provided an opinion according to which the Offer is not fair to Sleep Cycle's shareholders from a financial point of view (subject to the assumptions and considerations set out in the opinion) (the "**Opinion**"). The Opinion is attached to this statement. For providing the Opinion, BDO will receive a fixed fee which is not contingent on the size of the Offer consideration, the acceptance level of the Offer or whether it is completed.

The Chairman of the Board, Lars Berg, has due to conflict of interest not participated in the Board's handling of or decisions related to the Offer.

The Offer's impact on employees etc.

Under the Takeover Rules, the Board is required, on the basis of the Bidder's statements in the Offer, to present its opinion regarding the impact that the implementation of the Offer may have on Sleep Cycle, particularly in terms of employment, and its opinion regarding the Bidder's strategic plans for Sleep Cycle and the anticipated effects such plans will have on

⁴ After the announcement of the Offer up until the publication of the Offer Document, the Bidder has acquired 361,589 shares in Sleep Cycle, corresponding to 1.8 per cent of the shares in the Company, of which 350,000 shares were acquired from Tredje AP-Fonden.

employment and on the locations where the Company conducts its business. In its press release, the Bidder stated the following:

"The Consortium holds the utmost respect and regard for the Company's management and employees and considers them to be an important asset for Sleep Cycle going forward. Completion of the Offer is not expected to entail any significant changes regarding the Company's employees and management (including terms of employment) nor for the existing organization and operations, including effects on the employment rate and the sites where the Company currently conducts business."

The Board assumes that this description is correct and has in relevant respects no reason to take a different view.

The Board's evaluation of the Offer

The Board's opinion of the Offer is based on an assessment of a number of factors that the Board has considered relevant for the evaluation of the Offer. These factors include, but are not limited to, the Company's strategic and financial position, current and anticipated market conditions, and the Company's expected future performance and long-term value creation, including the associated opportunities and risks.

The Board believes that the Company, despite the current market conditions, has performed broadly in line with the market's expectations since the IPO. In terms of revenue growth, the Company has experienced relatively better momentum on ARPU (*Average Revenue Per User*), while subscriber intake has been impacted by a number of factors including i) strategic price increases with full benefits expected during 2023 and 2024, ii) challenging comparable figures from 2021 and iii) changed digital marketing conditions (IDFA) affecting platforms Sleep Cycle uses for customer acquisition. As regards to profitability, the Board notes that the Company, supported by its flexible cost base, is performing in line with the market's expectations.

Furthermore, the Board's view is that the Company continues to develop in line with its strategy to reach more users with more features in more channels and that the Company has made progress in technology and product development as well as in terms of establishing new partnerships, which the Company deems value-enhancing. These efforts are expected to result in several launches in the coming quarters, with potential to benefit both revenues, e.g. due to new products and features expanding the addressable market, and profitability, e.g. due to positive effects from pricing dynamics. A recent example, announced on 8 December 2022, is the launch on Huawei in China, adding a substantial share of the Android segment in China – on top of users in Apple App Store and Google Play – to the Company's addressable market. The Board's assessment is that the potential of this opportunity is enhanced by planned joint marketing efforts with Huawei in China and Europe.

Moreover, the Board notes that Sleep Cycle is supported by market and regulatory developments. In December 2022, sources have cited that Apple, to comply with relevant European Union regulations, is preparing to open up iOS to competing app stores, something that would result in Apple giving iPhone and iPad users the option to download third-party apps without going through Apple App Store. Ultimately, this would allow developers to avoid Apple's platform fees which currently amount to 15-30 per cent. Even if these changes would apply only within the European Union – which may be the case initially – lower costs related to platform fees to Apple would have a positive effect on Sleep Cycle's profitability.

In terms of outlook, the Board believes that the combination of, among other things, i) an attractive underlying market, ii) Sleep Cycle's leading market position, iii) recent and ongoing investments in growth, iv) recently carried out price increases and v) the Company's scalable and cash generative business model, along with its financial position, creates a foundation for accelerating growth and value creation. Thus, the Board's assessment is that the Company can be expected to deliver on its financial targets in the coming years.

In evaluating the Offer, the Board has also analysed the Offer using the methods normally used for evaluating public takeover offers for listed companies, including the value of the Offer relative to comparable listed companies, premiums in previous public takeover offers on Nasdaq Stockholm, the stock market's expectations on the Company and the Board's view on the Company's long-term value based on the Company's expected cash flow generation.

The assessment is also based on BDO's Opinion as to the fairness of the Offer from a financial point of view for the shareholders in Sleep Cycle. According to the Opinion, the Offer, subject to the conditions and assumptions stated in the Opinion, is not fair from a financial point of view for the shareholders in Sleep Cycle.

Following an overall assessment, the Board is of the opinion that the Offer does not reflect Sleep Cycle's growth potential and fundamental value. In light of the above, the Board therefore unanimously recommends Sleep Cycle's shareholders to not accept the Offer.

However, the Board is of the opinion that it is beneficial for the Company that the members of the Consortium remain long-term investors and that they continue to contribute to the Company's continuous development. The Board recognises that the liquidity in the Company's share is limited, which may affect the shareholders' ability to buy and/or sell shares at the preferred time, volume and price. The Board further notes that, as a result of the Offer, the liquidity in the Company's share may remain limited or decrease even further.

This statement shall in all respects be governed by and construed in accordance with substantive Swedish law. Any dispute arising out of or in connection with this statement shall be settled exclusively by Swedish courts.

Gothenburg on 28 December 2022

Sleep Cycle AB (publ)

The Board of Directors

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This information is information that Sleep Cycle AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Takeover Rules. The information was submitted for publication, through the agency of the contact person set out above, on 28 December 2022, at 11:30 CET.

About Sleep Cycle

With millions of daily active users and over two billion nights analyzed in more than 150 countries, Sleep Cycle is the leading sleep tracking application and one of the most widely used solutions worldwide to improve sleep health. Sleep Cycle's mission is to improve global health by empowering people to sleep better. Since its launch in 2009, Sleep Cycle has helped millions of people understand their sleep habits and improve their sleep. The mobile application helps users fall asleep more easily, tracks and analyses sleep during the night, wakes the user in a light sleep phase, and provides insight into how sleep quality is best improved. Sleep Cycle (www.sleepcycle.com) is one of the world's most comprehensive sources for statistics on sleep and contributes to research and reporting on sleep worldwide. Sleep Cycle is listed on Nasdaq Stockholm under the ticker SLEEP with its office located in Gothenburg, Sweden.



Fairness opinion

in relation to the public offer by Velvet Cichlid AB, a company controlled by a consortium consisting of GLA Invest SA, MCGA AB, h265 AB and Petter Wallin, to acquire all outstanding shares in Sleep Cycle AB (publ).

To the Board of Directors of Sleep Cycle AB (publ)

The Board of Directors of Sleep Cycle AB (publ) ("Sleep Cycle" or "the Company") has engaged BDO Corporate Finance ("BDO") to, in the capacity of being an independent expert, issue an opinion on the fairness from a financial point of view ("Fairness Opinion") of the public offer by Velvet Cichlid AB to acquire all outstanding shares in Sleep Cycle. Velvet Cichlid AB offers SEK 42.5 in cash for each (1) share in Sleep Cycle (the "Offer").

BDO has analyzed and considered the following information:

- The Offer
- Discussions with the management of Sleep Cycle regarding historical development, current operations, future outlook and financial position
- Historical financial information and other information deemed relevant
- Information regarding selected peers, deemed to be comparable to Sleep Cycle
- Other information deemed appropriate

Databases

- Refinitiv Eikon
- MergerMarket

Public information

- Public information including annual reports, quarterly reports and press releases of Sleep Cycle
- Bid premiums of public offers from Nasdaq OMX Corporate Actions Stockholm - Public takeover offers, as well as stock data (www.nasdaqomxnordic.com)

It is assumed that the information received is correct and complete and no independent control or verification has been carried out on the information received from Sleep Cycle, information from databases, analysts or public information. BDO does not assume any responsibility for any inaccuracy or incorrectness in the information received. If it is determined that the information we received was inaccurate or incomplete, this could mean that our conclusion is incorrect.

Our opinion is based on information provided to us as of the date of our opinion and has been given in the light of our assignment stated above and it cannot be used for any other purpose. We assume no responsibility for events occurring after this date, which could affect this opinion and the assumptions that it is based upon. BDO assumes no responsibility for updating the Fairness Opinion after this date.

Our Fairness Opinion is based on "going concern", meaning continuing operations "as-is" and no unforeseen events in the relation to the Company or its environment. In preparing this Fairness Opinion, established valuation methods have been used. These analyses have been prepared with the

sole purpose for BDO to conclude to the Board of Directors whether the Offer is fair from a financial point of view for the shareholders of Sleep Cycle.

Our assignment and this Fairness Opinion are solely for the use and benefit of the Board of Directors in the consideration of the Offer. Our Fairness Opinion does not cover relative merits compared to other alternative business opportunities of Sleep Cycle or alternative investment opportunities of the shareholders of Sleep Cycle. This Fairness Opinion does not constitute a recommendation to the shareholders of Sleep Cycle whether to accept the Offer or not.

Based on the analyses, assumptions and subject to the foregoing, we are of the opinion, as of the date hereof, that the Offer is not fair from a financial point of view for the shareholders of Sleep Cycle.

In preparing this opinion, BDO has considered the take-over rules of Nasdaq Stockholm and BDO assumes an independent position in the delivery of our services. Our fee for this engagement does not depend on the size of the consideration, to what extent the Offer is accepted or whether the Offer is completed or not. This opinion might only be published in its complete form and is solely addressed to the Board of Directors of Sleep Cycle with the sole purpose to serve as foundation in the evaluation of the Offer. No other party can rely on or claim any rights based on this opinion. This statement shall in all respects be governed by and construed in accordance with Swedish law. Disputes arising from this statement shall be settled exclusively by Swedish courts.

This statement has been made in a Swedish and an English version. In case of any discrepancies between the Swedish and the English text, the Swedish text shall prevail.

Stockholm, 28 December 2022

BDO CORPORATE FINANCE