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This is a translation of the original swedish Sleep Cycle annual report 2021. In the event of any discrepancies between the two versions, the original swedish version shall apply.



SLEEP CYCLE MISSION

Sleep Cycle's mission is to improve global health by helping people worldwide sleep better

Letter from the CEO

2021 was an eventful year filled with exciting news, challenges and successes. Firstly, I am pleased that we reached a new milestone with over 900,000 paying customers on our platforms. This was the result of our efforts to consistently improve user experience and help create a better sleep environment for users.

I also feel proud as I look back on Sleep Cycle's development during the year, which was made possible by the fact that we have almost doubled the number of employees and invested more than ever in our technology, new distribution channels and partnerships. With these investments, we drive development from a smart alarm clock to a powerful sleep tool that meets even more user needs.

Sleep Cycle is a company that takes pride in its consumer-centric product and has a strong drive to continuously develop it. During 2021, we released no less than 40 updates to improve functionality for our over two million active users. Updates that create increased commitment and loyalty among our users and lead to people understanding and prioritizing their sleep. Sleep Cycle has been active for more than 12 years and I am more convinced than ever that long-term growth is created through product development and technological innovation.

Early in the year, we rolled out our second generation AI-based sleep analysis tool. A platform that, together with data from our millions of users, is improved every day in terms of reliability and accuracy. The platform is an excellent example of how Sleep Cycle keeps developing through technological innovation, enormous amounts of sleep data and a committed user base that drives our sleep

technology forward. The AI platform will be an essential piece of the puzzle in our strategy to identify and treat sleep problems.

To drive growth and let more people discover the importance of good sleep, one goal during the year has been to make Sleep Cycle available to even more people. We have therefore launched a number of initiatives where we have increased our presence on further platforms. This summer, we launched our Google Wear OS product offering, which led to us being recognized with the Best of Android 2021 award for the Wear segment. We also integrated parts of our sleep analysis technology into Samsung's smartwatches, a partnership that not only provides an additional channel to our customers, but also bears witness to Sleep Cycle's unique position, expertise and leadership in advanced sleep analysis. We will continue to focus on new platforms and new distribution channels where we can reach even more users.

As the focus on ESG matters has increased within companies, interest in employees' mental and psychosocial wellbeing continues to grow. Good sleep health is as important as diet and exercise to be able to perform and feel well. To meet this need, we launched "Sleep Cycle Boot Camp", a sleep training program for companies and organizations, created to educate and optimize sleep among their employees. A successful



concept that we will continue to develop and broaden in further distribution channels in 2022. Sleep Cycle has a unique position in the market. As the leading application within sleep, we are often the first contact that users have with a digital sleep tool. Sleep Cycle gives the user a good understanding of their sleep and the impetus to change it. But sleep is anything but simple to understand. For example, a persistent sense of fatigue during the day can be a symptom of everything from insomnia and sleep apnea to being a new parent. I see it as a natural next step in Sleep Cycle's future development, to be able to identify the underlying causes and conditions on a deeper level and offer our users tools to deal with these causes.

In order to achieve our goals and meet our vision of globally improved sleep health, we will continue to invest in technology and product development. Sleep Cycle's IPO in June

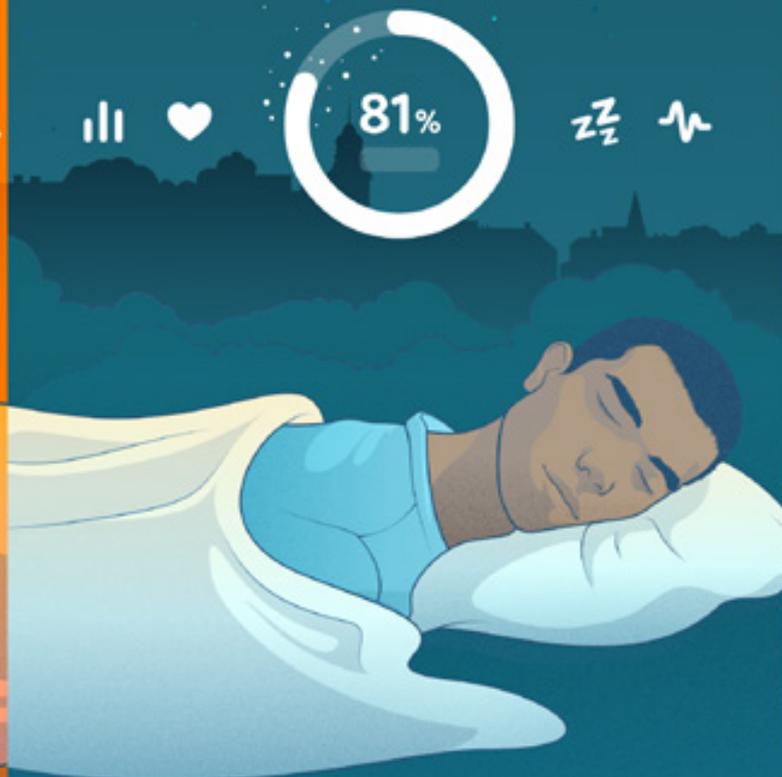
2021 has strengthened our brand and given us the resources to continue our growth journey. Together with many new shareholders, including several well-known institutional investors, we are now taking the next step in Sleep Cycle's development. My outlook on the future is bright and as a public company we have created opportunities to attract talented employees, invest more in our product offering and create new collaborations and partnerships that will continue to accelerate our growth.

I would like to take this opportunity to thank all the amazing employees at Sleep Cycle, our shareholders and partners who during the year have helped us achieve our goals. Together with all of you, I look forward to continuing to develop our sleep platform to offer people worldwide an essential tool in managing one of the greatest health challenges of our time.

/Carl Johan Hederöth, CEO

Sleep Cycle app

For over a decade, Sleep Cycle has helped over 65 million people in more than 150 countries fall asleep easier, sleep better, wake up more rested and understand their sleep habits. We continue to develop our sleep solution and continuously add valuable functions where we see a need and technological advances continue to push the boundaries of what is possible. With that thinking constantly present, we have a product that is faithful to its mission and does so much more than just analyze sleep.



TO BE ABLE TO FALL ASLEEP

The ability to fall asleep is a must for sleeping well. To help our users fall asleep easier, we offer a large audio library of sleep stories, relaxing music, guided meditations and soothing sounds. All created for the days when it is a little harder to relax and fall asleep on your own.

TO SLEEP WELL

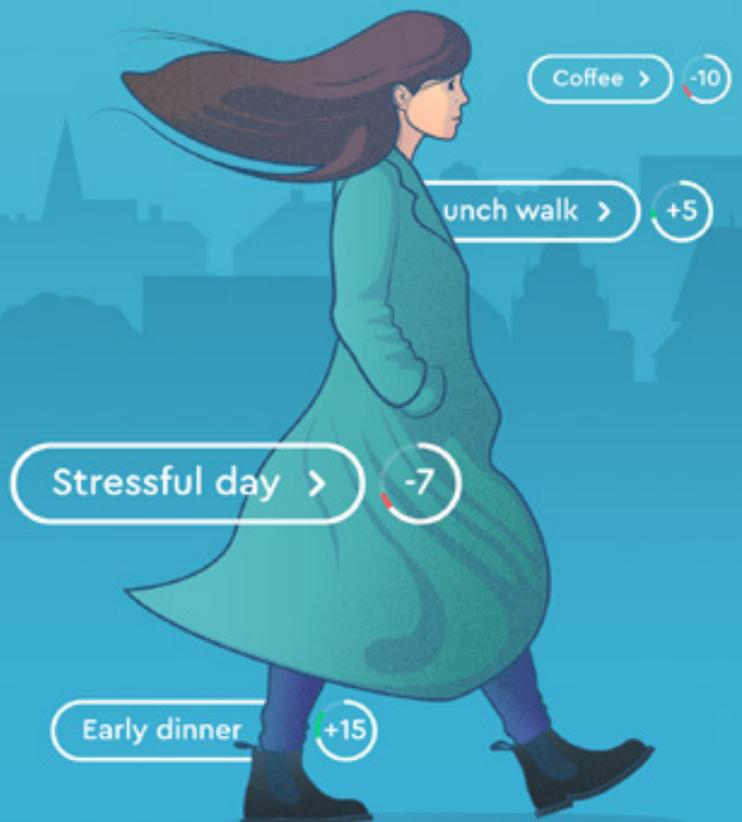
Who knows what happens while we sleep? During the night, Sleep Cycle reads movement patterns, analyzes sleep and correlates these results to create a complete analysis of the user's sleep quantity and quality in the morning, presenting valuable insights and advice for improved sleep. Knowledge of personal sleep habits provides insight and motivation to maintain both a good sleep quality and create routines for improvement.

**TO WAKE UP RESTED**

A new day begins in the morning and waking up rested and refreshed makes for a good start. Sleep Cycle wakes the user in a light sleep phase. Waking up in light sleep feels like waking up naturally, without an alarm, and counteracts fatigue. When rested, you stand the best chance of making conscious choices during the day and thus positively affect your coming night's sleep.

TO LEARN CAUSE AND EFFECT

What we do during the day affects how we sleep at night. Sleep Cycle collects information about what the user has done during the day and correlates it with the sleep quality from the night to be able to tell the user which factors positively or negatively affect sleep. Insights into which activities and external factors contribute to sleep quality will increase as sleep history grows.



Sleep for better health

Everyone sleeps. Some more, others less. Some fall asleep early, others fall asleep much later than they want to and some struggle to fall asleep over and over again, each night. Sleeping is not a skill you can lose, everyone can achieve good sleep. Despite this, many people sleep poorly. Both our physical and mental health affect and are affected by how we sleep. Some effects are critical and short-lived, others more chronic and long-lasting.

MORE PEOPLE ARE SLEEPING BADLY

More than half of the world's adult population is estimated to have some form of sleeping problem¹. 2019 in Sweden, over 10% of adults had such serious sleep problems that they met the criteria for insomnia², where difficulty falling asleep is the most common symptom.

Lack of sleep makes it more difficult to plan, memorize details, concentrate, communicate, and function socially. Prolonged sleep problems can lead to physical problems such as headaches, fatigue and heart problems, as well as serious consequences on mental well-being, potentially leading to depression among other conditions. Sleep difficulties affect all areas of life.

SLEEP IS THE KEY TO GOOD HEALTH

So what happens when a person sleeps well? Sleeping well is not really the right expression

here as the definition depends on an estimate that defines the value of what sleeping well means for a specific person. Although sleep needs and the meaning of sleeping well remains individual, what we can say with certainty – supported by leading research – is what better sleep leads to, physically and mentally.

When we sleep adequately, the body's immune system is activated, important hormones are formed and the production of stress hormones decreases³. Ample sleep has great potential to reduce the risk of high blood fats, cardiovascular disease, type 2 diabetes, depression and fatigue syndrome. For children

EVERYONE CAN ACHIEVE GOOD SLEEP



and young adults, the need for sleep is extra important as growth hormone is formed through sleep. During sleep, the body unwinds, blood pressure drops, heart rate and body temperature drop, breathing slows down, and muscles relax. At the same time, parts of the brain reduce activity and leave room to store new memories, new knowledge and process expressions. These functions are vital for us to function. Not only to achieve good health, but also to survive.

KNOWLEDGE AND TOOLS AS A PRESCRIPTION

Since 2000, sales of prescription sleeping pills have increased by more than 40 percent¹. Sleeping pills are relatively inexpensive compared to other drugs and are often prescribed as a treatment for temporary sleep disorders. We do not want to call it a 'quick-fix' as sleep problems in many cases can be so serious that reinforcement in the form of medication is crucial. However, we believe that treatment of sleep disorders must begin much earlier, long before emergency help becomes necessary. From Sleep Cycle's point

of view, we would like to see a greater focus on the preservation of sleep health in relation to the treatment of sleep problems. Medical help is something you tend to seek only when the problems have become unbearable, which in itself says a lot about how far down on the list of priorities sleep sits.

Changing habits takes time. Time, knowledge and well-defined goals, achievable without too many challenges and changes along the way. You stand the best chance for success with information and insight of your starting position. By implementing healthy habits in already established routines and also having a tool that quantifies and visualizes these, there is limitless potential to create change and discover problems before they become so large that they become acute. In order to be able to measure and gain knowledge about personal sleeping habits, data collection and evaluation over time is required. All this information then needs to be translated into insights that are tailored to the individual. The information must be based on the fact that each person's sleep journey is unique, in order to make a true difference. The same applies to solutions and tools for maintaining and improving sleep. It is not enough to just make one-off improvements. As a company and product, Sleep Cycle must continue to give our users reason to see the long-term value of getting to know their sleeping habits and gain insight into how daily activities affect them. This is something we have been actively working on since launch and the work, as crucial as it is, continues endlessly. Simply put, value and benefit to the user is of paramount importance and always will be.

¹ Journal of Clinical Sleep Medicine (2019) ² Insomnia in Sweden: a population-based survey. Sleep Disorder (2014) ³ 1177 Vårdguiden: Sömn är viktig för din hälsa (2018) ⁴ <https://www.svt.se/nyheter/inrikes/200-miljoner-somnmedel-skrevs-ut-i-sverige-forra-aret>

The market

HEALTH AS A BUSINESS MODEL

Closely linked to sustainable development, investments in health and well-being also support social, economic and environmental sustainability⁵. In a recent report, the World Health Organisation (WHO) identifies a number of important focus areas where investment in health is expected to make a significant difference to the goal of promoting long-term sustainability: building human capital, increasing labor productivity, and developing competitive medical services and innovations to increase life expectancy and improve quality of life, worldwide.

WHO's conclusions in how we can create a more prosperous world together, follow the trend we identify globally where the market for health and well-being grows twice as fast as overall GDP. As a reaction, it creates an increased interest in wellness-driven design, innovation, technology, products and consumer experiences⁶.

YOU SNOOZE, YOU WIN

Employers globally are appreciating the importance of investing in health and well-being for their employees. As attention on this and budgets increase, we also see how the demand for tools and services continues to grow. Investment in sleep health has great potential to make a difference both socially and financially, regardless of industry and size of company.

THE GLOBAL SLEEP MARKET

In 2020, the global market for sleep health was valued at ~ SEK 450 billion and worldwide the trend shows continued growth driven by

the need to find new ways and tools for better sleep⁷. The sleep market spans two giant areas, mobile health applications and sleep aids. Perfectly positioned between these two large expansive markets, Sleep Cycle sits in a unique position where our product offering has a strong foundation to be able to deliver in both the segment for health applications and sleep aids.

TECHNICAL SLEEP SOLUTIONS

There's an abundance of technical solutions created with the aim of enhancing sleep. Sleep masks, meditation apps, bracelets, rings and mattresses. The list is long of products developed with the specific goal of offering relaxation or optimizing sleep hygiene and environment. Apps for sleep analysis have also been around for some time now. Sleep Cycle was first to market in 2009 and sits on the largest market share globally. An advantage that is preserved and continues to grow as we find new sales channels and expand our offering.

From the very beginning, Sleep Cycle has been available on smartphones. Smartphone development continues to innovate at a fast pace even in expansive markets, and more and more people gain access as bandwidth is expanded and more cost-effective devices and subscriptions are offered. Today, 50% of the world's population owns a smartphone, compared to 2012 when smartphone penetration was just a fourth of that. Sleep Cycle reaches people with sleep problems no matter where they are and can with information and insights, educate and coach for change in such a way that doctor appointments in many cases become unnecessary.

In addition to smartphones, the most widely used device for health monitoring is smartwatches. Today, Apple sells more watches than the entire Swiss watch industry, but it looked completely different five years ago⁸. We predicted how the trend would grow and were proven correct in how fast new habits can be adopted among consumers. Today, we are an established service on all of the most used Android and iOS watches. Devices like these enable disconnection from the mobile phone and the technology for smartwatches continues to develop, which leads to exciting innovation in the development of products and services.

Intelligent home devices enable you to control most things in the bedroom with the help of automated solutions through, for example, Apple HomeKit, Alexa or Google Home. For several years now, we have been working with light automation with Philips Hue and we continue to actively seek new opportunities to add value for users who are connected through home platforms. The possibilities are endless and it will be exciting to follow how our users' habits adapt and change in line with this development.

THE UNION OF UTILITY, FUNCTION AND INNOVATION

When implementing Sleep Cycle on new platforms and devices to offer our services, our process always begins with the purpose. You do not measure your sleeping habits because there happens to be tools available that support the function, you measure your sleeping habits because it benefits and improves health, mood and life overall. This is where the challenge lies. To embrace and integrate new technology and innovation that adds value to the function of the service and product. It is about being present where the user is active in a way that feels natural and

that improves or simplifies the user experience. Therefore, we continue to keep a close eye at global consumer trends, stated needs and innovative new technology in our work to maintain our position as the leading provider of sleep analysis, worldwide.

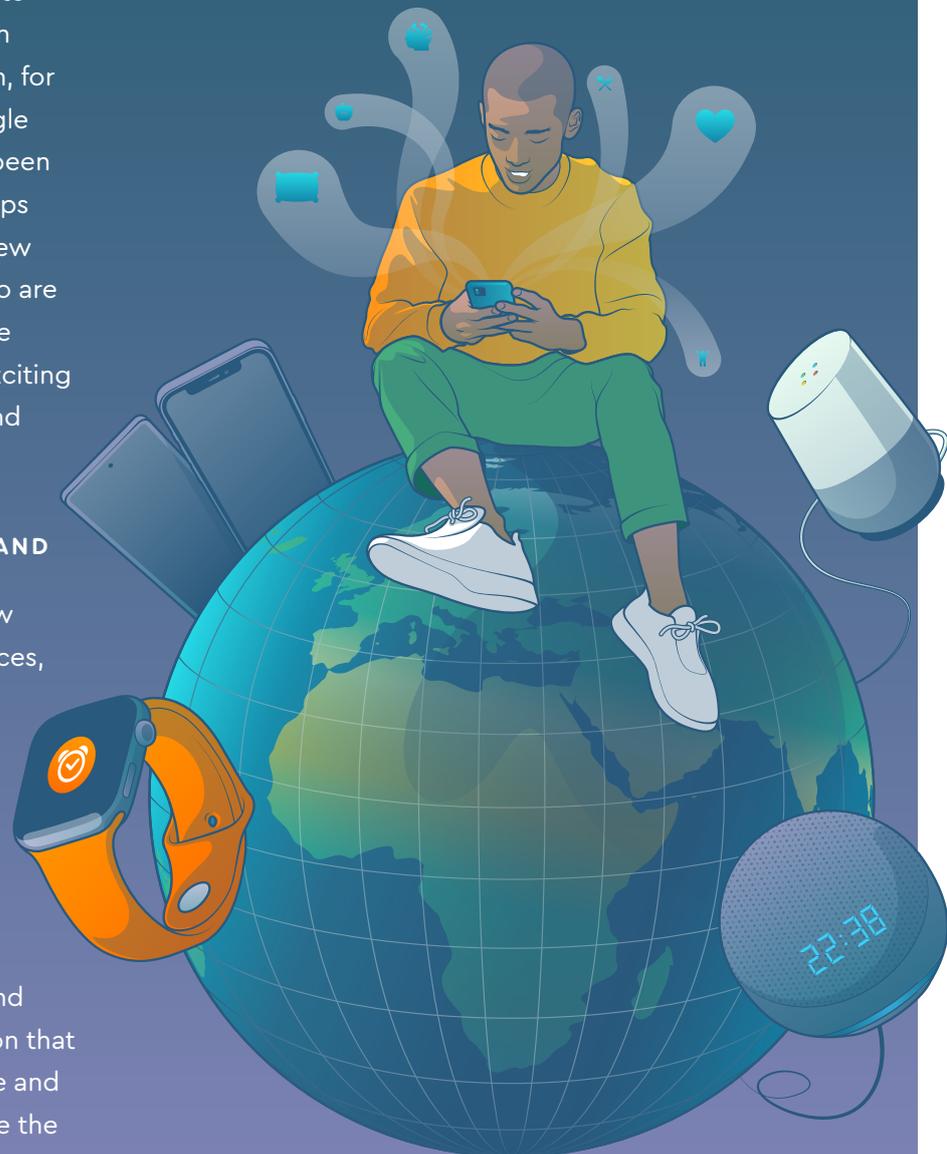
⁵ WHO Health Evidence Network Synthesis Report 51 (2020)

⁶ Strategy& Internal Marketing Analysis report (2020)

⁷ Strategy& Internal Marketing Analysis report (2020)

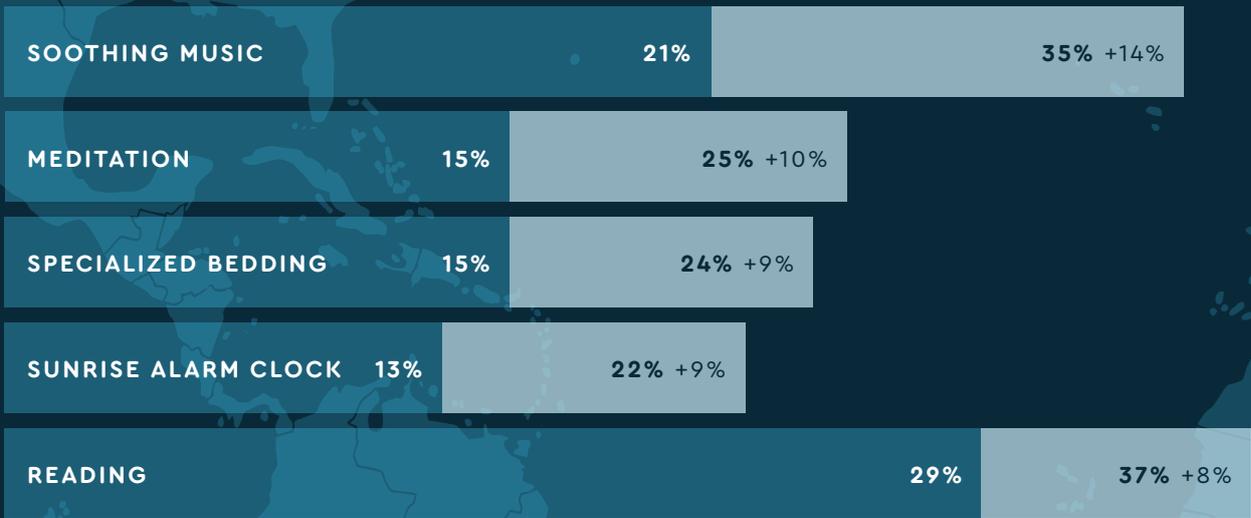
⁸ StrategyAnalytics Report – Half the world owns a smartphone (2021)

⁹ The Verge – The Apple Watch continues to dominate the market (2020)



The world's sleep in numbers

THE USE OF ALMOST EVERY LIFESTYLE AIDS TO HELP IMPROVE SLEEP HAS INCREASED.
● 2021 COMPARED TO ● PREVIOUS YEAR¹⁰.



ADULTS COMPLETELY OR SOMEWHAT SATISFIED WITH THEIR SLEEP¹³

 40%

 40%

 35%

 29%



COUNTRIES THAT SLEEP THE MOST:
FINLAND, NEW ZEALAND, UK¹¹

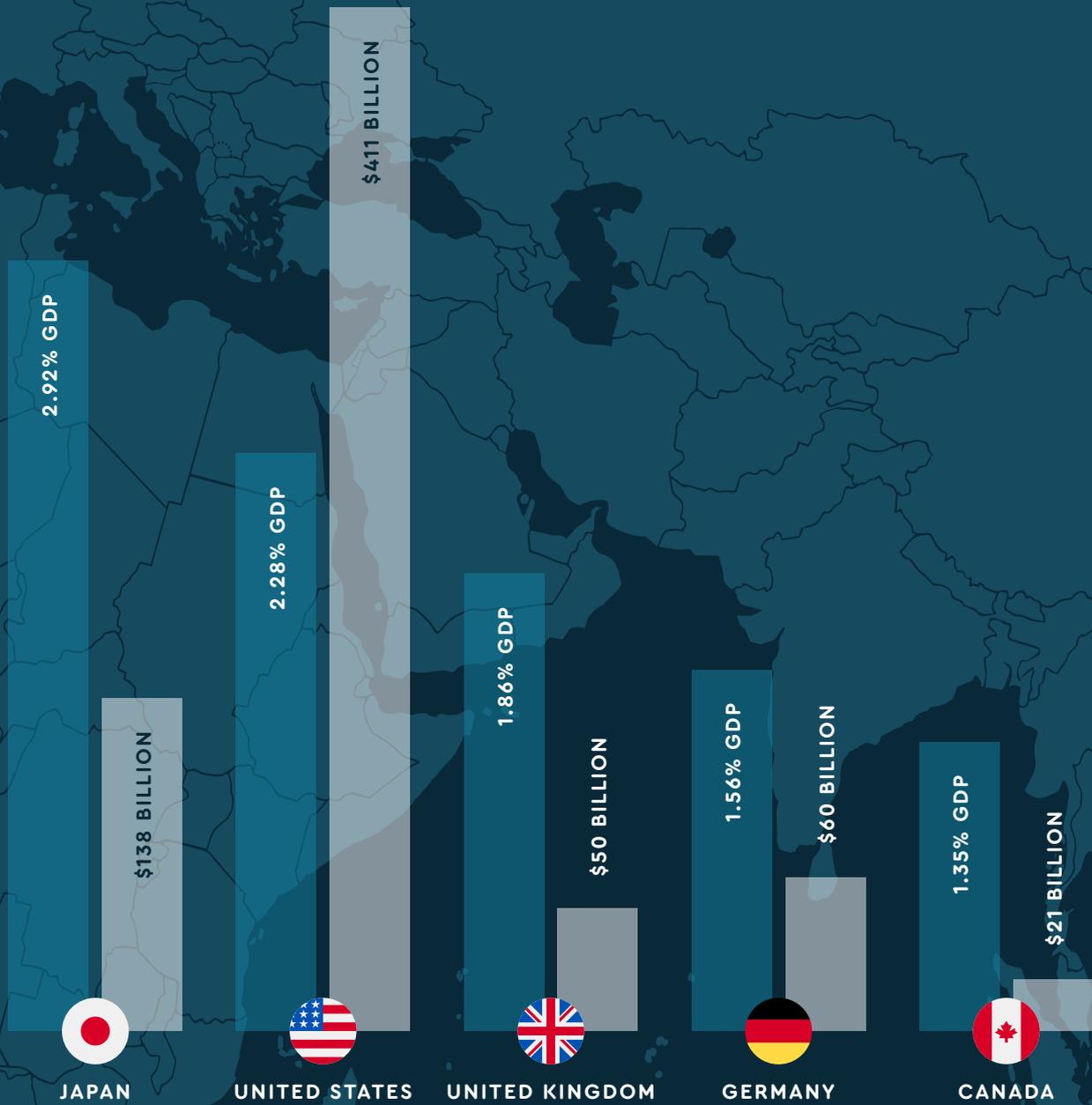


COUNTRIES THAT SLEEP THE LEAST AND
THE WORST¹²: VIETNAM, SOUTH KOREA

6 / 10

COLLEGE STUDENTS IN THE UNITED STATES
DO NOT GET ENOUGH SLEEP¹⁴

COST OF INSUFFICIENT SLEEP
WORLDWIDE



¹⁰ Philips Sleep Survey 2021, ¹¹ Sleep Cycle Sleep Survey 2021, ¹² Sleep Cycle Sleep Survey 2021, ¹³ Philips Sleep Survey 2021
¹⁴ American Academy of Sleep Medicine (2021), ¹⁵ Rand Why Sleep Matters (2021)



Sleep Cycle product offer

Sleep Cycle is a leader in the development of AI-based sleep analysis. The Sleep Cycle application is central to our product portfolio, which together with our offer to the corporate market, 'Sleep Cycle Boot Camp', constitutes our sleep product portfolio.

SLEEP CYCLE MOBILE APPLICATION

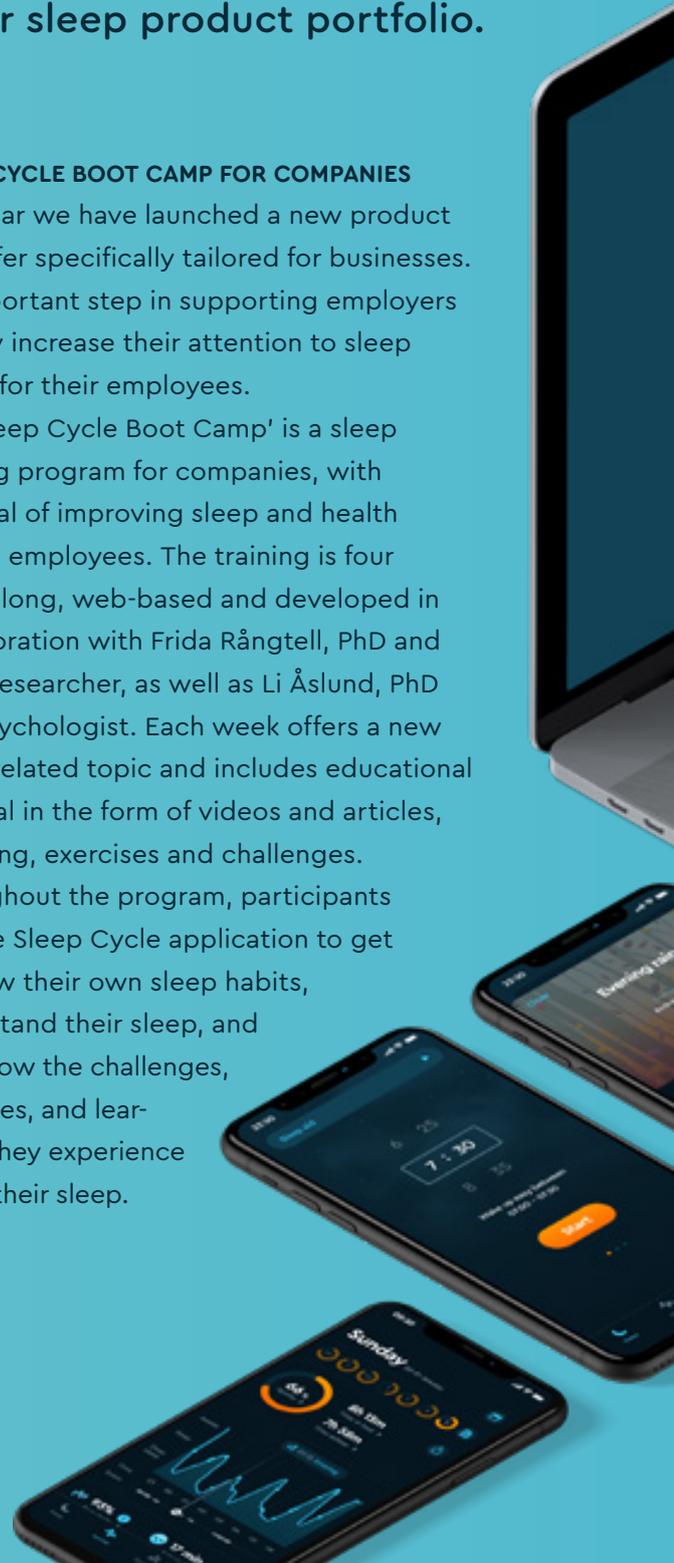
Sleep Cycle is an autonomous sleep tool at large. Turn on the app before bedtime, put away the phone, and Sleep Cycle will take care of the rest. Since its launch in 2009, Sleep Cycle has evolved from an app focusing on waking the user in a light sleep phase to a comprehensive holistic sleep solution. Over the years, a strong focus on customer value has resulted in a constant 4.5+ ranking in our distribution channels. The technology has evolved from the use of the accelerometer in measuring sleep to the launch of patented sound analysis and implementation of machine learning in data collection and analysis.

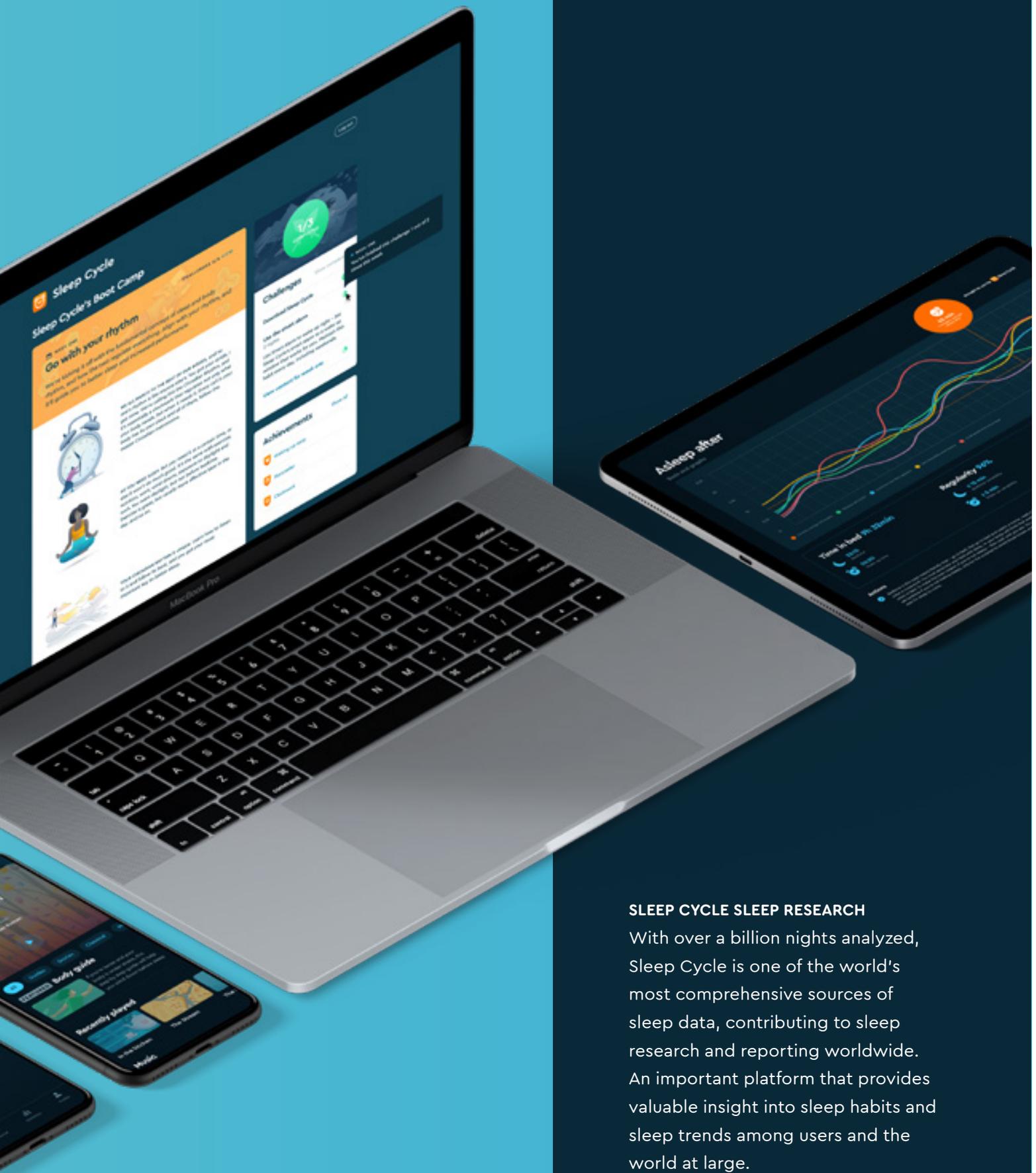
Sleep Cycle offers a large audio library of relaxing music, meditations and stories to help you fall asleep easier. With patented sound analysis, Sleep Cycle detects the body's movement patterns during the night, analyzes sleep and correlates its results with surrounding factors and daily activities. Sleep Cycle wakes you up in a light sleep phase, which gives a feeling of waking up easy feeling rested, without an alarm. The results from the sleep analysis are presented in the form of insights and graphs which are easy to understand and provide personal guidance on how you can learn more about your sleep and improve it.

SLEEP CYCLE BOOT CAMP FOR COMPANIES

This year we have launched a new product and offer specifically tailored for businesses. An important step in supporting employers as they increase their attention to sleep health for their employees.

'Sleep Cycle Boot Camp' is a sleep training program for companies, with the goal of improving sleep and health among employees. The training is four weeks long, web-based and developed in collaboration with Frida Rångtell, PhD and sleep researcher, as well as Li Åslund, PhD and psychologist. Each week offers a new sleep-related topic and includes educational material in the form of videos and articles, coaching, exercises and challenges. Throughout the program, participants use the Sleep Cycle application to get to know their own sleep habits, understand their sleep, and learn how the challenges, exercises, and learnings they experience affect their sleep.





SLEEP CYCLE SLEEP RESEARCH

With over a billion nights analyzed, Sleep Cycle is one of the world's most comprehensive sources of sleep data, contributing to sleep research and reporting worldwide. An important platform that provides valuable insight into sleep habits and sleep trends among users and the world at large.



Sleep Cycle of tomorrow

Sleep optimization in the future offers expansive opportunities in both product development and accessibility of our services in additional channels, platforms and through new partnerships.

We are in the midst of a development phase where we strongly focus on continuing to expand Sleep Cycles coaching functionalities, in order to guide our users to better sleep in a more personal and tailored way, based on learnings and knowledge from the vast sleep database we have accumulated over the years. We do this by optimizing the app's analytical ability of personal sleep habits, exploring how we can show statistics and insights to users in a way that is even more engaging. An example of recently added features is 'Sleep Goal' where the user now has the opportunity to set goals for sleep quality. This feature allows us to learn more about the specific user's goals and gives us better tools to guide the user to better sleep. Over time, we hope through correlations of different sleep values, to be able to provide such detailed analytics that detection of clinical sleep problems will be possible.

To continue to facilitate use and make Sleep Cycle even more accessible, we will

soon launch automated sleep analysis for activity watches. This means the user no longer needs to remember to start Sleep Cycle when it is time for bed. Instead, the app will start automatically. With this feature we hope to increase use on both weekdays and weekends, which in turn leads to even better statistics about users' sleeping habits and enables more in-depth analytics and insights.

We have a long list of initiated contacts with potential partners in sleep health that we are currently evaluating and exploring. We are working to be on the platforms and in the channels where our potential users already reside and have formed routines, beyond the distribution channels we have well established today. For example, in occupations where sleep analysis is a must for safety and health, like in transport, sports and shift work. Not to forget healthcare where an understanding of sleep habits has a significant effect on medical conditions, diagnostics and prescription treatment.

WE ARE IN THE MIDST OF A
DEVELOPMENT PHASE

Financial objectives



GROWTH

Sleep Cycle aims to have an annual net sales growth of at least 30% adjusted for currency effects from 2022 onwards.

PROFITABILITY

The company aims to prioritize growth over profitability, aiming for an EBIT margin of approximately 20% in the medium term, while the long-term EBIT margin will exceed 30%.

DIVIDEND POLICY

The company's board intends to use the cash flow generated for continued investments in growth. Each year, the Board shall evaluate the possibility of distributing a dividend, taking into account both the development of the business and its operating profit and financial position.

The share and largest owner

OUTSTANDING OPTION PROGRAM

Options program	Number of options	Corresponding number of shares	Proportion of total shares	Exercise price	Exercise period
TO 2019	6,624	848,998	4.4%	19.8	2022
TO 2020	1,225	147,000	0.8%	88.9	2023
TO 2021 series 1	191,159	191,159	1.0%	94.5	2024
TO 2021 series 2	18,595	18,595	0.1%	94.5	2025
CEO LTIP	340,909	340,909	1.8%	241.2	2026
Total	558,512	1 546,661	8.0%		

LARGEST SHAREHOLDERS OF SLEEP CYCLE AB (PUBL) AS OF 31 DECEMBER 2021

Owner	Number of shares	Votes and capital
Maciek Drejak through company	8,527,190	44%
Pierre Siri through company	4,609,291	24%
Handelsbanken Microcap	1,050,533	5%
Skandia Fonder	714,285	4%
Petter Wallin	691,394	4%
Coeli Funds	621,546	3%
Nordnet Pensionsförsäkring	584,984	3%
SEB Nanocap	430,000	2%
Avanza Pension	408,405	2%
Lancelot Avalon	305,000	2%
Other	1 485,943	8%
Total	19,428,571	100%

The company's share has been listed on Nasdaq Stockholm since 8 June 2021.

The share capital amounted to TSEK 540 on the balance sheet date.

The Board



LARS M. BERG

**CHAIRMAN OF THE BOARD AND
CHAIRMAN OF THE REMUNERATION
COMMITTEE SINCE 2020.**

Born: 1947.
B.Sc. Business and Economics,
Gothenburg School of Economics.

Lars Berg has a background as CEO and President, including as President of Telia. He has also been a member of Group Management at Ericsson and a member of the Executive Management team at German Mannesmann Group with responsibility for telecom operations.

OTHER BOARD ASSIGNMENTS: -

PREVIOUS BOARD POSITIONS:
Chairman of the Board of NORMA Group SE, Net Insight AB, Eniro and Greater Than. Board member of Schibsted AS, Telefonica Mobile and Tele2.

SHARES IN THE COMPANY: 38,015.
WARRANTS: 24,000.



ANNE BROENG

**BOARD MEMBER AND CHAIRMAN
OF THE AUDIT COMMITTEE
SINCE 2020.**

Born: 1961.
M.Sc. Economics, Aarhus
University .

Anne works professionally as a board member and has broad experience of public and private companies. Previously, she served as CEO, CFO and CIO of PFA Pension.

OTHER BOARD ASSIGNMENTS:
Chairman of the Board of Velliv and Asta & Jul.P Justesen Fond. Board member of NNIT A / S, VKR Holding, Aquaporin A / S, Rambøll Group and ATP.

PREVIOUS BOARD POSITIONS:
Board member of Nasdaq Nordic ltd., Danske Commodities, Bikuben Fonden, Købmand Hermand Sallings Fond and related companies as well as Pension Danmark.

SHARES IN THE COMPANY: 10,000.
WARRANTS: 12,000.



OLOF NILSSON

BOARD MEMBER AND MEMBER OF THE AUDIT COMMITTEE SINCE 2020.

Born: 1969.

M.Sc. Physics, Royal Institute of Technology (KTH) in Stockholm.

Olof joins the Sleep Cycle board with 25 years of experience from the venture capital industry as a VC investor, entrepreneur and board member. Olof has previously worked as head of early investments in the Swedish state pension fund AP6, where he also launched a new mandate to invest in American technology funds. Before this he was co-founder and COO at the incubator IQube.

OTHER BOARD ASSIGNMENTS:

Marton Sverige AB, Marton 1 Holding AB, High Estate AB, Marton International AB and ViOchOl Advisers AB.

PREVIOUS BOARD POSITIONS: –

SHARES IN THE COMPANY: 428.

WARRANTS: 12,000.



RASMUS JÄRBORG

BOARD MEMBER AND MEMBER OF THE REMUNERATION COMMITTEE SINCE 2020.

Born: 1976.

M.Sc. Economics, Stockholm School of Economics.

Rasmus has a background and vast experience from digitization and digital channels in the financial industry. He has been working as Chief Product Officer at Nordnet since 2018 and in 2021 he was also appointed Deputy CEO of Nordnet. His background includes several senior positions at SEB, such as Chief Strategy Officer with responsibility for the bank's digitization and digital channels. Rasmus has previously also worked at the Global Investment Bank UBS in London.

OTHER BOARD ASSIGNMENTS: –

PREVIOUS BOARD POSITIONS:

Chairman of the Board at Shareville AB. Board member of Nordnet Ventures AB.

SHARES IN THE COMPANY: 32,000.

WARRANTS: 12,000.



ÖDGÄRD ANDERSSON

BOARD MEMBER SINCE 2021.

Born: 1972.

M.Sc. Engineering, Chalmers University of Technology, Gothenburg.

Ödgård is the CEO of Zenseact AB, a company with the task of creating software for autonomous cars. With extensive experience in technical innovation and the telecom industry, she has a background in a number of different positions at Volvo Car Group, including Chief Digital Officer and VP Vehicle SW & Electronic. Prior to her years in the automotive industry, Ödgård worked for over 20 years in the telecom industry within Ericsson, amongst other roles, as VP Vehicle SW & Electronics and as head of Ericsson's Gothenburg office.

OTHER BOARD ASSIGNMENTS: –

PREVIOUS BOARD POSITIONS: Board member of Opus Group AB (publ).

SHARES IN THE COMPANY: 428.

WARRANTS: 12,000.

Ledningen



CARL JOHAN HEDEROTH

CEO SINCE 2018.

Born: 1980.
B.Sc. Informatics, Gothenburg School of Economics.

With a strong entrepreneurial background, Carl Johan is amongst other companies, co-founder of MATCHi – Sweden's leading booking platform for sports. His broad knowledge within product and business development comes from his previous background as a consultant for a number of large companies, including Volvo, Gemalto and Telia.

SHARES IN THE COMPANY: 24,500.
WARRANTS: 589,909.



PER ANDERSSON

CFO AND HEAD OF INVESTOR RELATIONS SINCE 2021.

Born: 1983.
M.Sc. Economics, Gothenburg School of Economics.

Per is a growth-oriented CFO with broad experience within strategy, business planning, capital markets and financial analysis. Prior to Sleep Cycle, he worked as CFO at listed Gapwaves AB. Previous experience includes positions at KPMG Deal Advisory, Mondelez International and PwC.

SHARES IN THE COMPANY: 3,990.
WARRANTS: 51,057.



CECILIA MIKKOV

CHRO SINCE 2021.

Born: 1976.
B.Sc. Personnel Science with a focus in Psychology, Stockholm University.

Cecilia has a wealth of experience building and developing technology companies as well as leadership experience with responsibility for issues such as personnel, recruitment and organizational development in Swedish and international organizations. Prior to Sleep Cycle, Cecilia worked at NetEnt for 11 years in a number of different HR roles, most recently as Head of HR CoE.

SHARES IN THE COMPANY: 0.
WARRANTS: 14,063.



SAMUEL CYPRIAN

CCO SINCE 2021.

Born: 1983.

M.Sc. Engineering, Computer Science, Uppsala University.

Samuel comes from a long experience within marketing and business development. Before his role at Sleep Cycle, Samuel was involved and broke new ground on Spotify. He was a key figure in the growth team and was involved its early expansion phase. Prior to Sleep Cycle, he worked as a growth manager at Projectplace and as a CMO at Werlabs.

SHARES IN THE COMPANY: 0.

WARRANTS: 95,570.



SANDRA HANSSON

CPO SINCE 2021.

Born: 1987.

M.Sc. Engineering and M.Sc. Industrial Ecology, Chalmers University of Technology, Gothenburg.

With a full focus on product and end customer and with a broad experience in digital consumer products, Sandra leads all initiatives linked to Sleep Cycle's product. Prior to her job at Sleep Cycle, Sandra worked as a Senior Product Manager at Spotify. She began her journey in product development as a software developer at Collector Bank, where she then advanced to product owner for consumer-focused online services.

SHARES IN THE COMPANY: 0.

WARRANTS: 45,812.



MIKAEL KÅGEBÄCK

CTO SINCE 2020.

Born: 1981.

Ph.D. Technology and Computer Science, Chalmers University of Technology, Gothenburg.

In his role as CTO at Sleep Cycle, Mikael works, amongst other things, as head of the core technology team with our machine learning research. That research is central to Sleep Cycle. It drives our business forward and enables our users to gain insight into sleep quality and habits. Mikael's previous experience includes several years as a Ph.D student in machine learning and AI at Chalmers, and as a system architect at H&M through Extenda and developer for the Swedish Air Force.

SHARES IN THE COMPANY: 492.

WARRANTS: 71,012.



Sustainability

The purpose of Sleep Cycle is to help people sleep better and by doing so, contributing to an increased quality of life and better health. With this as our guide, we conduct long-term sustainability work that is characterized throughout by a business-ethical, social and environmental responsibility.

SLEEP CYCLES FEM FOKUSOMRÅDEN

Sleep Cycle offers one of the world's most used sleep services and is an important part of millions of peoples' lives. Conducting long-term sustainability work is a matter of course for us and within the framework of our operations, five areas have been identified as the most important for us to work with, follow up and report on. We also see that our activities can contribute to a number of the UN's Global Goals.

By concentrating on these five areas of sustainability, our ambition is to contribute in every way to maximize the positive values that

the business creates for our users, employees, researchers / health sector and owners. It is also our responsibility to minimize the business's risks through proactive sustainability work, robust processes, compliance with regulations and high business ethics. Sleep Cycle's code of conduct sets the framework for how we act as a company as well as for how our employees act in relation to customers, suppliers and the rest of society. The Code of Conduct covers all employees and all companies owned or controlled by Sleep Cycle. For more information see Code of Conduct*.

* https://investors-wp.sleepcycle.com/wp-content/uploads/2021/11/Code-Of-Conduct_Design.pdf



1. CUSTOMER INTEGRITY

Strict regulatory compliance to protect customer data.

2. ATTRACTIVE WORKPLACE

Remain an attractive workplace by offering a healthy work environment where employees thrive and develop. SDG 8

3. IMPROVE GLOBAL HEALTH

Help people sleep better and thus contribute to better quality of life and global health. SDG 3

4. PARTICIPATION IN RESEARCH

Participate in research projects to make full use of our data and spread knowledge about the importance of sleep. SDG 17

5. SUSTAINABLE PRODUCT RANGE

Strive to make Sleep Cycle globally available on all devices. SDG 10

FOCUS ON CUSTOMER'S INTEGRITY

Users of Sleep Cycle's sleep service share their sleep data with us voluntarily by choosing to opt in. Managing personal sleep and health data in a way that builds continued trust and customer satisfaction is therefore business critical for Sleep Cycle. Fundamental to good customer integrity is that it is based on compliance with laws and internal regulations that specify how the user's sleep and health data are to be protected or used. In connection with the European Data Protection Regulation, GDPR put into practice, a Data Protector Officer was appointed who is continuously involved in all processes where personal data is handled and stored. This to ensure that the processing of data is based on a legal premise and that relevant security measures are taken. The starting point for our work with customer integrity is the following:

- No data is transferred from the user's device without the user's active and direct permission, which the user can revoke at any time.
- The sleep data that the user chooses to share is stored with encrypted upload in cloud-based data centers and used in anonymized and aggregated form.
- Our data and risk management policies govern the work and affirm approved authentication

methods as well as descriptions of how data access should take place at each role level.

We continuously carry out internal information efforts to ensure a high level of awareness among employees about the importance of customer integrity, coupled with good knowledge of the regulations that govern the handling of personal data.

ATTRACTIVE WORKPLACE

We are convinced that employees with different backgrounds, genders, ages and experiences enrich the business and make us a more creative, profitable and efficient organization. Our mission as an employer is therefore to be an attractive workplace that offers a gender-equal, inclusive and healthy work environment where employees thrive and have good opportunities for individual development. In addition, a workplace where there is an obvious zero tolerance for discrimination and sexual harassment, and where there is an opportunity to adapt the work to the prevailing life and family situation.

WE ARE BUILDING AN ORGANIZATION FOR THE FUTURE

Sleep Cycle is growing and at the end of 2021, the number of employees at Sleep Cycle was 44 people. During the year, we also expanded



our management team with an HR manager responsible for recruitment and personnel. This year's employee survey showed a thriving workforce with low staff turnover and the majority of employees would recommend a friend to work with us.

CONTRIBUTION TO BETTER GLOBAL HEALTH

Good health is a basic prerequisite for people's opportunities to reach their full potential and to contribute to progress in society. With our sleep service, we help people sleep better and can thus contribute to a better individual quality of life and in the long run to better global health. We already know that our service has a positive impact on users' sleep as 72 percent of our users say they sleep better with the help of Sleep Cycle's sleep service.

IMPORTANT CONTRIBUTION FOR SLEEP RESEARCH

Sleep research is relatively young, and is challenging as it relies on large amounts of data on human sleep. Powered by our huge sleep database, we can make an important contribution to sleep research globally. Sleep Cycle collaborates with a number of research institutions and universities around the world in order to increase understanding of sleep and drive research forward in this field through access

to anonymised and aggregated sleep data.

SUSTAINABLE PRODUCT RANGE WITH GLOBAL AVAILABILITY

Sleep Cycle strives to democratize the availability of sleep aids. Our contribution is to ensure that our sleep service can be used on smart phones and other smart devices worldwide. In addition, the service is useful in the long-term as its available and updated even for older versions of mobiles and operating systems.

CONSCIOUS CHOICES TO REDUCE THE ENVIRONMENTAL FOOTPRINT

The direct negative environmental impact that our operations create is mainly in connection with business trips and the electricity consumption of the office premises. The energy consumption in the data centers operated by third-party suppliers is in turn responsible for indirect emissions from purchased electricity, heating and cooling.

With a focus on what we can influence directly, we take small, but important steps towards a reduced environmental impact. It is above all a matter of reducing our own footprint by using trains and public transport for business trips whenever possible. In 2022, parts of the business will also move to new office premises in a BREEAM-certified property.



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MANAGEMENT REPORT

The Board and CEO for Sleep Cycle AB (publ), corporate ID number 556614-7368, with its registered office in Gothenburg, hereby submits the annual and consolidated financial statements for the financial year 2021.

ABOUT THE BUSINESS

Sleep Cycle is one of the world's most downloaded health apps, and a leader in the field of sleep monitoring on App Store and Google Play. The parent company Sleep Cycle AB was created in 2009, and the group's headquarters are in Gothenburg. The company develops sleep and health-related apps for smart telephones and e-readers, as well as websites. With the help of its patented audio analysis, Sleep Cycle monitors sleep patterns during the night, analyzes them and correlates the results with everyday factors that affect sleep quality, with the purpose of improving users' sleep worldwide. Sleep Cycle is a global distributor of its holistic sleep service, and is represented in over 150 countries with 48 million downloads.

THE GROUP'S KEY PERFORMANCE INDICATORS

TSEK	2021	2020
Net sales	182,937	159,448
Net sales growth (%)	14.7%	30.0%
Currency-adjusted net sales growth (%)	21.6%	26.9%
Operating profit/loss	10,325	56,243
Operating margin (%)	5.6%	35.3%
Adjusted operating profit/loss	36,386	63,744
Adjusted operating margin (%)	19.9%	40.0%
Adjusted operating margin excluding marketing costs (%)	42.8%	52.3%
EBITDA	12,373	56,874
Adjusted EBITDA	38,434	64,375
Profit for the period	8,110	44,043
Adjusted operating cash flow	36,791	76,161
Adjusted cash conversion (%)	95.7%	118.3%
Operational key performance indicators		
Total subscriptions (Thousands)	901	788
ARPU (SEK)	212	212
Average number of employees (#)	33	22

Calculation and explanation of key performance indicators in the alternate key performance indicators on pages 57–58.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- In the first quarter, Weekly report was launched as a new feature. By means of this feature, users are given the opportunity to get new insights about their sleep's development, while the product's relevance increases with time.
- At an extraordinary annual general meeting in April, it was decided to increase the share capital to TSEK 500 by means of a directed share issue to one of the Company's owners. It was also decided to register Sleep Cycle as a public company.
- On 8 June, Sleep Cycle's shares were listed on Nasdaq Stockholm. In connection with the IPO, a new share issue was carried out, providing the company with approximately MSEK 100 before transaction costs. After the IPO, the number of shares now totals 19,428,571, and the share capital totals TSEK 540.
- In August, it was announced that Sleep Cycle, through a partnership with Samsung, is integrating some of its snoring detection technology into Samsung Health. Sleep Cycle received MSEK 3.3 in compensation. New users have been generated through the collaboration from September.
- During the third quarter, a project was completed to classify Sleep Cycle's data as health data from a privacy perspective. As a result of this change, a higher classification was adopted, which creates opportunities to develop the application to target the medical field.
- In the third quarter, Sleep Cycle was launched as an Android Wear app, and won the "Best of Wear" award in December.
- In the fourth quarter, Sleep Boot Camp was launched, which is a sleep education program aimed at companies. Among the first

organizations to attend Sleep Boot Camp were Polestar and Djurgårdens IF.

- In October, Google announced that it was reducing the commission on all Google Play sales from 30% to 15% from 1 January 2022. Sleep Cycle's expected impact on earnings from the reduction is estimated at approximately MSEK 2 for the full year 2022.
- In 2021, a defined contribution occupational pension was adopted for all employees starting from 2022.
- As a step in the company's development, the management team has been expanded with Sandra Hansson (CPO), Per Andersson (CFO) and Cecilia Mikkov (CHRO).

INCOME, COSTS AND EARNINGS

The group's net sales increased during the year by 14.7 (30) % compared to the previous year, and amounted to TSEK 182,937 (159,448). Currency-adjusted net sales growth was 21.6 (26.9)%. The sales increase is mainly a result of new users both through organic growth and conversion-driven marketing channels, as well as through high renewal levels. The number of users increased by 14.3% from 788 k to 901 k. New sales channels such as partnerships, and sales to companies have also contributed. Average revenue per user (ARPU) was SEK 212 (212). The total currency effect amounted to approximately MSEK -10.9, with all of the six currencies with the most turnover developing negatively compared to the previous year.

Operating profit amounted to TSEK 10,325 (56,243), and the operating margin was 5.6 (35.3)%. Adjusted for one-off costs, operating profit amounted to TSEK 36,386 (63,744). EBITDA was TSEK 12,373 (56,874) and adjusted EBITDA amounted to TSEK 38,434 (64,375). The drop in profit and margin is explained by increased investments in marketing and a larger organization, together with costs related to the IPO of Sleep Cycle, as well as strategic projects that have been pursued prior to the IPO. One-off costs are related to the IPO and have affected other external costs negatively by TSEK 23,309 (7,501). Personnel costs of TSEK 2,752 (0) were recognized in relation to the IPO in the second quarter.

Net financial income during the year amounted to TSEK -78 (-150). Tax on the year's earnings was TSEK -2,137 (-12,050). Overall, the group's earnings for the year amounted to TSEK 8,110 (44,043).

In early 2021, Sleep Cycle initiated a new strategic plan for increased growth in the coming years. This means increased investments in marketing, product development and organization compared to previous years. Marketing expenses during the year amounted to TSEK 41,997 (19,584), and adjusted operating profit excluding marketing costs amounted to TSEK 78,383 (83,328), corresponding to a margin of 42.8 (52.3) %.

CASH FLOW AND FINANCIAL POSITION

The group's liquidity continues to be strong and meet our business needs driven by positive financial results and advance payments.

Cash flow from operating activities for the period amounted to TSEK 20,089 (46,148). The decline versus 2020 is driven by the drop in profit and the reasons for this.

Cash flow from investment activities amounted to TSEK -5,935 (-16) related to capitalized development expenses and the acquisition of tangible assets. As of 2021, the Company believes that it meets the requirements of IAS38 for capitalizing development expenses linked to specific projects. On a like for like basis, the adjusted operating cash flow amounts to TSEK 36,791 (76,161).

Cash flow from financing activities during the period amounted to TSEK 98,218 (-51,343), with the new share issue of TSEK 100,000 carried out in connection with the IPO providing the Company with TSEK 95,350 after deducting transaction costs. In addition, the Company received TSEK 4,281 from premiums from the employee option program. During 2020, dividends of TSEK 51,435 were paid, which explains the negative cash flow for the period.

Cash flow for the period amounted to TSEK 112,372 (-5,211). The group's cash and cash equivalents amounted to TSEK 165,508 (53,136) at the end of the period.

The group's equity amounted to TSEK 108,898 as of 31 December. The opening balance was TSEK 127, and the change is mainly explained by the new share issue made in connection with the IPO.

OPERATIONAL KEY PERFORMANCE INDICATORS

In 2021 Sleep Cycle saw user numbers increase by 14.3% (10.1%) to 901k (788k) vs the previous year. Average revenue per user (ARPU) was SEK 212 (212).

PARENT COMPANY

Since all material activities in the group are conducted in the parent company, the comments above refer to both the parent company and the group.

The parent company's turnover amounted to TSEK 182,937 (159,448), and operating profit amounted to TSK 10,271 (56,245). Adjusted for one-off costs, the parent company's operating profit amounted to TSEK 36,332 (63,746).

The result from financial items amounted to TSEK -129 (-109). Tax on the year's earnings was TSEK -2,135 (-12,051). The year's profit amounted to TSEK 8,007 (44,085). Cash and cash equivalents amounted to TSEK 165,379 (53,091) on the balance sheet date. The parent company's cash flow amounted to TSEK 112,288 (5,181). Equity amounted to TSEK 108,859 (190) on the balance sheet date.

INNOVATION AND DEVELOPMENT WORK

Innovation and development work is a cornerstone of the group's strategy to reinforce the customer offering, thereby ensuring future organic growth. In 2021, a series of new product features was introduced to the Sleep Cycle app, such as Weekly report, Sleep goals and Other sounds on the Android platform. In addition to this, Sleep Boot Camp was also developed and launched as an offer for corporate customers.

The group's expenditure for research and development amounted to TSEK 23,041 (15,214) in 2021. Of this, TSEK 18,052 (13,017) was expensed as personnel costs, TSEK 4,989 (2,197) was expensed as other external costs, and TSEK 5,013 (0) was capitalized as intangible assets. For further information, see notes 12 and 17.

PERSONNEL

The average number of employees in the group in 2021 totalled 33 (22), all of whom are employed in Sweden.

RISKS AND UNCERTAINTIES

PRODUCTION DISTRIBUTION

Sleep Cycles' product is mainly sold through two platforms, and is therefore dependent on these platforms to keep and attract new users. Depending on just two distributors entails a risk both for product distribution and Sleep Cycle's growth. Sleep Cycle therefore actively evaluates different strategic initiatives and possibilities to reduce the risk of being dependent on so few sales channels.

THE COMPETITION AND MARKET

Sleep Cycle is a leader in its sector, and is actively investing in product development. As interest for health and fitness increases, we expect to see interest in creating sleep technology also increase in tandem. Large companies today provide their users with a wide range of products in the same segment as Sleep Cycle's product, which could have a negative effect on Sleep Cycle's market shares. In order to ensure its position in the market, Sleep Cycle is actively working to provide users with an innovative and diversified product offering.

DATA SECURITY AND SENSITIVE DATA

Sleep Cycle handles a large amount of personal data on customers and employees. Sleep Cycle is therefore required to comply with any laws and regulations that are applicable to data protection and privacy, which includes compliance with GDPR. If Sleep Cycle's data security is exposed to a cyber attack or a computer virus, Sleep Cycle risks a drop in consumer confidence, as well as the company's reputation and brand being harmed. Sleep Cycle works on quality control and security on an ongoing systematic basis, which includes policies and guidance documents describing how collaborators must handle and protect sensitive company information. There are also continual reviews of the IT environment and security procedures relating to this, in order to ensure that Sleep Cycle has up-to-date and sufficient security.

SKILLS AND KEY PERSONNEL

Sleep Cycle senior executives and other key personnel have

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considerable experience and skill sets. In order to ensure the company's expansion plans, Sleep Cycle depends on its ability to recruit and keep qualified and competent personnel. If such resources were lacking, the company's future expansion and growth targets could be at risk.

FINANCIAL RISKS

Financial risks refers primarily to risks such as currency risk, interest rate risk, credit risk, counterparty risk and liquidity. Sleep Cycle has a strong liquidity position with no borrowing at present, along with a positive operating cashflow. Risk management is regulated by the Board's established Treasury Policy. The overall responsibility for managing the group's financial risks, as well as for developing methods and principles for managing such risks, lie with the group's management and financial director. See note 4 for more information on financial risks.

COVID-19

The global pandemic that broke out in 2020 in the form of Covid-19 has not had a substantial effect on the business during the year.

EXPECTED FUTURE DEVELOPMENT

The company's expectation is that a larger organization with increased investments in product development during 2021 will contribute to continued and increased growth in sales in 2022 and onwards. The company's ambition is to continue launching new offers, collaborations and sales through new channels in 2022, which is also expected to contribute to a long-term increase in sales. In connection with the IPO in 2021, Sleep Cycle communicated the goal of an operating margin of approximately 20%, which is expected in the coming year. The company's assessment is that Covid-19 is not expected to affect operations in 2022. Sleep Cycle operates in a global market and is available in approximately 150 countries. As of the date of completion of the annual report, it has not been possible to determine whether the sanctions and changed geopolitical situation that have occurred as a result of Russia's invasion of Ukraine will affect the Company.

SUSTAINABILITY AND RESPONSIBILITY

Sleep Cycle's board has adopted a Code of Conduct which permeates the entire organization. The Code of Conduct is based on the UN Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work and the UN Global Compact. The code is reviewed and approved annually by the board. The code applies to all employees and sets the standard for employee professionalism and integrity, with the aim of ensuring that each employee acts legally and appropriately in relation to the company's stakeholders.

The handling of personnel-related matters at Sleep Cycle is based on several policies and routines. The most important is our code of conduct and personnel handbook (including diversity, inclusion and integrity). Responsibility for personnel-related policies lies with the Chief Human Resources Officer ("CHRO"). In 2021, that role was introduced with the intention of running personnel initiatives with a focus on commitment, productivity and business value. An additional priority is to clarify and streamline HR processes throughout the organization.

Sleep Cycles' operations do not involve any special environmental risks and do not require any special environment-related permits or decisions from authorities. Sleep Cycle is a fully digital product and thus does not require transport or manufacturing processes that can entail environmental risks. Sleep Cycle has two offices in Sweden, with a head office in Gothenburg and local office in Stockholm. Travel between the two offices occurs, however meetings between employees at the various offices are mainly held digitally.

PROPOSAL FOR DISPOSAL OF PROFITS

Parent company

Total earnings (SEK) at the disposal of the annual general meeting	
Share premium reserve	102,292,452
Retained earnings	-6,617,932
Profit/loss for the year	8,007,001
	103,681,521
The Board proposes that earnings are appropriated in order to be carried over	103,681,521

Concerning the parent company's and the group's results and position in other respects, please refer to the following results and balance sheets, reports on changes in equity, cashflow analyses and notes. All amounts are given in thousands of Swedish kronor (TSEK) unless otherwise stated.

CORPORATE GOVERNANCE

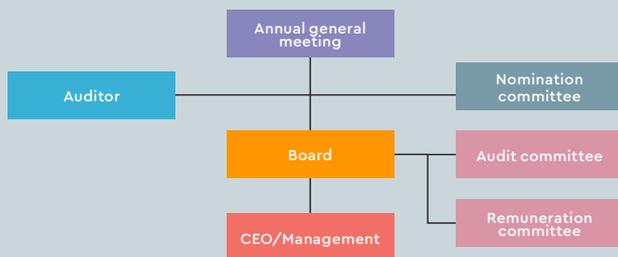
THE BASICS OF SLEEP CYCLE'S CORPORATE GOVERNANCE

Sleep Cycle AB (publ) is a Swedish public limited liability company with offices in Gothenburg and Stockholm. Since 8 June 2021, the company's shares have been listed on Nasdaq Stockholm. The main decision-making bodies are the annual general meeting, the Board and Sleep Cycle's CEO. The annual general meeting appoints the Board, who in turn appoints the CEO, who takes care of day-to-day operations in accordance with the Board's guidelines. Corporate governance is an important aspect 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 from the date that its shares were listed on Nasdaq Stockholm. This corporate governance report is part of the Management Report and is submitted in accordance with the Annual Accounts Act and Code. B. The corporate governance report has been reviewed by Sleep Cycle's auditors, in accordance with what is stipulated in pages 60–62.

SHARES

As of 31 December 2021, Sleep Cycle had 19,428,571 shares, all B-shares. Each share in the Company entitles the shareholder to one vote at the Annual General Meeting and each respective shareholder has the right to vote for all shares held by them in the Company. Shareholdings representing at least a tenth of the voting rights of all shares in Sleep Cycle are Maciek Drejak through a company with 43.9 percent of votes, along with Pierre Siri through a company with 23.7 percent of voting rights.

ORGANIZATIONAL CHART



ANNUAL GENERAL MEETING

The annual general meeting for 2020 was held on 19 May 2021 in Gothenburg. In accordance with the Board's proposal, the meeting decided to accept the annual report, and that no dividends shall be paid out for the financial year 2020.

The annual general meeting decided to discharge the Board members and the CEO from liability for the financial year 2020.

The annual general meeting decided that the number of Board members must be five without deputies, and that the number of auditors must be two without deputies. Lars Berg, Anne Broeng, Olof Nilsson, Rasmus Järborg and Ödgård Andersson were reelected as Board members for a period until the end of the next annual general meeting. Lars Berg was reelected as Chairman of the Board. It was decided that TSEK 500 shall be paid out as Board honoraria to the Board's chairman, and TSEK 250 to each of the other members, TSEK 50 to the President of the audit committee, and TSEK 25 to the other members of the audit committee, as well as TSEK 50 to the chairperson of the remuneration committee, and TSEK 25 to other members of the remuneration committee.

In accordance with the Board's proposal, the annual general meeting decided on guidelines for remuneration to senior executives, and principles for the appointment of the nomination committee.

EXTRAORDINARY ANNUAL GENERAL MEETING 16 FEBRUARY 2021

On 16 February, an extraordinary annual general meeting was held. It was decided to appoint Ödgård Andersson as a new Board member for the period until the end of the next annual meeting. It was noted that the Board thereafter consists of Ödgård Andersson, Lars Berg, Anne Broeng, Rasmus Järborg and Olof Nilsson. An annual honorarium of TSEK 250 was adopted for Ödgård Andersson, which is the same honorarium that the other Board members receive.

EXTRAORDINARY ANNUAL GENERAL MEETING 7 APRIL

On 7 April, an extraordinary annual general meeting was held. The annual general meeting decided on a new share issue for TSEK 350, as well as a reduction of share capital by a corresponding amount. The purpose of the reduction concerns provisions for a fund to be used in accordance with a decision by the annual general meeting for a bonus issue, taken on the same day. The meeting decided, in accordance with the Board's proposal, to change category of company from a private to public

company, and to adopt new articles of association. The number of auditors was fixed at two, after which it was decided to, in addition to the present auditors Mazars AB, with Samuel Bjälkemo as principal auditor, elect Anders O Persson, Mazars AB, as auditor.

EXTRAORDINARY ANNUAL GENERAL MEETING 3 MAY 2021

On 3 May 2021, an extraordinary annual general meeting was held. The meeting decided to adopt new articles of association, the change meaning that the pre-emption clause is terminated, and that company shares are thus no longer under a pre-emption clause. The articles of association can be found on Sleep Cycle's website: investors.sleepcycle.com.

The annual general meeting decided that the company's 150,000 issued shares, with a quota value of approximately SEK 3.33, shall be divided by means of a split (120:1) into 18,000,000 shares with a quota value of approximately SEK 0.03.

EXTRAORDINARY ANNUAL GENERAL MEETING 7 JUNE 2021

On 7 June 2021, an extraordinary annual general meeting for Sleep Cycle AB was held. The annual general meeting decided on a long-term incentive program for employees and the CEO. The issue of a maximum of 204,546 warrants in Series 1, as a consequence of which the company's share capital can increase by a maximum of SEK 5,681.83, and 22,727 warrants in Series 2, as a consequence of which the company's share capital can increase by a maximum of SEK 631.31. The issue of a maximum of 340,909 warrants in programs designed for the CEO, as a consequence of which the company's share capital can increase by a maximum of SEK 9,469.69.

The annual general meeting also decided on a new issue of a maximum of 1,428,571 shares, as a consequence of which the share capital can increase by a maximum of SEK 39,682.53.

ANNUAL GENERAL MEETING 2022

The next annual general meeting will be held on 10 May 2022.

AUDITORS

At the 2021 annual general meeting, it was decided to reelect Mazars AB as auditors, with Samuel Bjälkemo and Anders Persson as principal auditors. 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.

THE BOARD

The Board is the company's highest decision-making body after the annual general meeting. According to the Swedish Companies Act, the Board of Directors is responsible for the Company's management and organization, which means that the Board is responsible, among other things, for establishing objectives and strategies, for ensuring procedures and systems for the evaluation of set objectives, for continuously evaluating the Company's performance and financial position, and for evaluating operational management. The Board is also responsible for ensuring that the annual report and interim reports are prepared in time. In addition, the Board appoints the company's CEO. 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 also annually reviews and sets out rules of procedure for the Board's audit committee and remuneration committee. The Board is further responsible for preparing and adopting policies, as well as for monitoring compliance with any such policies.

THE COMPOSITION OF THE BOARD

In 2021, the Board consisted of five Board members, three men and two women, appointed by the annual general meeting. The Board works to achieve equality, as well as diversity of skills, gender, experience and culture. Lars Berg was appointed as the company's Chairman. All Board members are independent in relation to the company and its management, and all members, with the exception of Lars Berg, are independent in relation to major shareholders. A more detailed presentation of the Board is found in pages 20–21.

THE BOARD'S WORK IN 2021

In 2021, the Board held 11 board meetings (of which 4 were per capsulam), in all of which the minutes were taken. The Board has established rules of procedure that describe in detail which points of order shall be covered during the different Board meetings throughout the year. In the first part of the year, the Board were focused on preparations for the IPO. Establishment of policies, evaluation of internal controls and risk assessment. One of the annual board meetings concerned the company's strategic orientation, in which the Board evaluated and established the company's

overall objectives and strategy. Other points that were dealt with were the establishment of the budget for the coming financial year, objectives and governance, technical development of the company's product, as well as sleep and health in relation to the market and product development. Reports from the audit and remuneration committees have been dealt with during the course of the year.

Each month, the CEO sends out a monthly report including, among other things, a financial report and current events in the business. The purpose is to keep the Board informed of the development of the company's activities. The Board also approves any financial reports before they are published. The Board regularly evaluates the work of the CEO, but once a year, a formal evaluation is made, in which the company's management are not involved.

Once a year, an evaluation of the work of the Board and its committees is made, in order to create a sound basis for the Board's and its committee's own development work. The Board's chairperson is responsible for the evaluation and its presentation to the nomination committee. In 2021, 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 result of the evaluation has been presented and discussed by the nomination committee. The conclusion was that there was a good mix of skills in the Board, and that the Board works well, which led to the conclusion that no changes need to be proposed at the annual general meeting.

THE BOARD'S COMMITTEE

Members of the committee are appointed at a statutory board meeting, which is held immediately after the annual general meeting.

AUDIT COMMITTEE

The audit committee's duties are described in instructions set out by the Board. The purpose and objective of the audit committee is to monitor the company's financial reporting, monitor efficiency of the company's internal checks and risk management, to stay informed about the audit for the financial year and the consolidated financial statement, to review and monitor the auditor's impartiality and autonomy, as well as to assist in the preparation of proposals for the annual general meeting's choice of auditor.

REMUNERATION COMMITTEE

The remuneration committee's duties are described in instructions set out by the Board. The purpose and objective of the remuneration committee is to prepare 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 for senior executives, adopted by the annual general meeting, as well as the current salary structures and salary levels in the company.

Name	Presence board member	Presence remuneration committee	Presence audit committee
Lars Berg	11/11	6/6	
Anne Broeng	11/11		6/6
Olof Nilsson	11/11		6/6
Rasmus Järborg	11/11	6/6	
Ödgård Andersson	10/10 *		

* Ödgård Andersson was appointed as a Board member in February 2021.

NOMINATION COMMITTEE

The Nomination Committee shall nominate and present proposals to the Board of Directors and the Chairman of the Board at the Annual General Meeting. In accordance with the instructions that were adopted by Sleep Cycle's annual general meeting that was held on 19 May 2021, the company shall have a member appointed by each of the three largest voting shareholders or shareholder groups, together with the Board's chairperson. The member who represents the largest shareholder shall be appointed as the nomination committee's chairperson unless the nomination committee unanimously appoints another member as the nomination committee's chairperson. The instructions for the nomination committee can be found on Sleep Cycle's website: investors.sleepcycle.com.

The composition of the Nomination Committee meets requirements regarding independent members. The Nomination Committee has appointed Anna Sundberg as chairman.

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Member	Appointed by	% of votes as of 30 Sept 2021
Mathias Høyer	MCGA AB and H265 AB	Total 43.88
Alexander Hannerland	GLA Invest SA	23.7
Anna Sundberg	Handelsbanken Fonder	5.3

THE COMPANY'S ORGANISATION

The CEO is subordinate to the Board, and responsible for the company's day-to-day administration and for 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 must therefore ensure that the Board receives sufficient information in order for the Board to be able to evaluate the company's financial position on a regular basis.

The senior management consists of six members including the CEO, four of whom are men. Any lack of equality is noted and taken into account for future recruitment. A more detailed presentation of the management is found in pages 22–23.

REMUNERATION

HONORARIA FOR THE BOARD

At the annual general meeting that was held on 19 May 2021, it was decided that TSEK 500 shall be paid out as Board honoraria to the Board's chairman, and TSEK 250 to each of the other members, TSEK 50 to the President of the audit committee, and TSEK 25 to the other members of the audit committee, as well as TSEK 50 to the chairperson of the remuneration committee, and TSEK 25 to other members of the remuneration committee.

GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES

The company has in respect of the CEO a 6-month notice of termination, while the CEO has a 12-month notice of termination. In the event of termination by the company, severance pay is payable corresponding to 6 months of salary.

The present guidelines for remuneration to senior executives ("The guidelines") include 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 shall apply to any future remuneration that is agreed, and changes that will be made to already agreed remuneration after the guidelines are adopted by the 2021 annual general meeting. These guidelines do not cover remuneration that is decided upon by any annual general meeting.

THE GUIDELINES PROMOTION OF THE COMPANY'S BUSINESS STRATEGY, LONG-TERM INTERESTS AND SUSTAINABILITY

The Company's business strategy is, in brief, to give people the opportunity to sleep better in order to improve global health. Sleep Cycle is developing a solution for sleep health and an application for sleep monitoring. Sleep Cycle's vision is to become the market leader solution for sleep health globally. For more information about the Company's business strategy, please see: www.sleepcycle.com. A successful implementation of the Company's business strategy and securing of the Company's long-term interests, including its sustainability, assumes that the Company is able to recruit and keep qualified collaborators and senior executives. In order to achieve this, the Company is required to offer competitive remuneration. The present Guidelines enable the Company to offer senior executives a competitive remuneration in total. Sleep Cycle's remuneration must also aim to promote the Company's business strategy and long-term interests, including its sustainability. Long-term incentive programs based on shares and share prices have been introduced in the Company. Such programs were confirmed upon by the annual general meeting, and are therefore not covered by the present guidelines. The Board believes that the opportunity for a well-balanced fixed remuneration combined with the opportunity to participate in any share-based incentive programs that have been decided upon by annual general meeting, along with the opportunity for variable remuneration, is going to enable Sleep Cycle to recruit and keep qualified collaborators and senior executives, in its quality as a competitive employer.

FORMS OF REMUNERATION

Remuneration must be at market rates, and consist of the following elements: fixed cash salary, variable cash remuneration, pension benefits and other perks. The annual general meeting can, in addition, decide on share and share-based remuneration.

FIXED REMUNERATION

The fixed remuneration of senior executives is reviewed on an annual basis, and must be competitive and based on each person's skills, responsibility and performance.

VARIABLE REMUNERATION

Variable cash remuneration that is covered by the present Guidelines must aim to promote the Company's business strategy and long-term interests, including its sustainability. Variable cash remuneration must be based on pre-determined and measurable criteria, which can be financial or non-financial, must be directly or indirectly linked to the successful implementation of Sleep Cycle's business strategy, and must be measured over a period of one or more years. Such criteria can also be based on individualized, quantitative or qualitative objectives. The criteria must be defined in such a way as to promote the Company's business strategy and long-term interests, including its sustainability. Further variable cash remuneration can be awarded in extraordinary circumstances, either for the purpose of recruiting or keeping senior executives, or as remuneration for extraordinary performances that go beyond the person's normal work duties, provided that such extraordinary circumstances are limited in time and only apply on an individual basis. The total variable cash remuneration may amount up to a maximum of 100 percent of senior management's fixed, annual cash salary. The extent to which the criteria for awarding any variable cash remuneration has been met must be determined and evaluated after the measuring period has expired, and for financial goals, based on the latest financial information that is published by the Company. The remuneration committee evaluates variable cash remuneration for the CEO, and the CEO evaluates variable cash remuneration for other executives.

PENSION AND OTHER COMMON PERKS

Pension benefits must come under defined contribution schemes, and are ensured by means of premium payments to the insurance company. Variable cash remuneration does not give entitlement to pension benefits. Other possible perks must be common and make it easier for senior executives to perform their duties, such as company healthcare, healthcare insurance or a company car. The size of pension benefits and other common perks must in total amount to a maximum of 30 percent of the fixed, annual cash salary. Sleep Cycle can instead offer a salary exchange at the request of a senior executive, provided that the total cost to the Company is more or less the same. For people who belong to the group's management and who are not resident in Sweden, appropriate adjustments may be made in order to comply with statutory regulations or established local practices, and by which the present Guidelines' overall objectives must be respected as far as possible.

TERMINATION OF EMPLOYMENT

In the event of termination of contract, the maximum notice of termination period is twelve months. Fixed cash salary during the notice of termination period and severance pay must, in total, not exceed an amount corresponding to the fixed cash salary for a year. In the event of termination of contract by the senior executive, the maximum notice of termination period is twelve months, and without entitlement to severance pay. In addition, compensation for any non-compete clauses may be paid. Such compensation should compensate for any income losses and may only be paid to the extent that the former senior executive is not entitled to severance pay. The compensation must amount to no more than 60 percent of the average monthly remuneration (both fixed and variable) that has been paid by the Company over the preceding twelve months from the time of notice of termination, and is paid while any non-compete clauses apply, which cannot be longer than twelve months after termination of employment for any senior executive.

SALARY AND EMPLOYMENT CONDITIONS FOR EMPLOYEES

While preparing the Board's proposal for the present Guidelines, salary and employment conditions for Company employees have been taken into account by noting information on employees' total remuneration, remuneration elements, as well as any increase in remuneration and the rate of such an increase over time.

WAIVING OF THE GUIDELINES

The Board may decide to temporarily waive the Guidelines, if, in an individual case, there are good reasons for this, and a deviation is necessary in order to ensure the Company's long-term interests, including its sustainability, or in order to ensure the Company's viability.

DECISION-MAKING PROCESS IN ORDER TO ESTABLISH, REVIEW AND IMPLEMENT THE GUIDELINES

The Board has set up a remuneration committee. The remuneration committee's duties include preparing the Board's decision on proposals for the guidelines on senior management remuneration. The Board shall draw up a proposal for new guidelines at least once every four years, and set out the proposal for adoption at the annual general meeting. The Guidelines shall apply until new guidelines are adopted by the annual

general meeting. The remuneration committee must also prepare decisions on remuneration-related matters, including decisions to waive the Guidelines, to follow and evaluate programs for variable remuneration for company management, the application of Guidelines for remuneration to senior management, as well as decisions concerning remuneration structures and remuneration levels in the Company. The Board has submitted a separate remuneration report, which can be accessed by investors at: investors.sleepcycle.com.

THE BOARD'S DESCRIPTION OF INTERNAL CONTROLS RELATING TO FINANCIAL REPORTING

The Board's responsibility for internal controls are regulated by the Swedish Companies Act and the Swedish Corporate Governance Code. The Board adopts policies and other governing documents, and ensures that the contents are communicated to all interested parties. This report is limited to a description of the internal controls relating to financial reporting for the financial year 2021.

The objective of internal controls at 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 the law and applicable accounting practices, that the company's assets are protected, and that there is compliance with other requirements.

CONTROL ENVIRONMENT

The control environment forms the basis of Sleep Cycle's internal controls, and includes how the Board and management act, share responsibilities and powers within the organization, provide information about the business' objectives, and communicate the general importance of internal controls. The control environment entails creating an appropriate risk culture, and is reinforced by factors such as corporate culture, privacy, ethics, skills, management philosophy, organizational structure, powers and responsibilities as well as governing documents and guidelines. For each financial key process, the CEO appoints a suitable process owner. The process owner is responsible for reducing major risks in the process by means of appropriately designed and documented controls, which are followed up. The process owner is also responsible for the existence of a flow chart, documented risk analyses, as well as risk and control matrices.

RISK ASSESSMENT

Risk assessment is the basis of internal checks, the starting point for the setting up of controls. Risk is defined as the possibility for an event to occur and negatively impact the chances of delivering a service. Risk assessment takes place continuously throughout the year, and the finance department evaluates the risk of critical errors in financial reporting. Focus is put on the key results and balance sheet entries that, relatively speaking, have a higher risk depending on their complexity or where the effect of any errors risks being major.

CONTROL OPERATIONS

Control operations refer to the measures that are introduced by means of policies and procedures that help to ensure risk reduction. The goal is to have an effective series of controls that are adapted to the business' conditions and risk tolerance. In order to ensure that financial reporting gives a true and fair picture, there are control operations that involve several parties in the organization, from the Board and company management to the finance department and other collaborators. Financial controls in Sleep Cycle's business process includes, among other things, approval of business transactions, reconciliations and monthly performance monitoring. Reporting and analysis of financial outcomes are regularly submitted to the Board and management.

INFORMATION AND COMMUNICATION

There should be fully functional two-way communication and flow of information between the Board and management and Sleep Cycle's employees. An important part of internal controls is the ensuring of the efficient dissemination of relevant information to both internal and external interested parties. Sleep Cycle's information policy, adopted by the Board, covers, among other things, the handling of financial information. Sleep Cycle must ensure that all applicable policies and guidelines remain accessible to all relevant parties.

Sleep Cycle has a whistleblowing system that is accessible on Sleep Cycle's website. If needed, it can be used anonymously.

MONITORING

The Board continually evaluates any information submitted by company management, which includes both financial information and key issues about internal controls. Sleep Cycle performs self-assessments and independent tests in order to assess the effectiveness of internal controls, and this is done at least once a year, and the evaluation results are reported to the audit committee. Proposals for action plans and improvements are identified and implemented on an ongoing basis.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

TSEK	Note	2021	2020
OPERATING INCOME			
Net sales	6	182,937	159,448
Other operating income	7	394	159
OPERATING EXPENSES			
Capitalized work for own account		2,838	-
Platform fees		-43,991	-40,144
Other external expenses	8,9,10	-89,094	-42,047
Personnel costs	11	-40,578	-20,510
Depreciation, amortization and impairment of tangible and intangible assets		-2,047	-631
Other operating expenses		-134	-32
Operating profit/loss	12	10,325	56,243
FINANCIAL ITEMS			
Financial expenses	14	-78	-150
Profit before tax		10,247	56,093
Tax on the year's earnings	15	-2,137	-12,050
Profit/loss for the year		8,110	44,043
Other comprehensive income		-	-
Year's comprehensive income		8,110	44,043
Earnings per share			
Earnings per share before dilution, SEK	16	0.43	2.45
Earnings per share after dilution, SEK		0.42	2.38
Average number of shares outstanding before dilution		18,685,592	18,000,000
Average number of shares outstanding after dilution		19,327,109	18,543,095

CONSOLIDATED STATEMENT ON FINANCIAL POSITION

TSEK	Note	31-12-2021	31-12-2020
ASSETS			
Intangible fixed assets			
Capitalized expenditure for development work	17	4,638	-
Patent	18	-	-
Total intangible assets		4,638	-
Tangible fixed assets			
Assets with right-of-use	19	2,452	995
Equipment and computers	20	996	208
Total tangible assets		3,449	1,203
Deferred tax asset	15	48	113
Total fixed assets		8,134	1,316
Current assets			
Accounts receivables	22	21,626	113
Other receivables	23	1,944	2,005
Current tax assets		5,015	9,557
Prepaid expenses and accrued income	24	25,537	38,617
Cash and cash equivalents	25	165,508	53,136
Total current assets		219,629	103,428
TOTAL ASSETS		227,763	104,744
EQUITY AND LIABILITIES			
Equity			
Share capital	26	540	150
Other capital contributions		102,292	2,020
Retained earnings including profit/loss for the year		6,066	-2,043
Total equity attributable to shareholders of the parent company		108,898	127
Long-term liabilities			
Lease liabilities		-	415
Total long-term liabilities		-	415
Current liabilities			
Lease liabilities		2,494	497
Accounts payables		9,755	6,775
Other liabilities		874	525
Accrued expenses and deferred income	28	105,741	96,405
Total current liabilities		118,865	104,202
TOTAL EQUITY AND LIABILITIES		227,763	104,744

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

TSEK	Attributable to shareholders of the parent company				
	Share capital	Other capital contributions	Incl. profit/loss for the year	Retained earnings	Total Equity
Opening equity, 1 January 2020	150	1,431		5,349	6,930
Profit/loss for the year				44,043	44,043
Other comprehensive income				-	-
Comprehensive income for the year				44,043	44,043
Other changes in equity					
Option premiums received		589			589
Paid dividends				-51,435	-51,435
Equity, 31 December 2020	150	2,020		-2,043	127
Opening equity, 1 January 2021	150	2,020		-2,043	127
Profit/loss for the year				8,110	8,110
Other comprehensive income				-	-
Comprehensive income for the year				8,110	8,110
Other changes in equity					
Option premiums received		4,281			4,281
New share issues after issue expenses and tax	390	95,990			96,380
Equity, 31 December 2021	540	102,292		6,066	108,898

CONSOLIDATED STATEMENT OF CASH FLOW

TSEK	Note	2021	2020
Cash flow from operating activities			
Operating profit/loss		10,325	56,243
Adjustments for non-cash items, etc.:			
Depreciation, amortization and impairment		2,047	631
Gain/loss on sale of group company		-	10
Interest paid		-78	-150
Tax paid		3,501	-22,372
Cash flow from operating activities before change in working capital		15,796	34,362
Change in working capital			
Change in operating receivables		-8,372	-5,998
Change in operating liabilities		12,665	17,784
Cash flow from operating activities		20,089	46,148
Investment activities			
Sale of group company (net impact on liquidity)		-	-16
Capitalization of development expenses	17	-5,013	-
Acquisition of tangible assets	20	-922	-
Cash flow from investment activities		-5,935	-16
Financing activities			
	27		
Dividend paid		-	-51,435
Amortization of lease liabilities		-1,413	-497
Option premiums received		4,281	589
New share issue		95,350	-
Cash flow from financing activities		98,218	-51,343
Year's cash flow		112,372	-5,211
Cash and cash equivalents at the start of the year		53,136	58,347
Cash and cash equivalents at the end of the year	25	165,508	53,136

PARENT COMPANY'S INCOME STATEMENT

TSEK	Note	2021	2020
OPERATING INCOME			
Net sales	6	182,937	159,448
Other operating income	7	394	159
Capitalized work for own account		2,838	-
OPERATING EXPENSES			
Platform fees		-43,991	-40,144
Other external expenses	8,9,10	-90,686	-42,552
Personnel costs	11	-40,578	-20,510
Depreciation, amortization and impairment of tangible and intangible assets		-509	-134
Other operating expenses		-134	-22
Operating profit/loss	12	10,271	56,245
RESULT FROM FINANCIAL ITEMS			
Profit/loss from participations in group companies	13	-100	-2
Interest charges and similar costs	14	-29	-107
Profit before tax		10,142	56,136
Tax on the year's earnings	15	-2,135	-12,051
Profit/loss for the year		8,007	44,085

Since the parent company has no items that are reported as other comprehensive income, total comprehensive income for the year is equal to earnings for the year.

BALANCE SHEET - PARENT COMPANY

TSEK	Note	31-12-2021	31-12-2020
ASSETS			
Fixed assets			
Intangible fixed assets			
Capitalized expenditure for development work	17	4,638	-
Patent	18	-	-
Total intangible assets		4,638	-
Tangible fixed assets			
Equipment and computers	20	996	208
Total tangible assets		996	208
Financial tangible assets			
Participations in group companies	21	50	50
Deferred tax asset	15	39	102
Total financial fixed assets		89	152
Total fixed assets		5,723	360
Current assets			
Current receivables			
Accounts receivables	22	21,626	113
Other receivables	23	1,944	2,005
Current tax assets		5,015	9,557
Prepaid expenses and accrued income	24	25,537	38,751
Total current receivables		54,121	50,426
Cash and bank balances	25	165,379	53,091
Total current assets		219,500	103,517
TOTAL ASSETS		225,222	103,877
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		540	150
Development expenditure reserve		4,638	-
Total restricted equity		5,177	150
Non-restricted equity			
Share premium reserve		102,292	2,020
Retained earnings		-6,618	-46,065
Profit/loss for the year		8,007	44,085
Total non-restricted equity		103,682	40
Total equity		108,859	190
Current liabilities			
Accounts payables		9,754	6,775
Other liabilities		874	525
Accrued expenses and deferred income	28	105,736	96,387
Total current liabilities		116,363	103,687
TOTAL EQUITY AND LIABILITIES		225,222	103,877

Effect on the reported amounts in the financial reports.

PARENT COMPANY'S CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

TSEK	Restricted equity		Non-restricted equity			Total equity
	Share capital	Development expenditure reserve	Share premium reserve	Retained earnings	Profit/loss for the year	
Opening equity, 1 January 2020	150	-	1,431	-31,732	37,102	6,951
Disposal of previous year's earnings				37,102	-37,102	-
Profit/loss for the year					44,085	44,085
Other comprehensive income					-	-
Comprehensive income for the year					44,085	44,085
Other changes in equity						
Option premiums received			589			589
Paid dividends				-51,435		-51,435
Equity, 31 December 2020	150	-	2,020	-46,065	44,085	190
Opening equity, 1 January 2021	150	-	2,020	-46,065	44,085	190
Disposal of previous year's earnings				44,085	-44,085	-
Profit/loss for the year					8,007	8,007
Other comprehensive income					-	-
Comprehensive income for the year					8,007	8,007
Other changes in equity						
Option premiums received			4,281			4,281
New share issues after issue expenses and tax	390		95,990			96,380
Provisions for development expenditure reserve		4,638		-4,638		-
Equity, 31 December 2021	540	4,638	102,292	-6,618	8,007	108,859

PARENT COMPANY'S CASH FLOW ANALYSIS

TSEK	Note	2021	2020
Cash flow from operating activities			
Operating profit/loss		10,271	56,245
Adjustments for non-cash items, etc.:			
Depreciation, amortization and impairment		509	134
Interest paid		-29	-107
Tax paid		3,501	-22,372
Cash flow from operating activities before change in working capital		14,252	33,900
Change in working capital			
Change in operating receivables		-8,237	-5,997
Change in operating liabilities		12,677	17,764
Cash flow from operating activities		18,692	45,667
Investment activities			
Consideration on sale of group companies		-	48
Establishment of group companies		-	-50
Paid shareholder contributions		-100	-
Acquisition of tangible assets	20	-922	-
Capitalization of development expenses	17	-5,013	-
Cash flow from investment activities		-6,035	-2
Financing activities			
Dividend paid	27	-	-51,435
Option premiums received		4,281	589
New share issue		95,350	-
Cash flow from financing activities		99,631	-50,846
Year's cash flow		112,288	-5,181
Cash and cash equivalents at the start of the year		53,091	58,272
Cash and cash equivalents at the end of the year	25	165,379	53,091

Note 1 General information

Sleep Cycle AB (publ) with corporate ID number 556614-7368 is a limited liability company registered in Sweden with its registered office in Gothenburg. The address of the head office is Gårdtorget 1, 412 50 Gothenburg, Sweden. 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. In substance, the business is conducted in the parent company. The parent company's participations in group companies as of 31 December 2021 consists of the wholly-owned subsidiary Sleep Cycle Sverige AB (559278-9688).

Note 2 Key accounting policies

This is Sleep Cycle AB's second consolidated annual financial statement, which has been prepared in compliance with the EU recognized International Financial Reporting Standards (IFRS), together with interpretations from IFRS Interpretations Committee (IFRIC). Furthermore, the group complies with the Swedish Annual Accounts Act, and the Swedish Financial Reporting Council's reporting RFR 1, Supplementary Accounting Rules for Groups.

Three financial years were reported last year due to the ongoing IPO process. From 2021 onwards, the current year is reported with a comparative year.

New and amended standards, as well as improvements that came into effect in 2021, have not had any substantial effect on the group's financial reports for the financial year.

The consolidated reports are given in Swedish krona (SEK), rounded off to the nearest thousand krona (TSEK), and concern the period 1 January – 31 December for profit and loss statement-related items, and 31 December for income statement-related items. Rounding-off decimals can occur. Assets and liabilities are reported in accordance with the amortized acquisition value method unless otherwise stated. The key accounting policies that are applied when drafting financial reports are described below. The differences between the parent company's accounting policies and the group's accounting policies are reported last in this section.

Drafting financial reports in accordance with IFRS requires senior management to make assessments and appraisals, as well as assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. The actual outcome can deviate from its appraisals and assessments. The appraisals and assessments are regularly reviewed. Changes to appraisals are reported in the period when the change is made if the change has only affected this period, or in the period when the change is made and future periods if the change affects both the current period and future periods. Assessments made by senior management in the application of IFRS that have a substantial impact on the financial reports and appraisals made that may in turn entail significant adjustments to the following year's financial reports are described in more detail in note 3.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS THAT ARE NOT YET IN EFFECT

The new and amended standards and interpretations that are issued but which enter into effect for financial years starting after 1 January 2021 have not yet been applied by the group. It is the senior management's assessment that, when applied for the first time, these will not have any substantial effect on the group's financial reports.

CONSOLIDATED FINANCIAL STATEMENT

The consolidated financial statement includes the parent company Sleep Cycle AB and the companies over which the parent company has direct or indirect control (subsidiary companies). A controlling interest exists if Sleep Cycle AB has influence over the investee, is exposed to or entitled to variable returns from its involvement, and is able to use its influence over the investment in order to affect the return. When assessing whether a controlling influence exists, potential voting rights for shares are taken into account, and whether de facto control exists.

Subsidiaries are included in the consolidated financial statement from the acquisition date, and are excluded from the consolidated financial statement from the date on which the controlling influence ceases.

The group has not conducted any business combinations during the reported financial years.

The group's profit and components in other comprehensive income are in their entirety attributable to the parent company's owners.

All intra-group transactions, dealings and unrealized gains relating to intra-group transactions have been eliminated in the drafting of the consolidated financial statement. Unrealized losses have been eliminated in the same way as unrealized gains, but only to the extent that there were no impairment requirements.

SEGMENT REPORTING

Sleep Cycle's CEO, as the chief executive decision-maker, monitors and analyses profit and loss and the financial position of the group in its entirety. The CEO does not monitor profit and loss at a disaggregated level lower than the consolidation. The CEO thereby also decides on allocation of resources, and makes strategic decisions based on consolidation in its entirety. 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.

INCOME

The group reports an income when fulfilling a performance commitment by transferring a promised service/application to a customer. The service is transferred when the customer takes control of the service/application, which can be at a point in time or over time. The transaction price is the remuneration that the group expects to receive in exchange for transferring the service to the customer, after any deduction of discounts and VAT.

The major part of the group's income consists of income from subscription services related to Sleep Cycle Premium. Sleep Cycle Premium consists of two performance commitments:

- A license to use Sleep Cycle Freemium; as well as
- Access to the services included in Sleep Cycle Premium

The features that are part of Freemium, which is a software that Sleep Cycle has developed, can be used completely off-line. Sleep Cycle has therefore assessed that this is an intellectual property. When the customer has access to Freemium, Sleep Cycle thus gives the customer a license to use Sleep Cycle's intellectual property. As Premium users are given the same license to use Sleep Cycle's intellectual property, and can use it separately from the services included in Premium, the license is deemed distinct.

The services included in Sleep Cycle Premium are not dependent on the functionality offered to Freemium users. As a result, Sleep Cycle deems these services to be distinct. The services provided to Premium users via the application, in addition to the license, are reported in a simplified form as a single performance commitment. Reporting these services as a single performance commitment does not have any accounting effect, as these services are delivered to the customer in the same way over the contract period.

The stand-alone selling price for the license is zero SEK, as Freemium users have access to the license for free. Therefore, the entire transaction price paid by Premium users for the performance commitment is allocated to provide the services included in Sleep Cycle Premium. The price of Sleep Cycle Premium is fixed, and contains no variable elements.

Customers receive and consume the benefits offered by Sleep Cycle's service at the same time that the company fulfils its performance commitment in relation to the services included in Sleep Cycle Premium. Thus, this performance commitment meets the criterion of IFRS 15, and the income must be reported over time.

Any commissions paid to the platform owners arise when a Premium user signs an agreement via such platforms. The Commissions are thus directly related to the agreements that are signed, and would not arise if the customer did not sign up for Sleep Cycle Premium via the platform owners. Any fees paid to the platform owners are thus an additional expense for concluding the agreement with the customer.

Normally, the entire agreement period is paid in advance by the customer. Advance payments are reported as a contractual liability (prepaid income) in the balance sheet, and any such income is reported linearly over the subscription period. Sleep Cycle believes that a production method based on elapsed time is the method that best reflects how control of the services related to Sleep Cycle Premium is transferred to the customer.

Paid platform fees are reported as an asset, prepaid cost, and are depreciated so that the cost is reported for the period in which the income is reported (over the agreement period).

To a very small extent, the group has sold gift cards that can be used for access to Sleep Cycle Premium later on. Gift cards are reported as income in the same way as other sales of subscription services.

A very small part of the group's income consists of direct sales in the app. This income is reported at a given point in time, once the customer accesses the purchase.

STATE SUBSIDIES

State grants are reported as other income when the service required in order to receive the subsidy is delivered. In cases where the subsidy is received before the service is delivered, the subsidy is reported as a liability in the balance sheet. Government subsidies are valued at the fair value of what is received or will be received.

DIVIDENDS AND INTEREST INCOME

Dividend income is reported once the shareholder's right to receive payment has been established.

Interest income is reported broken down over the term using the effective interest method. The effective interest rate is the interest rate that makes the present value of all future deposits and payments during the fixed interest term equal to the carrying value of the receivable.

LEASING AGREEMENT – THE GROUP AS LEASEHOLDER

The Group reports a usufruct asset as well as the corresponding leasing liability for all leasing agreements in which the Group is a lessee with the exception of short-term leasing agreements (leasing period of 12 months or less) as well as for leasing agreements where the underlying asset has a low value, the Group reports leasing fees as an operating expense linearly over the leasing period.

Sleep Cycle has leases for office space, which are audited as a usufruct asset in the statement of financial position.

The leasing liability is initially valued at the present value of the leasing fees that have not been paid at the commencement date, discounted with the implied interest rate of the leasing agreement. If this interest rate cannot be determined, the Group uses the marginal loan interest rate. The marginal loan interest rate is the interest rate that a lessee would have to pay for financing through loans during a corresponding period and with corresponding security. For the company's lease, a marginal loan interest rate of 3.5% has been used when discounting the remaining lease liability.

At the time of acquisition, the usufruct asset is reported at the same value as the discounting leasing fees. In subsequent periods, the usufruct asset is valued at acquisition value after deductions for accumulated depreciation and write-downs.

Depreciation takes place over the term of the agreements.

FOREIGN CURRENCY

The consolidated financial statement is prepared in Swedish kronor, which is the parent company's functional currency and reporting currency. Transactions in foreign currency are converted into Swedish kronor with the transaction date's rate of exchange. Receivables and liabilities in foreign currency are converted as per the exchange rate on the balance sheet date. Exchange gains and losses on operating receivables and operating liabilities are reported in the operating profit/loss as other operating income or operating expenses. Gains and losses on financial receivables and liabilities are reported as financial items.

Exchange rate differences are reported in the profit and loss statement for the period in which they occur.

BORROWING COSTS

Borrowing costs are reported in profit/loss in the period in which they occur as there are no assets in the group that can be subject to the capitalization of interest.

EMPLOYEE REMUNERATION

SHORT-TERM EMPLOYEE REMUNERATION

Employee remuneration in the form of salaries, bonuses, holiday pay, sick pay,

etc., together with pensions are reported when such entitlements occur.

REMUNERATION IN THE EVENT OF TERMINATION OF CONTRACT

The group reports severance pay when there is an existing legal or informal obligation, as well as when it is likely that an outflow of resources will be required to settle the commitment, and when the amount can be reliably calculated.

PENSIONS

The group has no occupational pension agreement with its employees. However, there are possibilities for employees to exchange some of their salary for occupational pension provision. These occupational pensions are classified as defined contribution occupational pensions.

A defined contribution pension is a pension plan according to which the group pays fixed contributions to a separate legal entity. The group has no legal or constructive obligations to pay additional contributions if this legal entity does not have sufficient assets to pay all employee benefits linked to the employees' service during the current period or prior periods. The group's contribution to defined contribution pensions is recognized as profit/loss for the year to which they relate.

SHARE-BASED REMUNERATION

The group has no share-based remuneration.

TAXES

Income taxes consist of the sum of current tax and deferred tax.

CURRENT TAX

Current tax is calculated on the taxable profit for the period and on the adjustment of current tax for previous periods. Taxable profit differs from the reported profit/loss in the income statement as it has been adjusted for non-taxable income and non-deductible expenses, as well as for income and expenses that are taxable or deductible in other periods. The group's current tax liability is calculated according to the tax rates that have been fixed or notified for the balance sheet date.

DEFERRED TAX

Deferred tax is reported on temporary differences between the carrying value of assets and liabilities in the financial reports, and the taxable value used in calculating taxable profit. Deferred tax is reported according to the so-called balance sheet method. Deferred tax liabilities are reported for basically all taxable temporary differences, and deferred tax assets are reported in principle for all deductible temporary differences to the extent that it is likely that the amounts can be utilized against future taxable surpluses. Deferred tax liabilities and tax assets are not reported if the temporary difference is attributable to goodwill, or if it arises as a result of a transaction that constitutes the first reporting of an asset or liability (which is not a business combination) and which, at the time of the transaction, does not affect either the reported or tax profit or loss.

Deferred tax is calculated according to the tax rates that are expected to apply for the period once the asset is recovered or the liability is settled, based on the tax rates (and tax laws) that have been decided or announced at the balance sheet date.

Deferred tax assets and liabilities are offset as they relate to income tax charged by the same authority, and when the group intends to settle the tax with a net amount.

CURRENT AND DEFERRED TAX FOR THE PERIOD

Current and deferred tax is reported as a cost or income in the income statement, except when the tax is attributable to transactions that have been reported in other comprehensive income or directly against equity. In such cases, the tax must also be reported in other comprehensive income or directly against equity.

TANGIBLE FIXED ASSETS

Computers and equipment are reported at acquisition value after deduction of accumulated depreciation and any impairments. The acquisition value includes the purchase price and expenses directly attributable to the asset in order to reception and use it in accordance with the purpose of the acquisition.

Depreciation is expensed so that the asset's value has fallen by the estimated residual value at the end of its useful life, and is depreciated linearly over its estimated useful life, which is considered to be:

Computers	3 years
Equipment	3–5 years

Estimated useful life, residual values and write-off methods are reviewed at least at the end of each financial year, and the effect of any changes in estimations is reported prospectively. Assets with a right-of-use consist of a rental contract for premises. All assets with rights-of-use are depreciated over the duration of the agreements.

The carrying value of a tangible asset is derecognized from the statement on financial position in the event of its scrapping or disposal, or when no future financial benefit is expected from the use or scrapping/disposal of the asset. The profit or loss that arises from the scrapping or disposal of the asset, made up of the difference between any net income at the time of disposal and its carrying value, is reported in profit or loss for the period in which the asset is derecognized from the statement on financial position.

INTANGIBLE ASSETS

Intangible assets with a determinable useful life acquired separately or reprocessed internally, are reported at acquisition value, with a deduction for accumulated depreciation and any accumulated impairments. Depreciation takes place linearly over the asset's estimated useful life. Estimated useful life and write-off methods are reviewed at least at the end of each financial year, and the effect of any changes in estimations is reported prospectively.

CAPITALIZED EXPENDITURE FOR DEVELOPMENT WORK

The work to develop an internally processed intangible asset is divided into a research phase and a development phase. All expenses arising from the group's research phase are reported as operating expenses when they arise. Expenses for the development of an asset is reported as an asset if all of the following conditions are met:

- it is technically possible to complete the intangible fixed asset so that it can be used or sold,
- the company intends to complete the intangible fixed asset, and to use or sell it,
- there are conditions for using or selling the intangible fixed asset,
- the intangible asset is likely to generate future financial benefits,
- the required and adequate technical, financial and other resources exist to complete the development, and to use or sell the intangible asset, and
- the expenses relating to the intangible asset during its development can be reliably calculated.

If not all of the above criteria are met, development expenses are reported as an operating cost when they arise.

If it is not possible to report an internally processed intangible asset, development expenses are reported as a cost in the period in which they arise.

Depreciation starts when a product is commercially ready for sale. Depreciation is expensed so that the asset's value has fallen by the estimated residual value at the end of its useful life, and is depreciated linearly over its estimated useful life, which is considered to be 3 years.

PATENT

The group's patent concerns a patent acquisition made in 2015. Depreciation is calculated over 5 years. Expenditure for patent maintenance is expensed on an ongoing basis.

SCRAPPING AND DISPOSAL

An intangible asset is derecognized from the statement on financial position in the event of its scrapping or disposal, or when no future financial benefit is expected from the use or scrapping/disposal of the asset. The profit or loss that arises when an intangible asset is derecognized from the statement on financial position, made up of the

difference between what is received at the time of disposal and the carrying value of the asset, is reported in the income statement when the asset is derecognized from the statement on financial position.

DEPRECIATION OF TANGIBLE AND INTANGIBLE ASSETS

Assets that have an indeterminate useful life, and intangible assets where depreciation has not yet begun, are examined at least annually for any impairment requirements, and when there is an indication of impairment. Assets that are depreciated are assessed for an impairment whenever events or changes in circumstances indicate that the carrying value is not recoverable.

An impairment loss is recorded with the amount by which the asset's carrying value exceeds its recoverable value. The recoverable value is the higher of the asset's fair value, less any selling expenses and its useful value. When calculating useful value, estimated future cash flow is discounted to present value with a discount rate before tax that reflects the current market assessment of the time value of money and the risks associated with the asset.

If the recoverable value of an asset is determined at a lower value than the carrying value, the carrying value of the asset is written down to the recoverable value. An impairment loss must immediately be expensed in the income statement.

A previously reported impairment is reversed if the recoverable value is estimated to exceed the reported value. However, the reversal does not take place by an amount that raises the carrying value to a greater value than what it would have been if the impairment had not been reported in previous periods.

FINANCIAL INSTRUMENTS**REPORTING IN AND REMOVAL FROM THE STATEMENT ON FINANCIAL POSITION**

A financial asset or financial liability is included in the statement on financial position when the company becomes a party under the contractual terms and conditions of the instrument. A receivable is recognized when the company has provided a service, and a contractual obligation is incumbent upon the counterparty to pay, even if the invoice has not yet been sent. Trade receivables are included in the statement on financial position after the invoice has been sent. Liabilities are included when the counterparty has provided a service, and a contractual obligation is incumbent upon the counterparty to pay, even if the invoice has not yet been received. Accounts payable are included when the invoice is received. A financial asset is derecognized from a statement on financial position when the rights in the agreement have been respected, cancelled or the company loses control of them. The same applies to part of a financial asset. A financial liability is derecognized from a statement on financial position when the obligation in the agreement is fulfilled or otherwise extinguished. The same applies to part of a financial liability. No financial assets and liabilities are offset in the statement on financial position, as the conditions for off-setting are not met. The acquisition and disposal of financial assets is reported on the transaction date. The transaction date is the day on which the company undertakes to acquire or dispose of the asset.

CLASSIFICATION AND VALUATION

Financial assets are classified according to the business model in which the asset is managed and its cash flow characteristics. If the financial asset is held within the framework of a business model, the purpose of which is to collect contractual cash-flows and the contractual conditions for the financial asset generate, at determined points in time, cash-flows that are only payments of capital sum and interest on the outstanding capital sum, the asset is reported at its amortized acquisition value. This business model is categorised as "hold to collect," which means valuation at amortized acquisition value.

Financial assets:

- Amortized acquisition value
- Fair value via other comprehensive income
- Fair value via the income statement

The group does not hold any financial assets valued at fair value.

Financial assets valued at amortized acquisition value are initially reported at fair value including transaction costs. After first recognition, the assets are valued and reported at amortized acquisition value, see below. Financial liabilities:

- Amortized acquisition value
- Fair value via the income statement

The group has no liabilities valued at fair value.

Financial liabilities valued at amortized acquisition value are first reported at fair value including transaction costs. After first recognition, liabilities are valued and reported at amortized acquisition value, see below.

FAIR VALUE OF FINANCIAL INSTRUMENTS

For all financial assets and liabilities, the carrying value is considered to be a good approximation of its fair value, unless otherwise specified in subsequent notes.

AMORTIZED ACQUISITION VALUE

Amortized acquisition value refers to the value at which the asset or liability was initially reported with a deduction for amortization, increases or deductions for accumulated accruals according to the effective interest method, of the initial difference between a received/paid amount and an amount to pay/receive on the due date together with deductions for amortization.

The effective interest rate is the interest rate that, when discounting all future expected cash flows over the expected maturity, results in the initial carrying value of the financial asset or financial liability.

OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are offset and recognized in a net amount in the statement of financial position only when there is a legal right to offset, and an intention to settle them with a net amount or to simultaneously realize the asset and settle the debt.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and bank balances. Cash and bank balances are financial assets, which means that they are valued at amortized acquisition value. Due to the fact that bank funds are repayable on demand, the amortized acquisition value corresponds to nominal amount.

ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES

The loss provisions for accounts receivables is always valued at a value corresponding to expected losses on bad debt during the remaining maturity of the receivable.. Amortization of accounts receivables is reported in operating expenses.

LEASE LIABILITIES

The group's lease liabilities are valued and reported at amortized acquisition value.

ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

Accounts payable and other current liabilities are financial liabilities, which means valuation at amortized acquisition value.

However, accounts payable and other short-term liabilities' expected maturity is short, which is why the debt is reported at their face value without discounting.

DERIVATIVE INSTRUMENTS

The group does not hold any derivative instruments.

PROVISIONS

Provisions are reported when the group has an existing obligation (legal or constructive) as a result of an event, and it is likely that an outflow of resources will be required to settle the obligation, and a reliable estimation of the amount can be made.

CONTINGENT LIABILITIES

A contingent liability is a possible liability as a result of events that have occurred, and the occurrence of which will only be confirmed when one or more uncertain future events, which are not entirely within the control of the company, occur or do not occur, or an existing liability as a result of events that have occurred, but is not reported as a liability or provision, as it is not likely that an outflow of resources will be required to settle the liability, or the amount of the liability cannot be calculated with sufficient reliability.

ACCOUNTING FOR CASH FLOWS

Cash and cash equivalents consist of available cash, bank balances and, where applicable, other liquid investments with a maturity of 3 months or less from the acquisition date, and which are exposed to an insignificant risk of fluctuations in value. The cash flow statement is prepared in accordance with the indirect method. The reported cash flow only covers transactions that have led to deposits and payments.

ACCOUNTING POLICIES FOR THE PARENT COMPANY

The parent company applies the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for legal entities. Application of RFR 2 means that the parent company as far as possible applies all IFRS approved by the EU within the framework of the Annual Accounts Act and has taken into account the connection between accounting and taxation. Changes in RFR 2 that came into force in 2021 have not had any significant impact on the parent company's financial reports for the financial year.

The differences between the parent company's and the group's accounting policies are described below:

CLASSIFICATION AND LAYOUTS

The parent company's profit and loss account and balance sheet are set out in accordance with the Swedish Annual Accounts Act's schemas. The difference with IAS 1 Presentation of financial statements that is applied for the issuance of the group's financial reports is mainly reporting of investment income and costs, fixed assets and headings in equity.

SUBSIDIARIES

Shares in subsidiaries are reported at acquisition value in the parent company's statement on financial position. This means that transaction expenses are included in the carrying value for holdings in subsidiaries. In the consolidated financial statement, transaction expenses attributable to subsidiaries are reported directly in profit or loss when these arise. Paid shareholder contributions are reported as an increase in the carrying value of the share. Impairment testing of shares in subsidiaries is carried out annually.

FINANCIAL INSTRUMENTS

The parent company does not apply IFRS 9 Financial Instruments: Accounting and valuation. In the parent company, a method based on the acquisition value is applied in accordance with the Swedish Annual Accounts Act. However, parts of the principles of IFRS 9 are still applicable – such as for amortization, recognition/ derecognition, and the effective interest rate method for interest income and expenses.

LEASING

The parent company applies the exemption from the application of IFRS 16 Leasing. Leasing costs are recognized as profit/loss, and are reported linearly over the lease period.

ACTED CHANGES IN RFR 2 WHICH HAVE NOT YET COME INTO EFFECT

Management estimates that changes to RFR 2, which have not yet come into effect, are not expected to have a substantial impact on the parent company's financial statements when they are applied for the first time.

PROPOSALS FOR CHANGES TO RFR 2 THAT HAVE NOT YET COME INTO EFFECT

Senior management considers that proposals for changes to RFR 2, which have not yet come into effect, are not expected to have a substantial impact on the parent company's financial reports when applied for the first time.

Note 3 Important appraisals and assessments

IMPORTANT SOURCES OF UNCERTAINTY IN APPRAISALS

It is management's assessment that there are no significant sources of uncertainty in appraisals at the balance sheet date, which pose a significant risk of material adjustments in reported values for assets and liabilities in the next financial year.

IMPORTANT ASSESSMENTS WHEN APPLYING THE GROUP'S ACCOUNTING POLICIES

It is the management's assessment that there is no significant uncertainty in the application of the company's accounting policies that has a material

Note 4 Financial risk management and financial instruments

Through its operations, the group is exposed to different types of financial risks, such as market, liquidity and credit risks. The market risk consists of currency risk and interest rate risk. Risk management is managed in accordance with established principles, where the group's overall risk management focuses on unpredictability in the financial markets, and aims to minimise potential adverse effects on the group's financial performance and position. It is the company's Board that is ultimately responsible for any exposure, management and monitoring of the group's financial risks.

The framework that applies to the exposure, management and monitoring of financial risks is established by the Board in a financial policy which is reviewed annually. In the financial policy, the Board has delegated responsibility for day-to-day risk management to the company's CFO.

Since most of the business is conducted in the parent company, the reported amounts in the tables below are essentially the corresponding amount for the parent company.

MARKET RISKS

CURRENCY RISK

Currency risk refers to the risk that fair value or future cash flows fluctuate as a result of changes in exchange rates. The exposure to currency risk mainly results from payment flows in foreign currency, so-called transaction exposure.

TRANSACTION EXPOSURE

Transaction exposure entails a risk that the result is negatively affected by fluctuations in exchange rates for the cash flows that occur in a foreign currency. The group's outflows consist mainly of SEK, but to a certain extent also EUR and USD, while the group's inflows consist of SEK. The group is therefore, to a limited extent, affected by changes in these exchange rates.

The group had a receivable in Euro amounting to TSEK 103 as of 31-12-2020, and this receivable has been offset against the Euro liabilities below. The recorded value of the group's monetary liabilities that are subject to conversion to SEK amounts to on the balance sheet date (expressed in SEK).

	31-12-2021	31-12-2020
EUR	1,684	1,135
USD	110	43
GBP	104	-

SENSITIVITY ANALYSIS FOR TRANSACTION EXPOSURE

The sensitivity analysis for currency risk shows the group's sensitivity in the event of a rise or fall of 5% in SEK against the three most important currencies. The transaction exposure shows how the group's operating profit/loss had

been affected by a change in the exchange rate. This also includes outstanding monetary receivables and liabilities in foreign currency on the balance sheet date.

Currency exposure	2021	2020
EUR -/+5%	-/+ 923	-/+ 405
USD -/+5%	-/+ 237	-/+304
GBP -/+5%	-/+ 180	-

CURRENCY RISK RELATED TO OPERATIONAL RISKS

The group mainly uses two platform owners for customer sales, Google Play and Apple. All transactions between Sleep Cycle and Google Play and Apple are in SEK, which is why there are no transactions in foreign currency regarding the group's income. However, Google Play and Apple also mediate the group's sales in foreign currency when the price of the subscription service is payable in the respective country's currency where the sale takes place. The currency effect that arises when Google Play and Apple convert foreign currency to SEK is offset by the income that Sleep Cycle receives 30 and 45 days later respectively. The impact on earnings is reported in net sales. During the year, pricing has been affected by fluctuations in exchange rates. A statement of this effect is presented in the group's alternative key indicator "Currency-adjusted net sales growth", see page 58.

INTEREST RATE RISK

Interest rate risk refers to the risk that fair value or future cash flows fluctuate as a result of changing market interest rates. Since the group has no outstanding loans, this risk is limited. Interest from lease liabilities relating to the current rental contract, in application of IFRS 16, is estimated to be 3.5%, which is considered to correspond to the group's marginal loan rate.

LIQUIDITY AND FINANCING RISK

Liquidity risk refers to the risk that the group will have problems meeting its commitment related to the group's financial liabilities. Financing risk refers to the risk that the group cannot raise sufficient financing at a reasonable cost. At present, both the liquidity risk and the financing risk are limited.

A breakdown of maturity of contractual liabilities related to the group's financial liabilities is presented in the tables below. The amounts in these tables are not discounted values and they include interest payments, where appropriate, which means that these amounts cannot be reconciled with the amounts reported in the balance sheets. Interest payments are determined on the basis of the conditions that apply on the balance sheet date. Amounts in foreign currency have been converted into Swedish kronor at the exchange rates on the balance sheet date.

The maturity periods of the group's financial liabilities is presented below.

	31-12-2021					Total
	Within 3 months	3-12 months	1-2 years	3-5 years	More than 5 years	
Lease liabilities	773	1,748	-	-	-	2,521
Accounts payables	9,755	-	-	-	-	9,755
Other current liabilities	2,646	-	-	-	-	2,646
Total	13,174	1,748	-	-	-	14,922

	31-12-2020					Total
	Within 3 months	3-12 months	1-2 years	3-5 years	More than 5 years	
Lease liabilities	135	404	539	-	-	1,078
Accounts payables	6,775	-	-	-	-	6,775
Other current liabilities	10,350	-	-	-	-	10,350
Total	17,260	404	539	-	-	18,203

CREDIT AND COUNTERPARTY RISK

Credit risk refers to the risk that the counterparty in a transaction causes the group a loss by not fulfilling its contractual obligations. The group's exposure to credit risk is mainly attributable to the placement of surplus liquidity. The credit risk is limited by placing only with counterparties with a very good rating.

The group is exposed to a few counterparties in its trade receivables, accrued income and bank balances. Nevertheless, the credit risk is considered to be limited as the counterparties are considered to have good solvency.

The group's maximum exposure to credit risk is assessed to correspond to the reported values of all financial assets, and is shown in the table below.

The group		
	31-12-2021	31-12-2020
Trade receivables	21,626	113
Other current receivables	1,944	2,005
Accrued income	170	16,123
Cash and cash equivalents	165,508	53,136
Maximal exposure to credit risk	189,248	71,377

CATEGORIZATION OF FINANCIAL INSTRUMENTS

The recorded value of financial assets and financial liabilities, broken down by valuation category in accordance with IFRS 9, is shown in the table below.

The group		
	31-12-2021	31-12-20??
Financial assets		
Trade receivables	21,626	113
Other receivables	1,944	2,005
Accrued income	170	16,123
Cash and cash equivalents	165,508	53,136
Total financial assets	189,248	71,377

All financial assets valued at amortized acquisition value.

Financial liabilities		
Lease liabilities	2,494	912
Accounts payables	9,755	6,775
Accrued expenses	2,578	10,350
Total financial liabilities	14,827	18,037

All financial liabilities valued at amortized acquisition value.

There have been no reclassifications between the above valuation categories during the period.

For financial assets and liabilities, the reported value shown above is considered to be a reasonable approximation of fair value.

Note 5 Capital management

The Group defines capital as equity as the Group does not currently have any loan financing. Sleep Cycle is in a growth phase with increasing investments, primarily in marketing and product development. Due to this and to capitalize on further growth opportunities, a new share issue was carried out which generated approximately SEK 95 million after transaction costs in connection with the stock exchange listing in June 2021. The Group's ambition is to use cash to drive continued growth through investments in product development, partnerships, marketing, new sales channels and possible acquisitions. The Group has an established Treasury policy for managing excess liquidity, which prescribes the opportunities for asset management that are available.

Changes in the group's capital are shown in the Group's report on changes in equity.

Note 6 Distribution of net sales

Distribution of net sales	The group		Parent company	
	2021	2020	2021	2020
Subscription income	179,251	159,290	179,251	159,290
Other income	3,686	158	3,686	158
Total	182,937	159,448	182,937	159,448

Revenue from subscription services is reported over time for the period to which the subscription relates.

Other income consists of sales of technology and B2B sales as well as direct purchases in the app. These revenues are reported at a given time when the customer gets access to the purchase.

Information on geographic markets	The group		Parent company	
	2021	2020	2021	2020
Sweden	182,937	159,448	182,937	159,448
Other countries	-	-	-	-
Total	182,937	159,448	182,937	159,448

Revenue from external customers is reported per geographic market based on where the selling company is based.

All the group's fixed assets are in Sweden.

Information on purchases and sales in the same group	Parent company	
	2021	2020
Sales	0.00%	0.00%
Purchases	0.00%	0.00%

Note 7 Other operating income

	The group		Parent company	
	2021	2020	2021	2020
Exchange rate gains	31	-	31	-
Contributions received	53	22	53	22
Other income	310	137	310	137
Total	394	159	394	159

Note 8 Other external expenses

	The group		Parent company	
	2021	2020	2021	2020
Office costs	909	441	2,506	980
Consumable products, software and consumable items	3,573	2,069	3,573	2,069
Marketing expenses	41,997	19,584	41,997	19,584
Consultant fees, product development	5,031	6,110	5,031	6,110
Server and technology costs	3,654	3,536	3,654	3,536
Other third-party services	27,198	9,420	27,198	9,420
Other costs	6,732	887	6,727	853
Total	89,094	42,047	90,686	42,552

In 2021, other foreign services have been affected by items affecting comparability by the amount of TSEK 23,309 (7,501) relating to the IPO.

Note 9 Remuneration to auditors

	The group		Parent company	
	2021	2020	2021	2020
Mazars AB				
Audit assignment	800	1,281	800	1,281
Audit activities in addition to the audit assignment	3,000	-	3,000-	-
Total	3,800	1,281	3,800	1,281

Audit assignment refers to the auditor's remuneration for the statutory audit. The work includes the reviewing of the annual report, the consolidated financial statement and the accounting records, the management by the Board and the CEO, as well as fees for audit advice provided in connection with the audit assignment.

Auditing activities in addition to the audit assignment mainly refer to fees for reviewing prospectuses in connection with stock exchange listing, but also include fees for the auditor's general review of the interim report.

Note 10 Leasing

The group is the lessee mainly through a rental contract for premises. The group's significant rental contract extends to December 2022. For these premises, the group's assessed marginal interest rate of 3.5 % has been used for discounting the lease liability.

A maturity analysis of lease liabilities is presented in note 4.

Amount shown in the income statement	The group	
	2021	2020
Depreciation of rights-of-use	1,538	498
Interest charges for lease liabilities	49	42
Costs attributable to short-term leasing agreements	-	225
Costs attributable to low-value leasing agreements	11	-
Total	1,598	765

As of 31 December 2021, the group has liabilities relating to short-term leasing agreements of TSEK 3 (25).

Cash flow	The group	
	2021	2020
Amortization of lease liabilities	-1,413	-497
Interest charges for lease liabilities	-49	-42
Short-term low value leasing agreements	-11	-225
Total	-1,473	-764

See note 19 for specification of assets with right-of-use.

The leasing agreements concern renting of premises. The group has received revenue for subletting of offices amounting to TSEK 333 (0) in 2021.

PARENT COMPANY

The parent company applies the exemption from the application of IFRS 16 Leasing. Leasing costs are recognized as profit/loss, and are reported linearly over the lease period.

The total cost of leasing agreements for the year amounted to TSEK 2,055 (846).

On the balance sheet date, the parent company had outstanding commitments in the form of minimum lease payments under non-terminable leasing agreements, with maturity dates as follows:

	31-12-2021	31-12-2020
Within 1 year	2,521	595
Between 1-5 years	-	570
Later than 5 years	-	-
Total	2,521	1,165

The leasing agreements concern renting of premises. The parent company has received revenue for subletting of offices amounting to TSEK 333 (0) in 2021.

Note 11 Number of employees, wages, other remuneration and social charges

	The group Number of employees		Parent company Number of employees	
	2021	2020	2021	2020
Men	24	17	24	17
Women	9	5	9	5
Total	33	22	33	22

All employees are employed in Sweden.

	The group Number		Parent company Number	
	2021	2020	2021	2020
Board members and other senior executives				
Women;				
Board members	2	1	2	-
Other senior executives	2	-	2	-
Men;				
Board members	3	3	3	1
Other senior executives	4	3	4	3
Total	11	7	11	4

Cost of remuneration to employees	2021	2020
Parent company;		
Wages and other remuneration	29,240	14,904
Social charges	9,102	4,305
Pension costs	1,593	545
Subsidiary;		
Wages and other remuneration	-	-
Social charges	-	-
Pension costs	-	-
Total wages and remuneration in the group	29,240	14,904
Total social charges in the group	9,102	4,305
Total pension costs in the group	1,593	545
Total for the group	39,935	19,754

All pension costs concern defined contribution occupational pensions.

Wages and other remuneration broken down between senior management and other employees	2021	2020
Parent company;		
Salary and other remuneration to senior management	10,760	3,924
of which bonuses and similar remuneration to senior executives	1,842	180
Wages and other remuneration to other employees	18,480	10,979
Total wages and other remuneration in the parent company	29,240	14,904

Salary and other remuneration together with pensions to senior management	2021	2020
The group		

Salary and other remuneration together with pensions to senior management	2021	2020
Salary and other remuneration to senior management	10,760	3,924
of which bonuses and similar remuneration to senior executives	1,842	180
Pension costs for senior executives	-	-
Total salary and other remuneration along with pensions to senior executives in the group	10,760	3,924

Remuneration to senior executives in 2021	Basic salary/ honoraria	Variable remuneration	Other perks	Pensions	Total
Lars Berg, chairman of the Board and chairman of the remuneration committee	613			-	613
Anne Broeng, Board member and chairwoman of the audit committee	310			-	310
Olof Nilsson, Board member and member of the audit committee	306			-	306
Rasmus Järborg, Board member and member of the remuneration committee	306			-	306
Ödgård Andersson, Board member*	208			-	208
Carl Johan Hederöth, CEO	2,113	1,300	6	-	3,419
Other senior executives (5 persons)	5,024	542	30	-	5,597
Total remuneration to senior executives	8,881	1,842	37	-	10,760

TSEK 135 refers to honoraria for 2020, of which TSEK 63 to Lars Berg, TSEK 10 to Anne Broeng, TSEK 31 to Olof Nilsson and TSEK 31 to Rasmus Järborg.

* Ödgård Andersson was appointed as a Board member in February 2021

Remuneration to senior executives in 2020	Basic salary/ honoraria	Variable remuneration	Other perks	Pensions	Total
Carl Johan Hederöth, CEO	1,046	180	16	-	1,242
Other senior executives (2 persons)	2,660	-	22	-	2,682
Total remuneration to senior executives	3,706	180	38	-	3,924

Employment conditions for the CEO

The company has in respect of the CEO a 6-month notice of termination, while the CEO has a 12-month notice of termination. In the event of termination by the company, severance pay is payable corresponding to 6 months of salary.

Warrants

The group's options program is described in note 25. The Company's CEO holds 387,609 warrants, and Board members hold 600 warrants.

Note 12 Research and development costs

Total expenditure on research and development that was expensed in the group and the parent company during the year amounted to TSEK 23,041 (15,214). Under research and development costs, all costs associated with the development and maintenance of the technology platform as well as the development of algorithms for machine learning, including data analysis and quality assurance of the product, are taken into account.

Note 13 Profit/loss from participations in group companies

	Parent company	
	2021	2020
Gain/loss on disposal of group companies	-	-2
Amortization of participations in the subsidiary	-100	0
Total	-100	-2

Note 14 Financial expenses

	The group		Parent company	
	2021	2020	2021	2020
Interest charges	78	150	29	107
Total	78	150	29	107

All interest charges are attributable to financial liabilities, which are valued at amortized acquisition value.

Note 15 Tax on the year's earnings

	The group		Parent company	
	2021	2020	2021	2020
Current tax				
Current tax on earnings for the year	-2,071	-	-2,071	0
Deferred tax				
Deferred tax attributable to temporary differences	-2	-12,152	-	-12,153
Deferred tax attributable to tax loss carry-forwards	-102	102	-102	102
Deferred tax attributable to tax credits for equipment	39	-	39	-
Total	-2,137	-12,050	-2,135	-12,051

Income tax in Sweden is estimated at 20.6% (21.4%) on the year's taxable earnings. Below is a reconciliation between reported profit/loss and the year's reported tax:

Reconciliation of tax expenses for the year	2021	2020	2021	2021
Reported profit/loss before tax	10,247	56,093	10,142	56,136
Tax at the applicable tax rate 20.6% (21.4%)	-2,111	-12,004	-2,089	-12,013
Effect of a change in tax rate	-4	-	-4	-
Effect of non-deductible costs	-60	-39	-80	-38
Effect of a tax reduction on investments in equipment	39	-	39	-
Deficit for which deferred tax assets have not been reported	-1	-7	-	-
Reported tax expense for the year	-2,137	-12,050	-2,135	-12,051

Current tax of TSEK 1,030 (0) attributable to deductible issue costs is reported directly in equity.

The group's and the parent company's deferred tax assets refer to the following items;

Deferred tax assets	The group		Parent company	
	2021	2020	2021	2020
Tax loss carry-forwards	-	102	-	102
Tax credits for equipment	39	-	39	-
Temporary difference of assets with right-of-use	9	11	-	-
Total	48	113	39	102

Note 16 Earnings per share

No earnings per share are reported for the comparison year as the company was not listed on the stock exchange until 2021. The following results and weighted average number of ordinary shares have been used for the calculation of earnings per share before dilution;

	The group
Earnings per share before dilution	2021
Profit for the year attributable to the parent company's shareholders	8 110
Weighted average number of ordinary shares before dilution	18 685 592
Earnings per share before dilution, SEK	0,43

The following earnings and weighted average number of ordinary shares have been used in the calculation of earnings per share after dilution;

	The group
Earnings per share after dilution	2021
Profit for the year attributable to the parent company's shareholders	8 110
Weighted average number of ordinary shares before dilution	18 685 592
Effect of potential ordinary shares regarding options	641 517
Weighted average number of ordinary shares after dilution	19 327 109
Earnings per share after dilution, SEK	0,42

For information on changes in the number of outstanding shares, see Note 26 Equity.

Note 17 Capitalized expenditure for development work

	Group and parent company	
	31-12-2021	31-12-2020
Opening acquisition values	-	-
Acquisitions for the year	5,013	-
Closing accum. acquisition values	5,013	-
Opening depreciations	-	-
Depreciations for the year	-376	-
Closing accum. depreciations	-376	-
Closing reported value	4,638	-

The activated development expenditure consists of wage costs including social charges for own employees, as well as expenses for contracted software development consultants operating within the company's product development. This year's review for impairment of activated development expenditure concluded that there is no impairment requirements for activated development expenses as of 31-12-2021.

Note 18 Patents

	Group and parent company	
	31-12-2021	31-12-2020
Opening acquisition values	714	714
Acquisitions for the year	-	-
Closing accum. acquisition values	714	714
Opening depreciations	-714	-655
Depreciations for the year	-	-59
Closing accum. depreciations	-714	-714
Closing reported value	-	-

The group's patent concerns a patent acquisition made in 2015. Depreciation is calculated over 5 years. Expenditure for patent maintenance is expensed on an ongoing basis.

Note 19 Assets with right-of-use

	The group	
	31-12-2021	31-12-2020
Buildings		
Opening acquisition value	2,489	2,489
Additional rights-of-use	2,995	-
Closing accum. acquisition values	5,484	2,489
Opening depreciations	-1,494	-996
Depreciations for the year	-1,538	-498
Closing accum. depreciations	-3,032	-1,494
Reported value	2,452	995

Note 20 Equipment and computers

	The group	
	31-12-2021	31-12-2020
Opening acquisition values	618	618
Acquisitions for the year	991	-
Scrappings	-176	-
Closing accum. acquisition values	1,433	618
Opening depreciations	-410	-336
Scrappings	106	-
Depreciations for the year	-133	-74
Closing accum. depreciations	-437	-410
Closing reported value	996	208

	Parent company	
	31-12-2021	31-12-2020
Opening acquisition values	619	619
Acquisitions for the year	991	-
Scrappings	-176	-
Closing accum. acquisition values	1,434	619
Opening depreciations	-411	-337
Scrappings	106	-
Depreciations for the year	-133	-74
Closing accum. depreciations	-438	-411
Closing reported value	996	208

Note 21 Participations in group companies

	Parent company	
	31-12-2021	31-12-2020
Opening acquisition values	50	50
Establishment of Sleep Cycle Sverige AB	-	50
Sale of Mdlabs	-	-50
Paid shareholder contributions	100	-
Closing acquisition values	150	50
Opening depreciations	-	-
Amortization for the year	-100	-
Closing accumulated depreciations	-100	-
Closing reported value	50	50

The parent company holds shares in the following subsidiaries:

Company, corporate ID number	Registered office	31-12-2021 Share capital %*	31-12-2020 Share capital %*	31-12-2021 Reported value	31-12-2020 Reported value
Sleep Cycle Sverige AB (559278-9688)	Gothenburg	100%	100%	50	50

Note 22 Accounts receivables

Group and parent company

	2021-12-31	2020-12-31	2019-12-31	2018-12-31
Accounts receivables, gross	21,626	113	15	167
Reserve for bad debts	-	-	-	-
Total accounts receivables, net after reserve for bad debts	21,626	113	15	167

Overdue but not written-down accounts receivable	2021	2020
Overdue 1-30 days	1,666	-
Overdue 31-60 days	-	-
Overdue 61-90 days	-	103
Overdue 91-120 days	-	-
Overdue more than 121 days in total	-	-
Totalt	1,666	103

From 2021, a method will be applied for self-invoicing of sales and platform fees, which was previously booked as accrued income and prepaid cost until paid. This explains the increase in accounts receivable in 2021.

As of December 31, 2021, accounts receivable of SEK 1,666 (103) thousand were due without any need for impairment. Of these, SEK 1,666 (103) thousand was settled as of January 2022 (February 2021). Accounts receivable are reported after taking into account history and customer losses incurred during the year. For 2021, established customer losses in the Group amounted to SEK 0 (0) thousand. Management assesses that the carrying amount of accounts receivable corresponds to fair value. Payment was received during January 2022 and customers' ability to pay is considered good.

Note 23 Other receivables

The group

	31-12-2021	31-12-2020
VAT receivables	469	1,638
Other items	1,475	367
Total	1,944	2,005

Parent company

	31-12-2021	31-12-2020
VAT receivables	469	1,638
Other items	1,475	367
Total	1,944	2,005

Note 24 Prepaid expenses and accrued income

The group

	31-12-2021	31-12-2020
Prepaid platform fees	23,109	20,311
Accrued income	170	16,123
Prepaid rentals	861	103
Other items	1,397	2,080
Total	25,537	38,617

Parent company

	31-12-2021	31-12-2020
Prepaid platform fees	23,109	20,311
Accrued income	170	16,123
Prepaid rentals	861	238
Other items	1,397	2,079
Total	25,537	38,751

From 2021, a method will be applied for self-invoicing of sales and platform fees, which was previously booked as accrued income and prepaid cost until paid. This explains the decrease in accrued income in 2021.

Note 25 Cash and cash equivalents

The group

	31-12-2021	31-12-2020
Bank balances	165,097	53,136
Bank guarantee	411	-
Total	165,508	53,136

Parent company

	31-12-2021	31-12-2020
Bank balances	164,967	53,091
Bank guarantee	411	-
Total	165,379	53,091

Note 26 Equity

Share capital and other capital contributions	Number ordinary shares	Share cap. (TSEK)	Other capital contributions (TSEK)
As of 1 January 2020	150,000	150	1,431
Option premiums received	-	-	589
As of 31 December 2020	150,000	150	2,020
Share split	17,850,000	-	-
Option premiums received	-	-	4,281
New share issue after issue expenses	1,428,571	390	95,991
As of 31 December 2021	19,428,571	540	102,292

As of 31 December 2021, the registered share capital comprised 19,428,571 ordinary shares with a quota value of SEK 0.03/share, all class B shares that are fully paid. No shares are held by the company itself or its subsidiaries.

On 14 December 2020, the extraordinary annual general meeting decided to introduce an incentive program by issuing warrants to Board members, key personnel and other employees. The program included a maximum of 1,276 warrants, of which 1,225 were subscribed, in which each warrant gives the right to subscribe for 120 shares. The subscription period for the options expired on 31 March 2021.

The warrants are issued against payment corresponding to the fair value of the warrant at the time of allocation. The fair value has been calculated on the basis of Black-Schole's valuation model, and amounted to SEK 1,474/warrant. Shares can be subscribed for from 1 December 2023 to 31 December 2023.

In the event that all warrants in the above-mentioned program are taken up, the number of shares in the company will increase by 147,000, corresponding to SEK 4,084, in share capital.

On 7 June 2021, the extraordinary annual general meeting decided on two incentive programs which issued warrants to both employees and the CEO. The employee program includes two series, of which series 1 comprises a maximum of 204,546 warrants, and Series 2 comprises a maximum of 22,727 warrants, in which each warrant gives the right to subscribe for 1 share. The subscription period for the options in Series 1 expired on 7 June 2021 and for Series 2 on 4 December 2021. As of 31 December 2021, 191,159 options have been subscribed for in Series 1, and 18,595 options have been subscribed for in Series 2.

The CEO's program comprises a maximum of 340,909 warrants, in which each warrant gives the right to subscribe for 1 share. The subscription period for the options expired on 7 June 2021. As of 31 December 2021, 340,909 options have been subscribed for.

The warrants are issued against payment corresponding to the fair value of the warrant at the time of allocation. The fair value has been determined on the basis of Black-Schole's valuation model, and amounted to SEK 9.90/warrant. Series 1 shares can be subscribed for from 8 June 2024 to 7 August 2024. Series 2 shares can be subscribed for from 5 December 2024 to 5 February 2025. Shares in the CEO program be subscribed for from 8 April 2026 to 7 June 2026.

In the event that all warrants in Series 1 are taken up, the share capital will increase by SEK 5,310. In the event that all warrants in Series 2 are taken up, the share capital will increase by SEK 517. In the event that all warrants in the CEO program are taken up, the share capital will increase by SEK 9,470.

Other capital contributions

Other capital contributions consist of contributions from owners in the event of a new share issues and option premiums received.

Retained earnings

Retained profit/loss consists of accrued earnings reduced by dividends to shareholders.

Note 27 Reconciliation of liabilities related to financing activities

The table below presents the year's change in the group's liabilities related to financing of activities. The table includes long-term and short-term liabilities.

	The group		
	Lease liabilities	Other loan liabilities	Total
Opening balance in 2020	1,409	-	1,409
Cash-flow affecting items			
Amortization of lease liabilities	-497	-	-497
Non-cash-flow affected items	-	-	-
As of 31 December 2020	912	-	912
Cash-flow affecting items			
Amortization of lease liabilities	-1,413	-	-1,413
Non-cash-flow affected items			
Additional leasing agreements	2,995	-	2,995
As of 31 December 2021	2,494	-	2,494

Note 28 Accrued expenses and deferred income

The group		
	31-12-2021	31-12-2020
Contractual liability (prepaid income)	95,213	82,624
Accrued platform fees	37	3,982
Accrued holiday pay	4,280	2,269
Accrued social charges	2,026	1,162
Other items	4,185	6,368
Total	105,741	96,405

Parent company		
	31-12-2021	31-12-2020
Contractual liability (prepaid income)	95,213	82,624
Accrued platform fees	37	3,982
Accrued holiday pay	4,280	2,269
Accrued social charges	2,026	1,162
Other items	4,179	6,350
Total	105,736	96,387

The contractual liability consists in its entirety of prepaid subscription services for Sleep Cycle Premium. Contractual liability is recorded over time linearly over the length of the subscription. The subscription period does not, in any case, exceed 12 months, which is why an opening contractual liability is recorded as revenue for the entire current year.

Note 29 Pledged assets and contingent liabilities

Group and parent company		
	31-12-2021	31-12-2020
Pledged assets		None
Blocked bank funds as collateral for bank guarantee	411	-
Contingent liabilities	None	None

Note 30 Transactions with related parties

Transactions between the company and its subsidiaries, which are related parties to the company, have been eliminated while consolidating, and information about these transactions is therefore not given in this note.

There has been no purchase of services or goods from senior executives or other related parties to the group, nor have any corresponding sales been made. No loans have been issued to or transactions conducted with related parties.

Disclosures of remuneration to senior executives are presented in note 11.

Note 31 Dividend and disposal of profit

At the annual general meeting on 10 May 2022, the disposal proposal below will be presented;

Total earnings (SEK) at the disposal of the annual general meeting;	
Share premium reserve	102,292,452
Retained earnings	-6,617,932
Profit/loss for the year	8,007,001
	103,681,521

The Board proposes that earnings be disposed of in such a way that;

to be carried over	103,681,521
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Note 32 Events after the balance sheet date

- In January 2022, the Sleep Goals feature was launched, which, by means of various improvement suggestions, helps the user to reach a predetermined sleep goal.
- In March 2022, the Auto Sleep Tracker was launched for Apple Watch. The new feature will create fewer gaps in users' sleep data and enable daily sleep analysis with fewer deviations.

Definitions of key performance indicators

Sleep Cycle applies the ESMA guidelines for alternative performance measures. This report presents certain financial performance indicators, including alternative key performance indicators that are not defined by IFRS. The company considers that these key performance indicators are an important complement, because they enable a better evaluation of the Company's financial trends. These financial key performance indicators shall not be assessed independently nor be considered to replace key

performance indicators that have been calculated in accordance with IFRS. In addition, such key performance indicators, as defined by Sleep Cycle, should not be compared with other key performance indicators with similar names used by other companies. This is because the following key performance indicators are not always defined in the same way, and other companies can calculate them in a different way than Sleep Cycle.

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.	Operating profit/loss is used to understand the company's earning capacity in relation to net sales.
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.
EBITDA	Operating profit/loss before depreciation, amortization and impairment. (Earnings Before Interest, Taxes, Depreciation, and Amortization).	EBITDA is an indication of the company's earnings capacity, and is a complement to operating profit excluding depreciation, amortization and impairment of tangible and intangible assets.
Items affecting statement comparison	Non-recurring items which are not part of the normal operations, and therefore affect comparison between different periods.	The measure is used to understand the group's development and to make comparisons between years.
Adjusted EBITDA	Operating profit/loss before depreciation, amortization and impairment, adjusted for items affecting comparison.	Adjusted EBITDA is used to understand the company's earning capacity cleared for items affecting comparability.
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 comparison.
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 cleared for items affecting comparison.
Adjusted operating margin excluding marketing expenses	Adjusted operating profit/loss excluding marketing costs as a percentage of the company's net sales.	Adjusted operating margin/loss excluding marketing costs is used to understand the company's earning capacity cleared for items affecting comparability, and gives a more accurate picture of the company's profitability over time.
Adjusted operating cash flow	Adjusted EBITDA plus change in net working capital minus investments in tangible and intangible assets.	The measure shows how many liquid resources are generated by the company's operating activities cleared for items affecting comparison.
Adjusted cash conversion	Adjusted operating cash flow in relation to the company's Adjusted EBITDA.	The measure is used to measure the share of the company's profits converted into liquid assets, and describes how cash-generating the operating activities are.
Total users	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 subscription revenue per subscriber during the period.	The measure indicates the company's subscription revenue per subscription on average during the period.

Reconciliation of alternative performance measures

Net sales growth and currency-adjusted net sales growth

TSEK	2021	2020
Net sales for previous period	159,448	122,676
Net sales for current period	182,937	159,448
Net sales growth	14.7%	30.0%
Currency-adjusted net sales for previous period	150,399	125,690
Net sales for current period	182,937	159,448
Currency-adjusted net sales growth	21.6%	26.9%

Operating margin and EBITDA

TSEK	2021	2020
Net sales	182,937	159,448
Other operating income	394	159
Capitalized work for own account	2,838	-
Platform fees	-43,991	-40,144
Other external expenses	-89,094	-42,047
Personnel costs	-40,578	-20,510
Depreciation, amortization and impairment of tangible and intangible assets	-2,047	-631
Other operating expenses	-134	-32
Operating profit/loss	10,325	56,243
Operating margin	5.6%	35.3%
Depreciation, amortization and impairment of tangible and intangible assets	2,047	631
EBITDA	12,373	56,874

Adjusted EBITDA, Adjusted operating profit/loss, Adjusted operating margin

TSEK	2021	2020
EBITDA	12,373	56,874
Operating profit/loss	10,325	56,243
Items affecting comparability		
External consultants	-23,309	-7,501
Personnel costs	-2,752	-
Items affecting comparability	-26,061	-7,501
Adjusted EBITDA	38,434	64,375
Adjusted operating profit/loss	36,386	63,744
Adjusted operating margin	19.9%	40.0%

Adjusted operating margin excluding marketing expenses

TSEK	2021	2020
Adjusted operating profit/loss	36,386	63,744
Marketing expenses	-41,997	-19,584
Adjusted operating profit/loss excluding marketing expenses	78,383	83,328
Adjusted operating margin excluding marketing expenses	42.8%	52.3%

Adjusted operating cash flow and Adjusted cash conversion

TSEK	2021	2020
Adjusted EBITDA	38,434	64,375
Change in working capital	4,293	11,786
Acquisition of tangible assets	-922	-
Capitalization of development expenses	-5,013	-
Adjusted operating cash flow	36,791	76,161
Adjusted cash conversion	95.7%	118.3%

ARPU reconciliation

TSEK	2021	2020
Subscription income	179,251	159,290
Number of users in previous period (thousands)	788	716
Number of users in current period (thousands)	901	788
ARPU (SEK)	212	212

The annual report and consolidated financial statement have been approved for issue by the Board on 30 March 2022. The group's statement of comprehensive income and statement on its financial position, as well as the parent company's income statement and balance sheet, will be subject to certification at the annual general meeting on 10 May 2022.

The Board and the CEO hereby certify that the annual report has been prepared in accordance with the Swedish Annual Accounts Act and RFR 2 Financial reporting for legal entities, and gives a true and fair view of the company's position and performance, and that the management report

gives a fair overview of the development of the company's performance, position and results, and describes the material risks and uncertainties that the company faces. The Board and the CEO hereby certify that the consolidated financial statement has been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and gives a true and fair view of the group's position and performance, and that the group's annual report gives a fair overview of the development of the group's performance, position and results, and describes the material risks and uncertainties faced by the companies that are part of the group.

Gothenburg, 30 March 2022

Lars Berg
Chairman of the Board

Anne Broeng
Board member

Olof Nilsson
Board member

Ödgård Andersson
Board member

Rasmus Järborg
Board member

Carl Johan Hederöth
Chief Executive Officer

Our audit report has been submitted on 30 March 2022
Mazars AB

Samuel Bjälkemo
Authorized auditor

Anders Persson
Authorized auditor

AUDITOR'S REPORT

To the general meeting of the shareholders of Sleep Cycle AB, 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 for the year 2021 with the exception of the corporate governance report on pages 31–33. The annual accounts and consolidated accounts of the company are included on pages 29–59 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 as of 31 December 2021 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 2021 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. 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 group.

Our opinions in this report on the 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 ethical 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 I (we) have obtained is sufficient and appropriate to provide a basis for our opinions.

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.

Revenue recognition

See notes 2 and 6 in the annual report and consolidated accounts for detailed information and a description of the area.

Description of key audit matter

The absolute largest part of the Parent Company and the Group's revenues consist of revenues from subscription services which are reported over time. The accounting for revenue includes manual procedures, which increases the risk of revenue recognition in the wrong period or to a wrong amount.

How the area has been considered in the audit

We have audited the company's procedures to ensure that internal controls linked to the revenue accounting are appropriate. We have reviewed the calculation model used to accrue revenue and performed tests on the model to ensure correct and consistent application.

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 1–28. 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 Directors 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 intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures

- made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements **Opinions**

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Sleep cycle AB for the year 2021 and the proposed appropriations of the company's profit or loss.

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

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

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 for the financial year 201.

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 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 Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the 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 audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and 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 technical validation of the Esef report, i.e., if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 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 Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, financial position, changes in equity and cash flow.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 31–33 has been prepared in accordance with the Annual Accounts Act.

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

Mazars AB, with Samuel Bjälkemo as principal, Box 1317, 111 83 Stockholm, was appointed auditor of Sleep Cycle AB by the general meeting of the shareholders on the 19th of May 2021 and has been the company's auditor since the 9th of September 2014. Anders Persson, Mazars AB Box 159, 261 22 Landskrona, was appointed auditor by the general meeting of the shareholders on the 19th of May 2021 and has been the company's auditor since the 19th of April 2021.

Stockholm 30th of March 2022

Mazars AB

Samuel Bjälkemo
Authorized Public Accountant

Anders Persson
Authorized Public Accountant

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