



Sleep Cycle



Invitation to acquire shares in Sleep Cycle AB (publ)

JOINT GLOBAL COORDINATORS AND JOINT BOOKRUNNERS



IMPORTANT INFORMATION TO INVESTORS

This offering circular (the "**Offering Circular**") has been prepared in connection with the offering to the public in Sweden and listing on Nasdaq Stockholm (the "**Offering**" or the "**IPO**") of shares in Sleep Cycle AB (publ) (a Swedish public limited liability company). In the Offering Circular, "**Sleep Cycle**", the "**Company**" or the "**Group**" refers to Sleep Cycle AB (publ), the group in which Sleep Cycle is the parent company or a subsidiary of the group, as the context may require. The "**Principal Owners**" refer to GLA Invest S A, h265 AB, MCGA AB and Petter Wallin. The "**Managers**" refer to Skandinaviska Enskilda Banken AB (publ) ("**SEB**") and Carnegie Investment Bank AB (publ) ("**Carnegie**"). See section "**Definitions**" for the definitions of these and other terms in the Offering Circular.

The figures included in the Offering Circular have, in certain cases, been rounded off and, consequently, the tables contained in the Offering Circular do not necessarily add up. Further, some percentages presented in this Offering Circular have been calculated on the basis of underlying figures which have not been rounded off and, as a consequence, these can deviate from percentages calculated based on figures that have been rounded off. All financial amounts are in Swedish kronor ("**SEK**"), unless indicated otherwise. "**SEKm**" or "**SEK million**" indicates millions of SEK and "**SEKbn**" or "**SEK billion**" indicates billions of SEK. Except as expressly stated herein, no financial information in the Offering Circular has been audited or reviewed by the Company's auditor. Financial information relating to the Company in the Offering Circular that is not part of the information audited or reviewed by the Company's auditor as outlined herein originates from the Company's internal accounting and reporting systems.

The Offering is not directed to the general public in any country other than Sweden. Nor is the Offering directed to such persons whose participation requires additional offering circulars, registrations or measures other than those prescribed by Swedish law. No measures have been or will be taken in any other jurisdiction than Sweden, that would allow any offer of the shares to the public, or allow holding and distribution of the Offering Circular or any other documents pertaining to the Company or shares in such jurisdiction. Applications to acquire shares that violate such rules may be deemed invalid. Persons into whose possession the Offering Circular comes are required by the Company and the Managers to inform themselves about and to observe such restrictions. Neither the Company nor either of the Managers accepts any legal responsibility for any violation by any person, whether or not a prospective investor, of any such restrictions. The shares in the Offering have not been recommended by any U.S. federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of the Offering Circular. Any representation to the contrary is a criminal offence in the United States. The shares in the Offering have not been and will not be registered under the U.S. Securities Act of 1933, as amended, (the "**Securities Act**") or with any securities regulatory authority of any state of the United States, and may not be offered or sold within the United States unless the shares are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available. In the United States, the shares will be sold only to persons reasonably believed to be qualified institutional buyers as defined in and in reliance on Rule 144A under the Securities Act or pursuant to another exemption from, or in a transaction not subject to, the requirements of the Securities Act. All offers and sales of shares outside the United States will be made in compliance with Regulation S under the Securities Act. Prospective purchasers that are qualified institutional buyers are hereby notified that the sellers of the shares in the Offering may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. In the United States, the Offering Circular is being furnished on a confidential basis solely for the purpose of enabling a prospective investor to consider purchasing the particular securities described herein. The information contained in the Offering Circular has been provided by the Company and other sources identified herein. Distribution of the Offering Circular to any person other than the offeree specified by the Managers or their representatives, and those persons, if any, retained to advise such offeree with respect thereto, is unauthorized, and any disclosure of its contents, without the Company's prior written consent, is prohibited. Any reproduction or distribution of the Offering Circular in the United States, in whole or in part, and any disclosure of its contents to any other person is prohibited. The Offering Circular is personal to each offeree and does not constitute any offer to any other person or to the general public to acquire shares in the Offering.

A Swedish language version of the Offering Circular (the "**Swedish Offering Circular**") has been approved by and registered with the Swedish Financial Supervisory Authority (*Sw. Finansinspektionen*) (the "**SFSA**") as competent authority pursuant to the European Union Regulation (EU) 2017/1129. The SFSA only approves that the Swedish Offering Circular meets the standards of completeness, comprehensibility and consistency imposed by the prospectus regulation. Further, this approval should not be considered as any endorsement, neither of the issuer referred to in the Swedish Offering Circular nor of the quality of the securities that are the subject of the Swedish Offering Circular, and investors should make their own assessment as to the suitability of investing in the securities. The Swedish Offering Circular was approved by the SFSA on 28 May 2021. The validity period for the Swedish Offering Circular will expire on 28 May 2022.

The obligation to supplement the Swedish Offering Circular in the event of significant new circumstances, factual errors or material inaccuracies does not apply when the offering circular is no longer valid. The Offering and the Offering Circular are governed by Swedish law. The courts of Sweden have exclusive jurisdiction to settle any conflict or dispute arising out of or in connection with the Offering or the Offering Circular. In the event of discrepancies between the Offering Circular and the Swedish Offering Circular, the Swedish Offering Circular shall prevail.

NOTICE TO INVESTORS IN THE UNITED KINGDOM

This Offering Circular has been prepared on the basis that any offer of shares in the United Kingdom will be made pursuant to an exemption under the Financial Services and Markets Act 2000 (as amended) ("**FSMA**") from the requirement to publish a prospectus for offers of securities. This Offering Circular is for distribution only to persons who: (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "**Financial Promotion Order**"), (ii) are persons falling within Article 49(2)(a) to (d) ("**high net worth companies, unincorporated associations etc.**") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "**relevant persons**"). This Offering Circular is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Circular relates is available only to and will be engaged in only with relevant persons. In connection with the Offering, the Managers are not acting for anyone other than the Company and will not be responsible to anyone other than the Company for providing the protections afforded to their clients nor for providing advice in relation to the Offering.

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA AND THE UNITED KINGDOM

This Offering Circular has been prepared on the basis that any offer of shares in any member state of the EEA (each a "**Relevant State**") (with the exception of Sweden) will be made pursuant to an exemption under Prospectus Regulation from the requirement to publish a prospectus for offers of shares. The shares are not intended to be offered or sold to and should not be offered or sold to any retail investor in the EEA. For these purposes, a "**retail investor**" means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive 2016/97/EU (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling any in scope instrument or otherwise making such instruments available to retail investors in the EEA has been prepared. Offering or selling shares or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

STABILIZATION

In connection with the Offering, SEB may carry out transactions aimed at supporting the market price of the shares at levels above those which might otherwise prevail in the open market. Such stabilization transactions may be effected on Nasdaq Stockholm, in the over-the-counter market or otherwise, at any time during the period starting on the date of commencement of trading in the shares on Nasdaq Stockholm and ending no later than 30 calendar days thereafter. SEB is, however, not required to undertake any stabilization and there is no assurance that stabilization will be undertaken.

Stabilization, if undertaken, may be discontinued at any time without prior notice. In no event will transactions be effected at levels above the price in the Offering. No later than by the end of the seventh trading day after stabilization transactions have been undertaken, SEB shall disclose that

stabilization transactions have been undertaken in accordance with article 5(4) in the Market Abuse Regulation 596/2014. Within one week of the end of the stabilization period, SEB will make public whether or not stabilization was undertaken, the date at which stabilization started, the date at which stabilization last occurred and the price range within which stabilization was carried out, for each of the dates during which stabilization transactions were carried out.

IMPORTANT INFORMATION ABOUT THE SELLING OF SHARES

Note that notifications about allotment to the public in Sweden will be made through distribution of contract notes, expected to be distributed on 8 June 2021. Institutional investors are expected to receive notification of allotment on or about 8 June 2021 in particular order, whereupon contract notes are dispatched. After payments for the allocated shares have been processed by the Managers, the duly paid shares will be transferred to the securities depository account or the securities account specified by the acquirer. The time required to transfer payments and transfer duly paid shares to the acquirers of shares in Sleep Cycle means that these acquirers will not have shares available in the specified securities depository account or the securities account until 10 June 2021, at the earliest. Trading in Sleep Cycle's shares on Nasdaq Stockholm is expected to commence on or around 8 June 2021. Accordingly, if shares are not available in an acquirer's securities account or securities depository account until 10 June 2021 at the earliest, the acquirer may not be able to sell these shares on the stock exchange as from the time trading in the shares commences, but first when the shares are available in the securities account or the securities depository account.

INFORMATION TO DISTRIBUTORS

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of the Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the shares have been subject to a product approval process, which has determined that the shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**"). Notwithstanding the Target Market Assessment, Distributors should note that: the price of the shares may decline and investors could lose all or part of their investment; the shares offer no guaranteed income and no capital protection; and an investment in the shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offering. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Managers will only procure investors who meet the criteria of professional clients and eligible counterparties (except for a public offering to investors in Sweden conducted pursuant to the Swedish Offering Circular that has been approved by and registered with the SFSA).

PRESENTATION OF FINANCIAL INFORMATION

Unless otherwise stated herein, no financial information in the Offering Circular has been audited or reviewed by the Company's auditor. Financial information relating to the Company in the Offering Circular and that is not a part of the information that has been audited or reviewed by the Company's auditor in accordance with what is stated herein, has been collected from the Company's internal accounting and reporting system. All financial amounts are in SEK, unless indicated otherwise. Figures reported in the Offering Circular have in some cases been rounded and therefore the tables do not necessarily always add up exactly.

FORWARD-LOOKING STATEMENTS

The Offering Circular contains certain forward-looking statements and opinions. Forward-looking statements are statements that do not relate to historical facts and events and such statements and opinions pertaining to the future that, by example, contain wording such as "believes", "estimates", "anticipates", "expects", "assumes", "forecasts", "intends", "could", "will", "should", "would", "according to estimates", "is of the opinion", "may", "plans", "potential", "predicts", "projects", "to the knowledge of" or similar expressions, which are intended to identify a statement as forward-looking. This applies, in particular, to statements and opinions in the Offering Circular concerning the future financial returns, plans and expectations with respect to the business and management of the Company, future growth and profitability and general economic and regulatory environment and other matters affecting the Company.

Forward-looking statements are based on current estimates and assumptions made according to the best of the Company's knowledge. Such forward-looking statements are subject to risks, uncertainties, and other factors that could cause the actual results, including the Company's cash flow, financial position and results of operations, to differ materially from the results, or fail to meet expectations expressly or implicitly assumed or described in those statements or to turn out to be less favorable than the results expressly or implicitly assumed or described in those statements. Accordingly, prospective investors should not place undue reliance on the forward-looking statements herein, and are strongly advised to read the Offering Circular, including the following sections: "**Summary**", "**Risk factors**", "**Business overview**" and "**Operating and financial review**", which include more detailed descriptions of factors that might have an impact on the Company's business and the market in which it operates. None of the Company, the Principal Owners or any of the Managers can give any assurance regarding the future accuracy of the opinions set forth herein or as to the actual occurrence of any predicted developments.

In light of the risks, uncertainties and assumptions associated with forward-looking statements, it is possible that the future events mentioned in the Offering Circular may not occur. Moreover, the forward-looking estimates and forecasts derived from third-party studies referred to in the Offering Circular may prove to be inaccurate. Actual results, performance or events may differ materially from those in such statements due to, without limitation: changes in general economic conditions, in particular economic conditions in the markets on which the Company operates, lack of attractive products to sell or the possibility to distribute products, changes affecting interest rate levels, changes affecting currency exchange rates, changes in competition levels, changes in laws and regulations, and occurrence of accidents or environmental damages.

After the date of the Offering Circular, none of the Company, the Principal Owners or any of the Managers assume any obligation, except as required by law or Nasdaq Nordic Main Market Rulebook for Issuers of Shares, to update any forward-looking statements or to conform these forward-looking statements to actual events or developments.

BUSINESS AND MARKET DATA

The Offering Circular includes industry and market data pertaining to Sleep Cycle's business and markets. Such information is based on the Company's analysis of multiple sources, including a paid market report from Strategy&. The Strategy& market report was prepared at the request of the Company in return for payment, and is in the Company's view reliable. As part of the market report completed in March 2021, Strategy& was given access to internal Company information. A broad consumer survey in Sweden, the United States and Japan with more than 26,000 respondents was administered by Strategy& to serve as input for the market and competition analyses. It should be noted that the underlying work for the Strategy& market report was carried out during November and December 2020 and that assumptions or market assessments may have changed since then. Furthermore, Sleep Cycle has expressed views and assumptions related to the market and the Company's competitive position. These views and assumptions have not been verified by a third party, which may or may not have a different point of view.

Industry publications or reports generally state that the information they contain has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. The Company has not independently verified and cannot give any assurances as to the accuracy of industry and market data contained in the Offering Circular that were extracted or derived from such industry publications or reports. Business and market data are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. Such data is based on market research, which itself is based on sampling and subjective judgements by both the researchers and the respondents, including judgements about what types of products and transactions should be included in the relevant market.

Information provided by third parties has been accurately reproduced and, as far as the Company is aware and has been able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

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SUMMARY OF THE OFFERING

Offering Price: **SEK 70 per share**

Application period for the general public: **31 May – 7 June 2021**

First day of trading in Sleep Cycle's shares: **8 June 2021**

Settlement Date: **10 June 2021**

Other information: Ticker: **SLEEP**

ISIN code: **SE0015961404**

LEI code: **54930016C77EO26G2U47**

FINANCIAL CALENDAR

Interim report for the period January – June 2021, Q2:
13 August 2021

Interim report for the period July – September 2021, Q3 :
12 November 2021

Year-end report for the period January – December 2021:
15 February 2022

Summary

INTRODUCTION AND WARNINGS

Introduction and warnings This summary should be regarded as an introduction to the Offering Circular. Any decision to invest in the securities should be based on an assessment of the entire Offering Circular by the investor. Every decision to invest in the securities entails risk and an investor may lose all or part of the invested capital. In the event of a lawsuit against the information contained in the Offering Circular, the plaintiff investor may, under national law, be forced to pay the costs of translating the Offering Circular before legal proceedings are initiated. Under civil law, only those individuals who have produced the summary, including translations thereof, may be enjoined, but only if the summary is misleading, incorrect or inconsistent with the other parts of the Offering Circular or if it does not, together with the other parts of the Offering Circular, provide key information to help investors when considering whether to invest in such securities.

The issuer Sleep Cycle AB (publ) Reg. No. 556614-7368, Kungsgatan 46, SE-411 15 Gothenburg, Sweden.
Telephone number: +46 (0) 709 395 327.
LEI code: 54930016C77EO26G2U47.
Ticker: SLEEP
ISIN code: SE0015961404

The Principal Owners GLA Invest S A, Reg. No. B143 528, 51-53 rue de Merl, L-2146 Luxembourg and LEI code: 549300K2XCLZ1DGKHH54.
h265 AB, Reg. No. 556866-9278, Säve Flygplatsväg 30, SE-423 73 Säve, Sweden and LEI code: 549300DQRE863WKSGA58.
MCGA AB, Reg. No. 559283-9483, Säve Flygplatsväg 30, SE-423 73 Säve, Sweden and LEI code: 549300NP8X8V53572O32.
Petter Wallin, business address Brantstigen 41, SE-141 71 Segeltorp, Sweden.

Competent Authority Finansinspektionen is the Swedish Financial Supervisory Authority (the "SFSA") and the competent authority responsible for approving the Swedish language version of the Offering Circular.
The SFSA's address: Brunngatan 3 SE-111 38, Stockholm, Sweden.
The SFSA's postal address: Box 7821, 103 97 Stockholm.
Email: finansinspektionen@fi.se.
Phone: +46 8 408 980 00.

The Swedish Offering Circular was approved by the SFSA on 28 May 2021.

KEY INFORMATION ON THE ISSUER

WHO IS THE ISSUER OF THE SECURITIES?

Issuer information Issuer of the securities is Sleep Cycle AB (publ) Reg. No. 556614-7368. The Company's registered office is in Gothenburg, Sweden. The Company is a Swedish public limited liability company founded in Sweden under Swedish law, incorporated in Sweden and operating under Swedish law. The Company's form of association is governed by the Swedish Companies Act (2005:551). The Company's LEI code is 54930016C77EO26G2U47.

The issuer's principal activities Sleep Cycle is a market leading sleep tracking application with a mission to empower people to sleep better to improve global health. Sleep Cycle uses a patented AI-based audio technology to measure users' sleep and provide personalized insights based on the Company's sleep database.

Sleep Cycle operates within the market for mobile sleep tracking applications, defined as applications that offer basic sleep tracking functionality such as sleep tracking and analysis, smart alarm and snore tracking.

Major shareholders As of the date of this Offering Circular, the Company's largest shareholders are those presented below.

Shareholder	Number of shares	Percentage of shares and votes in the Company
GLA Invest S A	6,000,000	33.3
h265 AB	5,550,000	30.8
MCGA AB	5,550,000	30.8
Petter Wallin	900,000	5.0

As of the date of this Offering Circular and as far as the Company is aware, the Company is not directly or indirectly controlled by any other than Maciej Drejak through h265 AB and MCGA AB and Pierre Siri through GLA Invest S A.

Key managing directors The Company's Board of Directors consists of Lars Berg, Anne Broeng, Olof Nilsson, Rasmus Järborg and Ödgård Andersson.

The Company's executive management consists of Carl Johan Hederöth (CEO), Per Andersson (CFO), Samuel Cyprian (CCO), Mikael Kågebäck (CTO) and Sandra Hansson (CPO).

Auditor Mazars AB, with auditor in charge Samuel Bjälkemo and Anders Persson.

WHAT IS THE KEY FINANCIAL INFORMATION REGARDING THE ISSUER?

Key financial information in summary **SELECTED INCOME STATEMENT FIGURES**

MSEK, unless otherwise stated	1 Jan – 31 Dec			1 Jan – 31 March	
	2020	2019	2018	2021	2020
Net revenue	159.4	122.7	93.3	42.0	38.1
Operating Profit (EBIT)	56.2	52.0	36.1	4.7	18.4
Net profit	44.0	41.6	26.7	3.7	14.4
Net revenue growth	30.0%	31.5%		10.2%	30.7%
Operating profit margin	35.3%	42.4%	38.7%	11.2%	48.2%
Earnings per share after dilution, SEK	285	274	178	24	94

SELECTED BALANCE SHEET FIGURES

MSEK	31 Dec			31 March	
	2020	2019	2018	2021	2020
Total assets	104.7	107.1	84.3	118.6	71.6
Total equity attributable to owners of the Parent Company	0.1	6.9	7.2	4.6	(30.1)

Key financial information in summary, cont. SELECTED CASH FLOW FIGURES

MSEK	1 Jan – 31 Dec			1 Jan – 31 March	
	2020	2019	2018	2021	2020
Cash flow from operating activities	46.1	47.7	52.6	(8.2)	(2.3)
Cash flow from investing activities	(0.0)	3.4	(0.3)	(0.8)	0.0
Cash flow from financing activities	(51.3)	(42.5)	(23.2)	0.6	(51.6)

WHAT ARE THE KEY RISKS THAT ARE SPECIFIC TO THE ISSUER?**Main risks related to the issuer and the industry**

The Company's business and market are subject to a number of risks, that are wholly or partly outside the Company's control and which may affect the Company's earnings, operations and financial position. Before a potential investment decision, it is important to carefully examine the risk factors that are considered to be of importance for the Company's future development. These risks include *inter alia* the following risks attributable to the Group's business, industry and markets, operational risks, financial risks and legal and regulatory risks.

- Risks related to use of third-party providers. If one or more of these risks should materialise, it could have a material adverse effect on the Company's reputation and the Company's ability to attract new users and retain existing users.
- Risks related to changes in competition. If one or more of these risks should materialise, it could have a material adverse effect on the Company's operations and financial position.
- Risks related to distribution concentration. If one or more of these risks should materialise, it could have a material adverse effect on the Company's revenue, profit and cash flow.
- Risks related to Sleep Cycle's brand and reputation. If one or more of these risks should materialise, it could have a material adverse effect on the Company's financial position and operations.
- Risks related to increased marketing costs and unsuccessful marketing activities. If one or more of these risks should materialise, it could have a material adverse effect on the Company's financial position and operations.
- Risks related to technology. If one or more of these risks should materialise, it could have a material adverse effect on the Company's earnings and operations.
- Risks related to the Company's ability to recruit and retain senior executives and other key personnel. If one or more of these risks should materialise, it could have a material adverse effect on the Company's culture, brand and financial results.
- Risks related to Sleep Cycle's exposure to indirect currency risks due to the subscription price being set in local currency. If one or more of these risks should materialise, it could have a material adverse effect on the Company's earnings and financial position.
- Risks related to that Sleep Cycle may be liable to pay fines or face penalties if personal or health data is inappropriately used and processed. If one or more of these risks should materialise, it could have a material adverse effect on the Company's earnings and operations.
- Risks related to Sleep Cycle rapid growth and organizational changes. If one or more of these risks should materialise, it could have a material adverse effect on the Company's earnings and financial position.
- Risks related to that Sleep Cycle may be unsuccessful in complying with regulations and be involved in legal proceedings. If one or more of these risks should materialise, it could have a material adverse effect on the Company's earnings and financial position.
- Risks related to a relatively short operating history. If one or more of these risks should materialise, it could have a material adverse effect on the Company's operations and financial position.

The main risks that have been described above could have a significant adverse effect on the Company's earnings, operations, financial position and future prospects. In addition, the Company is exposed to additional risks which are described in the Offering Circular and risks that are not currently known to the Company, or that the Company currently believes are immaterial and which may also adversely affect the Company's earnings, operations and financial position.

KEY INFORMATION ON THE SECURITIES

WHAT ARE THE MAIN FEATURES OF THE SECURITIES?

Securities offered and securities admitted to trading	Shares in Sleep Cycle AB (publ). ISIN code: SE0015961404. The shares are denominated in SEK and each share has a quota value of approximately SEK 0.02778.
Total number of shares in the Company	As of the date of this Offering Circular, there are 18,000,000 shares in the Company. The Offering comprises 4,870,171 shares, of which 1,428,571 are newly issued shares and 3,441,600 are existing shares.
Rights associated with the securities	Each share in the Company entitles the holder to one vote at shareholders' meetings and each shareholder is entitled to cast votes equal in number to the number of shares held by the shareholder in the Company. If the Company issues new shares, warrants or convertibles in a cash issue or a set-off issue, shareholders shall, as a general rule, have preferential rights to subscribe for such securities proportionally to the number of shares held prior to the issue. The shares carry the right to payment of dividend for the first time on the record date for distribution which falls immediately after the listing. All shares in the Company give equal rights to dividends and the Company's assets and possible surpluses in the event of liquidation. The rights associated with the shares issued by the Company, including those pursuant to the articles of association, can only be amended in accordance with the procedures set out in the Swedish Companies Act (2005:551).
Restrictions on the free transferability	The shares are not subject to any restrictions on transferability.
Dividend policy	The Company's Board of Directors intend to use the cash flow generated for continued investments in growth. The Board of Directors shall each year evaluate the possibility of distributing a dividend, after taking into account the development of the business as well as its operating profit and financial position.

WHERE WILL THE SECURITIES BE TRADED?

Admission to trading	On 17 May 2021, Nasdaq Stockholm's listing committee made the assessment that the Company fulfils the listing requirements. Nasdaq Stockholm will approve an application for admission to trading of the Company's shares on Nasdaq Stockholm subject to certain conditions, including that the Company submits such an application and fulfils the distribution requirement for its shares. Trading in the Company's shares is expected to commence on or about 8 June 2021.
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WHAT ARE THE KEY RISKS THAT ARE SPECIFIC TO THE SECURITIES?

Main risks related to the securities	All investments in securities are associated with risks. Such risks could cause the price of the Company's shares to fall significantly and investors could potentially lose all or part of their investment. These risks include, <i>inter alia</i> , the below listed risks related to the securities. <ul style="list-style-type: none"> • Risks related to that an active, liquid and orderly trading market for Sleep Cycle's shares may not develop, the price of its shares may be volatile, and potential investors could lose a portion or all of their investment. If one or more of these risks should materialise, it could have a material adverse effect on investors ability to resell the share at or above the Offering Price. • Risks related to that sales of shares by existing shareholders could cause the share price to decline. If one or more of these risks should materialise, it could have a material adverse effect on the market price of the Company's share, which constitutes a significant risk to investors. • Risks related to the Company's ability to pay dividends which is dependent upon its future earnings, financial position, cash flows, net working capital requirements, capital expenditures and other factors. If one or more of these risks should materialise, it could entail a risk for investors and could affect the Company's ability to attract investors whose investment decision is particularly dependent on the opportunity to receive recurring dividends. If no dividend is paid, this also entails that the shareholders' return solely is based on the Company's share price development.
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SUMMARY

KEY INFORMATION ON THE OFFER OF SECURITIES TO THE PUBLIC AND/OR THE ADMISSION TO TRADING ON A REGULATED MARKET

UNDER WHICH CONDITIONS AND TIMETABLE CAN I INVEST IN THIS SECURITY?

Offering forms and conditions

The Offering comprises 4,870,171 shares, of which 1,428,571 are newly issued shares and 3,441,600 are existing shares. The Offering is divided into two parts:

- the offer to the general public in Sweden¹⁾; and
- the offer to institutional investors in Sweden and abroad.²⁾

Offering Price

The Offering Price has been set to SEK 70 per share by the Company's Board of Directors and the Principal Owners, in consultation with SEB and Carnegie based on the discussions preceding the undertakings made by the Cornerstone Investors, contacts with certain other institutional investors, current market conditions and a comparison with the market price of other comparable listed companies.

Allotment

Decision on allotment of shares in the Offering will be made by the Company's Board of Directors and the Principle Owners in consultation with the Joint Global Coordinators, whereby the goal will be to achieve a strong institutional ownership base and a broad distribution of the shares among the general public, in order to facilitate a regular and liquid trading in the shares on Nasdaq Stockholm.

1) The offer to the general public in Sweden entails an offer of shares to acquire a maximum of 14,000 shares.

2) "Institutional investors" include private individuals and legal entities that apply to acquire more than 14,000 shares.

Expected timetable for the Offering

Offering Price: SEK 70 per share

Application period for the general public: 31 May – 7 June 2021

First day of trading in Sleep Cycle's shares: 8 June 2021

Settlement Date: 10 June 2021

Information on admission to trading on a regulated market

On 17 May 2021, Nasdaq Stockholm's listing committee made the assessment that the Company fulfils the listing requirements. Nasdaq Stockholm will approve an application for admission to trading of the Company's shares on Nasdaq Stockholm subject to certain conditions, including that the Company submits such an application and fulfils the distribution requirement for its shares. Trading in the Company's shares is expected to commence on or about 8 June 2021.

Dilution effect

The new share issue in connection with the Offering entails that the number of shares in the Company is increased with 1,428,571 shares, corresponding to a dilution of 7.4 percent based on the number of shares following the Offering.

Transaction costs

The transaction costs related to the full Offering are estimated to amount to approximately SEK 26.8 million, of which 21.8 million is expected to affect the income statement. SEK 8.7 million is included in the Company's accounting up until 31 March 2021.

Costs imposed on investors by the issuer or offeror

Brokerage commission will not be charged.

WHO IS THE OFFEROR AND/OR THE PERSON ASKING FOR ADMISSION TO TRADING?

Offeror Sleep Cycle AB (publ) is a Swedish public limited liability company founded in Sweden under Swedish law, incorporated in Sweden and operating under Swedish law. The Company's form of association is governed by the Swedish Companies Act (2005:551). The Company's LEI code is 54930016C77EO26G2U47.

GLA Invest SA is a société anonyme founded in Luxembourg under the laws in Luxembourg, incorporated in Luxembourg and operating under the laws of Luxembourg. The Company's LEI code is 549300K2XCLZ1DGKHH54.

h265 AB is a Swedish private limited liability company founded in Sweden under Swedish law, incorporated in Sweden and operating under Swedish law. The Company's form of association is governed by the Swedish Companies Act (2005:551). The Company's LEI code is 549300DQRE863WKSGA58.

MCGA AB Swedish private limited liability company founded in Sweden under Swedish law, incorporated in Sweden and operating under Swedish law. The Company's form of association is governed by the Swedish Companies Act (2005:551). The Company's LEI code is 549300NP8X8V53572O32.

Petter Wallin is domiciled in Sweden.

WHY IS THIS PROSPECTUS BEING PRODUCED?

Motives and use of issue proceeds Sleep Cycle is a market leading sleep tracking application with a mission to empower people to sleep better to improve global health. Sleep Cycle uses a patented AI-based audio technology to measure users' sleep and provide personalized insights based on the Company's sleep database. Sleep Cycle was founded in 2009 and is headquartered in Gothenburg, Sweden.

In 2009 Sleep Cycle launched a smart alarm clock as a mobile application to help users wake-up better. Since inception, the Company has continued to develop and improve the value proposition by gathering sleep data and extended functionality, in order to enhance the user experience. In 2015, Sleep Cycle launched the world's first audio-based sleep tracking application and transformed the business model from one-off purchases of the mobile application to a subscription-based revenue model. In recent years, Sleep Cycle has developed the application by adding a comprehensive set of tools, such as sleep aid and sleep insights to empower users to sleep better. As of 31 March 2021, Sleep Cycle provides its subscription service in more than 150 countries and 13 languages and had 820 thousand paying subscribers. Furthermore, Sleep Cycle has experienced strong financial growth and increased net revenue from SEK 93 million in 2018 to SEK 163 million as of the twelve-month period ending 31 March 2021, which corresponds to a compounded annualized growth rate ("**CAGR**") of 28 percent.

The Board of Directors and executive management of Sleep Cycle, supported by the Principal Owners, consider the IPO of the Company's shares to be a logical and important step to strengthen Sleep Cycle's global brand, increase credibility with potential partners to pursue growth opportunities and remain at the forefront of sleep tracking applications. The IPO will support the Company's continued growth and provide Sleep Cycle with access to the capital markets, as well as a diversified base of Swedish and international investors. The Company also believes that a listing will increase the profile of Sleep Cycle and allow the Company to attract, retain and invest in talented people to achieve Sleep Cycle's long-term mission. For these reasons, the Board of Directors has applied for listing on Nasdaq Stockholm.

SUMMARY

Issue proceeds

The Company will carry out an issue of new shares in connection with the Offering. The issue of new shares is expected to provide Sleep Cycle with proceeds of approximately SEK 100 million before deduction of transaction costs related to the full Offering, which are estimated at SEK 26.8 million¹⁾, to be paid by the Company. Sleep Cycle has a history of growth and has since inception developed a comprehensive sleep application and expanded the product offering. Sleep Cycle has an ambition to accelerate growth going forward and is exploring several strategic initiatives such as increased paid subscriber acquisitions, increased reach through partnerships, growing the offering to corporates as well as expanding the product offering further to increase user value. The Company intends to deploy the proceeds received in connection with the Offering over time to support selected new strategic initiatives.

1) Of the SEK 26.8 million, 21.8 million is expected to affect the income statement. SEK 8.7 million is included in the Company's accounting up until 31 March 2021.

Conflict of interests

The Managers provide financial advice and other services to the Company in connection with the Offering, for which they will receive customary remuneration. The Managers have in the ordinary course of business, from time to time, provided, and may in the future provide, various banking, financial, investment, commercial and other services to the Company.

Advokatfirman Vinge KB has been legal counsel to the Company in connection with the Offering and may provide additional legal services to the Company.

Risk factors

This section contains risk factors considered to be material to the Sleep Cycle's business and future development. Prior to any investment decision, it is important to carefully analyse the risk factors contained herein, together with the other information included in this Offering Circular. Prospective investors should make an independent evaluation, with or without help from advisors, of the risks associated with an investment in the securities. The below risk factors relate to the Sleep Cycle Group's business, industry and markets. The risk factors are presented in four categories: "Risks related to the Group's business, industry and markets", "Financial risks", "Legal and regulatory risks" and "Risks related to the securities" with certain sub-categories. The most material risk factor in each category, based on Sleep Cycle's assessment of the probability of its occurrence and the expected magnitude of its adverse impact, is presented first in that category and the subsequent risk factors are presented in no particular order. The description below is based on information available as of the date of the Offering Circular. In accordance with the Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"), the risk factors mentioned below are limited to risks which are specific to the Company and/or to the securities and which are material for taking an informed investment decision.

Risks related to the Group's business, industry and markets

STRATEGIC RISKS

Risks related to use of third-party providers

Sleep Cycle is a market leading sleep tracking application with a mission to empower people to sleep better to improve global health. The application can be accessed on Apple and Android mobile devices, including smartphones and smartwatches. Sleep Cycle relies on the software and hardware on these devices, in addition to a number of third-party service providers for the application to be well-functioning. The use of services provided by third parties exposes Sleep Cycle to a number of risks, including the risk that the Company is unable to access key software and hardware, which could be for reasons that are outside of the Company's control, or that a third-party service provider is subject to technical interruptions.

By way of example, Sleep Cycle's audio-based sleep tracking functionality requires access to a microphone to record sounds whilst sleeping. Should Apple or Google choose to prohibit applications, like Sleep Cycle's, from using the microphone during the night, this could result in Sleep Cycle having to change the current software and therefore its current product offering and thus have a material adverse effect on Sleep Cycle's ability to attract new users and retain current users, which in turn could have a material adversely affect the Company's operations and financial position.

In addition to risks associated with the third-party providers, Sleep Cycle has to ensure that the application is updated regularly to ensure compatibility with new hardware and software specifications from third-party providers. Sleep Cycle may fail to update the application, or the update may malfunction, which may cause disruptions in key functionalities, such as the alarm clock

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function, or the application as a whole. Disruptions in the application may have a material adverse effect on Sleep Cycle's ability to attract new users and retain current users, which in turn could have a material adverse effect on the Company's operations and financial position.

Risks related to changes in competition

Sleep Cycle's application is accessible on mobile devices produced by large technology companies, such as Apple, Google, Huawei and Samsung. There is a risk that these large and well-established technology companies develop competing products or services which outperform the Company's product.

The large technology companies have significantly greater financial resources than the Company and may decide to develop new sleep tracking technologies that are similar to or outperform those of Sleep Cycle. Moreover, the larger tech companies may include sleep tracking technology as a part of their basic offering on smartphones or smartwatches, which would reduce users' need for a dedicated sleep platform. For example, Apple recently introduced sleep-related functionalities partly overlapping with Sleep Cycle's application. The large technology companies also have broader global reach and may consequently establish a better competitive position than Sleep Cycle in certain markets, making it difficult for Sleep Cycle to attract new subscribers and retain existing subscribers in those markets.

Increasing competition primarily from large technology companies may result in increased pricing pressure, increased R&D costs, increased marketing costs and in turn fewer users and/or lower profit margins. Furthermore, the competitive landscape in which Sleep Cycle operates may change in a way that Sleep Cycle is unable to predict and if Sleep Cycle predicts changes, Sleep Cycle may fail to proactively position itself to a new competitive landscape. If Sleep Cycle is unable to predict a change in the competitive landscape in which Sleep Cycle operates or if Sleep Cycle fails to proactively position itself, it could lead to loss of Sleep Cycle's market share. The Strategy & market report estimates that Sleep Cycle is a global market leader within the sleep tracking application market based on estimated net revenue during 2020 and a loss of market share could have a material adverse effect on the Company's operations and financial position.

Risks related to distribution concentration

Sleep Cycle's application is distributed through Apple App Store, Google Play Store and Huawei App Gallery. As the distributors are in control of the markets and the terms and conditions governing the markets, Sleep Cycle is exposed to risks related to distribution concentration.

These risks include the risk of Sleep Cycle being removed from an app store or having to agree to new less favorable terms of engagement, such as increased fees. By way of example, Apple App Store charges a 30 percent fee on new subscriptions from Sleep Cycle as of the date of the Offering Circular. An increase in the fee charged by Apple App Store of 10 percent would have had an impact on the Company's operating profit of SEK 0.9 million for the period 1 January to 31 March 2021.

Sleep Cycle's subscribers are concentrated within applications distributed through Apple App Store, Google Play Store and Huawei App Gallery, and consequently any loss of business from Apple App Store, Google Play Store and Huawei App Gallery could have a material adverse effect on Sleep Cycle's ability to attract new users and retain current users, which in turn could have a material adverse effect on the Company's operations and financial position.

RISKS RELATED TO SLEEP CYCLE'S BRAND AND REPUTATION

Sleep Cycle's brand and reputation are two of the most important assets of the Company. The Company's relationships with its users and other market participants are of significant importance to the Company's operations. Sleep Cycle operates in the mHealth and sleep aid market where integrity, trust and confidence of users is paramount. A number of factors, including human errors, employee misconduct, product disruptions, data handling and communication with users and other stakeholders (whether actual or projected) could have a material adverse effect on Sleep Cycle's brand and reputation.

Furthermore, Sleep Cycle handles substantial amounts of user information. Any non-compliance, or the perception of non-compliance even if such claims are false, with regulation relating to data protection, privacy laws or other perceived non-compliance could have a material adverse effect on the Company's brand and reputation. In addition, any perception of non-compliance could lead to media scrutiny and bad publicity which could accentuate the adverse effect on the Company's brand and reputation. Sleep Cycle's brand and reputation is an important part of the Company's ability to attract new users and in 2020, Sleep Cycle gained 454 thousand new subscribers of which 90 were from non-paid channels¹⁾.

1) Non-paid channels are defined as channels in which Sleep Cycle does not pay for new users, e.g. users discovering the application through Apple App Store or Google Play or through referrals.

If Sleep Cycle's brand and reputation, for any reason, would deteriorate, it could have a material adverse effect on Company's ability to attract new users and retain current users, which in turn could have a material adverse effect on the Company's operations and financial position.

Risks related to increased marketing costs and unsuccessful marketing activities

The core of Sleep Cycle's marketing strategy is to increase its subscriber base by investing in acquisition of new users via digital performance marketing channels and to increase brand awareness.

Efficient marketing is important to Sleep Cycle's ability to attract new users and increase brand awareness. Marketing costs amounted to SEK 6 million during 2018, SEK 14 million during 2019 and SEK 20 million during 2020. Sleep Cycle has incurred and will continue to incur expenses relating to marketing through a broad range of activities and channels to attract new users, grow net revenue and enhance Sleep Cycle's overall brand awareness. Sleep Cycle balances the marketing costs with the Company's overall growth strategy.

Sleep Cycle invests in marketing in order for potential users to become aware of the Company and its products, as well as to increase awareness and create demand for mobile sleep tracking in general.

Sleep Cycle partly uses statistics of new subscriptions and SAC to have an efficient market strategy. During February and March 2020, technical issues with the data platform ability to track marketing spend and new customers arose and therefore, the Company does not have any reliable statistic for this period. Should the Company for any reason lack reliable statistic and other necessary information to efficiently carry out its marketing strategies, it could have a material adverse effect on Sleep Cycle's ability to attract new users and retain current users, which in turn could have a material adverse effect on the Company's operations and financial position.

The costs for marketing have increased over the years. As marketing has become more complex, it requires significant work to tailor messages to the online audience and to different markets. Due to the rapid changes in the marketing environment, Sleep Cycle may fail to leverage the appropriate methods of marketing and there is an increased risk of unsuccessful marketing campaigns. This may affect the Company's ability to attract new users, Sleep Cycle's message to the market, revenue, and due to its marketing costs, the Group's operating profit. In addition, as the media landscape intensifies it might be more

difficult for Sleep Cycle to gain the media attention necessary or desired to implement the Company's strategy which in turn might have a material adverse effect on the Company's operations and financial position.

Risks related to the Company's dependence upon the continued growth of the market for sleep tracking solutions

Sleep Cycle derives, and expects to continue to derive, substantially all of its revenue from its sleep tracking application. As a result, widespread acceptance and use of sleep tracking applications are crucial to the Company's future growth and continued success. The market for sleep tracking solutions is still evolving, and competitive dynamics may cause pricing levels to change as the market matures and as existing and new market participants introduce new types of solutions and different approaches to enable people and organizations to address their technology needs. According to the Strategy& market report, Sleep Cycle is a global market leader within the sleep tracking application market in terms of estimated net revenue during 2020. As the Company is the market leader, the Company may contribute to that the market grows and if the Company fails to contribute to growing the market, there is a risk that the market does not grow as the Company expects. If the market for sleep tracking solutions fails to grow as the Company expects or if the Company fails to grow on the market or in line with the market, Sleep Cycle may be forced to reduce the subscription fee and may be unable to renew existing user subscriptions or enter into new user subscriptions at the same fee and upon the same terms as Sleep Cycle has historically which could have a material adverse effect on Sleep Cycle's earnings and financial position.

Risks related to a relatively short operating history

The Company was founded in 2009 and accordingly, Sleep Cycle has a relatively short operating history, which could make it difficult to evaluate the business and future prospects. As such, Sleep Cycle may encounter risks and difficulties frequently experienced by growing companies in rapidly changing industries. These include, *inter alia*, market acceptance of the Company's current and future products, the Company's ability to compete with other companies that are currently in, or may in the future enter, the market for sleep tracking, the ability to successfully expand the business internationally, the ability to control costs, particularly sales and marketing expenses, related to the maintenance and expansion of the business, operations and infrastructure as well as

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network outages or security breaches and any associated expenses. If one or more of these risks should materialize, it could have a material adverse effect on the Company's operations and financial position.

Risks related to Sleep Cycle rapid growth and organizational changes

Sleep Cycle's business and operations has experienced, is experiencing, and is expected to experience rapid growth and organizational changes. In 2020, Sleep Cycle recorded a net revenue of SEK 159 million and the net revenue has grown by 31 percent per annum 2018-'20. Rapid growth and organizational changes place significant demands on the Company's management and infrastructure. If the Company fails to manage the growth effectively, the Company may be unable to execute the business plan, maintain high levels of service or address competitive challenges adequately. In addition, there is no guarantee that the Company's expectation on growth and organizational changes are realized. In such cases, the Company may have invested in expected future growth without the occurrence of expected growth which could have a material adverse effect on the Company's earnings and financial position.

Sleep Cycle has a track record of product development being guided by identified and unaddressed user needs. As an example, Sleep Cycle is continuously exploring the opportunity to further develop the product to improve the user experience and to be able to serve everyone with an interest in sleep and access to a microphone and thus regularly evaluate new devices to improve product accessibility. As an example, the Company intends to grow by expanding its reach through partnerships and growing the offering within corporate wellness solutions. In addition, Sleep Cycle intends to expand its product offering by for example device integration and a strengthened product offering. Initiatives aimed at promoting growth may entail costs for the Company and if the initiatives do not result in the growth that the Company expects, it could have a material adverse effect on the Company's earnings and financial position. Furthermore, failed growth initiatives entail that the Company's growth is lower than expected.

Sleep Cycle anticipates growth in the number of full-time employees will be required to continue to improve and maintain the product offering and support the continued expansion. The Company's success will depend in part upon the ability of its executive management team to manage the growth effectively. To do so, Sleep Cycle must recruit, hire, train, manage and integrate a significant number of qualified managers, technical personnel

and employees in specialized roles within the Company, including technology, sales and marketing. If the new employees perform poorly, or if the Company is unsuccessful in recruiting, hiring, training, managing and integrating these new employees, or retaining these or the existing employees, the Company's operations may suffer. In addition, to manage expected continued growth of Sleep Cycle's headcount, operations and geographic expansion, Sleep Cycle will need to continue to improve the information technology infrastructure, operational, financial and management systems and procedures. The expected additional headcount and capital investments will increase the Company's costs, which will make it more difficult for Sleep Cycle to address any future revenue shortfalls by reducing expenses in the short term. If Sleep Cycle fails to successfully manage the growth, the Company will be unable to successfully execute the business plan, which could have a material adverse effect on the Company's earnings and financial position.

Risks related to economic growth and market conditions

Sleep Cycle's growth and ability to generate revenue depends upon the Company's ability to attract and retain users and annually increasing its user base. As such, the Company is subject to risks relating to global and regional economic changes as well as pandemics in general, including the COVID-19 pandemic. As a result of the COVID-19 pandemic, states, authorities and other organizations have introduced guidelines, advice, recommendations, bans and implemented other measures to limit the spread of infection. Such measures include, for example, the introduction of national exclusion bans, advice against and restrictions on transport and travel, shutdowns of workplaces, schools and other institutions. The COVID-19 pandemic has had an impact on both the Company's operations and financials, through its direct, and/or indirect impact on the macroeconomy and users' or potential users' behavioral patterns. For example, during 2020, daily active users¹⁾ declined during countermeasures (lockdowns) imposed in response to the COVID-19 pandemic. In the Company's opinion, this resulted in a decline in users converting to paying users.

Should the COVID-19 pandemic worsen or continue for longer than expected, should another pandemic begin, or should any other event with similar effects occur, it may, *inter alia*, adversely affect the Company's revenue. As per the date of the Offering Circular, it is still difficult to predict how the COVID-19 pandemic will develop and its long-term consequences on societal structures as well as the Company's market and its users' behavior. This is why the COVID-19 pandemic may affect the

1) Active user is defined as a user who has logged a sleep session with Sleep Cycle during the period for a minimum of 20 minutes (to include users who use the application for shorter naps).

Company's operations and financial position through, among other things, continued or extended shutdowns or a deteriorated economic situation. There is also a risk that a downturn in the economic climate influences the Company's users' purchasing behavior. The COVID-19 pandemic as well as the global and regional economic changes that occur due to the pandemic (and any following future pandemics) could also result in increased risk exposure in relation to other risk factors that have been identified and specified in this section. This could in turn have a material adverse impact on the Group's earnings, operations and financial position.

OPERATIONAL RISKS

Risks related to technology

Sleep Cycle is a market leading sleep tracking application with a mission to empower people to sleep better to improve global health. The fact that Sleep Cycle's operations are linked to an application exposes Sleep Cycle to risks relating to technology including to uptime. If Sleep Cycle's application is unavailable to users for any reason, users could demand that Sleep Cycle refunds subscribers' fees which could have a material adverse impact on the Company's revenues. If the Company's application is unavailable to users for any reason, it could also have a material adverse impact on Sleep Cycle's reputation and brand, for further information on risks related to Sleep Cycle's brand and reputation, please see section "*Strategic risks – Risks related to Sleep Cycle's brand and reputation*".

Furthermore, Sleep Cycle's application may be unavailable to users if Sleep Cycle's data security is compromised. Sleep Cycle's data security could be compromised through attacks from third parties using viruses, malicious code, ransomware and/or phishing. Any compromising of Sleep Cycle's data security could take place with or without Sleep Cycle's knowledge and in addition, the security relating to the Company's premises could also be breached. Sleep Cycle handles substantial amounts of user information as of 31 March 2021, Sleep Cycle had 2.1 million monthly active users. Recently, there have been ransomware with sophisticated technology blocking companies from accessing their data and as such, the Company is subject to risks relating to such ransomware. Any breaching of the Company's data security or the premises wherein the Company operates could cause, *inter alia*, leakages of data to third parties, with or without the Company's awareness. A leakage of data could have a material adverse impact on the Company's operations and earnings and in addition, a leakage of data could also have a material adverse impact on Sleep Cycle's reputation and

brand, for further information on risks related to Sleep Cycle's brand and reputation, please see section "*– Risks related to Sleep Cycle's brand and reputation*".

Moreover, the Company stores data locally on the users' devices or on Google Cloud and thus has, to some extent, placed the security of user data in the hands of third-parties. Consequently, managing potential attacks on these third-parties could be outside of the Company's control, which could adversely affect the Company's ability to guarantee a rapid and efficient response if the Company's data security is compromised. Should any of the above risks materialize, they could have a material adverse impact on the Company's earnings and operations.

Risks related to the Company's ability to recruit and retain senior executives and other key personnel

Sleep Cycle's operations and future success are dependent on the Company's ability to recruit and retain senior executives and other key personnel in the Company.

There is significant competition for highly qualified personnel with the relevant knowledge of and expertise in several areas in which Sleep Cycle operates. If Sleep Cycle fails to attract and retain qualified senior executives, key personnel or other competent personnel on acceptable terms, the Company may be unable to develop its products or other areas of the Company. This could have a material adverse effect Sleep Cycle's growth targets, prospects and earnings.

Furthermore, Sleep Cycle is dependent on specific key employees to execute key processes in Sleep Cycle that are sensitive to interruptions. If one or several senior executives, key personnel or other employees who are vital for the completion and execution of key processes, leave the Company or reduce their engagement in the Group, such processes risk being harmed, which could have an adverse effect on the Company's operations and business.

Recruiting and retaining employees is dependent on the Company maintaining a functioning and attractive company culture. Sleep Cycle aims to develop several areas of the Company and will hire new employees. However, a significant number of new hires can affect and change the current company culture. There is a risk that a dilution of Sleep Cycle's current company culture could lead to senior executives, key personnel or other important employees leaving Sleep Cycle for competitors or reducing their engagement within the Group, all of which could have a negative effect on the Company's culture, brand and financial position.

Risks related to confidentiality agreements with employees and others which may not adequately prevent disclosure of trade secrets and other proprietary information

Sleep Cycle has devoted substantial resources to the development of the Company's technology, operations and business plans. In order to protect the Company's trade secrets and proprietary information, the Company relies in significant part on confidentiality agreements with its employees, licensees, independent contractors, advisers and customers. These agreements may not be effective to prevent disclosure of confidential information, including trade secrets, and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, others may independently discover trade secrets and proprietary information, and in such cases Sleep Cycle would not be able to assert trade secret rights against such parties. To the extent that the Company's employees and other with whom it does business use intellectual property owned by others in their work for the Company, disputes may arise as regarding the ownership of the intellectual property in related or resulting know-how and inventions. Laws regarding trade secret rights in certain markets in which Sleep Cycle operates may afford little or no protection to the Company's trade secrets. The loss of trade secret protection could make it easier for competitors to compete with the Company's product by copying functionality. In addition, any changes in, or unexpected interpretations of, the trade secret and other intellectual property laws in any country in which Sleep Cycle operates may comprise its ability to enforce the Company's trade secret and intellectual property rights. Costly and time-consuming litigation could be necessary to enforce and determine the scope of the Company's proprietary rights, and failure to obtain or maintain trade secret protection could have an adverse impact on Sleep Cycle's competitive business position.

Risks related to the use of open-source software

Certain functionalities in the Company's sleep tracking application use open-source software. Open-source software is generally licensed by its authors or other third parties under open-source licenses. As such, using open-source software might entail that the Company undertakes to comply with certain provisions and requirements. This includes, but is not limited to, that the Company offers its services which incorporate the open-source software for no cost, that the Company makes available source code for modification and that Sleep Cycle licenses such modifications or alterations under the term of the particular open-source license. If an open-source developer or other third party that distributes such open-source software were to allege

that the Company had not complied with the conditions of one or more of these licenses, Sleep Cycle could be required to incur significant legal expenses defending against such allegations and could be subject to significant damages, enjoined from the sale of the Company's product that contain the open-source software and required to comply with the foregoing conditions, which could disrupt the distribution of the product. Furthermore, the Company may have to stop using the open-source software which could have a material adverse impact on the Company's operations.

Furthermore, if the provider of the open-source software develops any improved version of the open-source software, the usage of the new version may be subject to restrictions or payment conditions which entails that there is a risk that the Company will not be able to use any improved version. Moreover, there is a risk that the provider of the open-source software or the open-source software itself is acquired by a third party, for example a competitor to the Company. If the provider of the open-source software or the open-source software itself is acquired, the acquirer could, subject to applicable terms of relevant agreements, make the Company's use of the software subject to payments, prevent the Company to use the software or prevent the Company to gain access to improved versions of the open-source software. Such actions could also be taken, subject to applicable terms and conditions, by the current holder of the open-source software, without any acquisition. If one or more of these risks should materialize, it could have a material adverse effect on the Company's operations and financial position as well as the Company's brand and reputation.

Financial risks

Sleep Cycle is exposed to indirect currency risks due to subscription prices being set in local currency

Sleep Cycle's application is distributed primarily through Apple App Store and Google Play Store. The Company sets the subscription price for each country in local currency. Apple and Google manage the sales in all currencies after which they convert the subscription fees in foreign currency to SEK. Thus, the Company is indirectly exposed to foreign currency, however the direct currency risk is limited to 30 or 45 days after the actual sale has taken place and the payment from the platform owners was made in SEK.

For the financial year 2020, 40 percent of net revenue came from users paying the subscription fee in USD, 14 percent in EUR, 10 percent in JPY, and 8 percent in GBP. During 2020, exchange rate fluctuations had a positive effect on net revenue growth for the period

2019 to 2020, equivalent to 2 percent of net revenue in 2020 and during 2020, a change of 5 percent in the exchange rate between USD and SEK would imply an impact on net profit of approximately SEK 3 million. If one or more of these risks should materialize, it could have a material adverse effect on the Company's earnings and financial position.

Risks related to future capital needs

As of 31 December 2020, the Group's total equity attributable to owners of the parent company was SEK 0.2 million and as of 31 March 2021, the total equity attributable to owners of the parent company was SEK 4.6 million. The total equity of the parent company is partly driven by the fact that the Company has started to report in accordance with IFRS and the historical figures have been converted to IFRS. In the event of a negative financial development of the Company, there is a risk that the Company's equity is consumed. During 2020, the cash flow from operating activities amounted to SEK 46.1 million and cash items to SEK 53.1, and in connection with the Offering and provided that the Offering is fully subscribed, the Company is expected to receive net proceeds of SEK 73.2 million after transactions costs related to the full Offering.

Should the Company's equity in the future be low or should the Company's cash flow be insufficient, the Company may need further financing. Such future financing could come from the shareholders at such time or third parties through public or private financing alternatives. In addition, market conditions, the general availability of credit, the Company's credit rating as well as uncertainty or disruptions on the capital and credit markets could adversely affect the Company's possibility to obtain an attractive, or any, future financing. There is thus a risk that new capital might not be able to be raised when it is required, that new capital will not be able to be raised on terms that are acceptable to the Company, that new capital can only be raised on worse terms than for other financially stronger companies or competitors, that the capital raised is not enough to finance the Company's operations in accordance with the Company's development plans and objectives or that the Company is unable to raise any capital at all. This could result in that the Company's position on the market weakens compared to the Company's competitors and certain financing alternatives entails a dilution for the shareholders, implying that each shareholders' percentage of the Company decreases. If one or more of these risks should materialize, it could have a material adverse effect on the Company's operations and financial position.

Legal and regulatory risks

Sleep Cycle risks being liable to pay fines or face penalties if personal and health data is inappropriately used and processed

Sleep Cycle electronically processes and stores a wide range of personal and health data, including information about its users and employees, and distributes personal and health data to third parties such as analytics platforms and data warehouses.

Sleep Cycle is required to comply with applicable data protection and privacy laws and regulations in the jurisdictions in which Sleep Cycle operates, including the Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data ("GDPR"). Any failure to comply with GDPR could lead to, in addition to reputational damages, sanction fees totaling a maximum of the highest of EUR 20 million, or 4 percent of the Company's annual global turnover, depending on which amount that is highest. For slightly less serious cases of non-compliance, the sanction fees may total a maximum of EUR 10 million or 2 percent of the Company's annual global turnover. There is a risk that the measures taken by Sleep Cycle in order to comply with provisions of GDPR, such as anonymizing and aggregating the information that Sleep Cycle collects before using the data for statistical and market research purposes, prove to be insufficient. Consequently, there is a risk that SleepCycle incorrectly processes data. This may result in fines, claims in damages from individuals and injunctions from supervisory authorities, which could have a material adverse effect on the Company's financial position and reputation.

On 16 July 2020, the European Court of Justice provided its verdict in the so-called Schrems II case. The European Court of Justice ruled that the Privacy Shield agreement between the EU and the United States was no longer valid but ruled that the so-called model contractual clauses could be unlawful under certain circumstances. As such, the Schrems II ruling has created significant uncertainties regarding the transferring of personal data and should Sleep Cycle's interpretation of the ruling be inadequate, Sleep Cycle could violate applicable personal data rules and thus be subject to, *inter alia*, sanction fees.

The Company continuously assesses the processing of personal and health data, and together with external legal expertise during 2021, the Company has examined if the data processed by the Company comprise health data. The outcome of the examination is that the

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Company predominantly processes personal data which does not comprise health data, e.g. email addresses, gender, birth year and similar. However, the examination also shows that certain personal data processed by the Company may comprise health data, and in combination may be considered as health data of the person concerned. As a result of the above-mentioned examination, the Company has together with the external legal expertise prepared an action list of measures that need to be taken in order for the Company's processing of health data to be carried out in accordance with GDPR. These measures include, *inter alia*, necessary updates of the Company's privacy policy, obtaining users' consent to the processing of health data and that users are made aware of the changes to the privacy policy as well as that their consent henceforth will be required for access to certain services in the Sleep Cycle application which requires processing of the users' health data. If the Company's historical or future processing of personal or health data has been, or is, does not comply with GDPR, the Company may be charged with paying a sanction fee of not more than EUR 20 million, or 4 percent of the Company's annual global turnover, depending on which amount that is highest. In the event of less severe violations, the fine may not exceed EUR 10 million or 2 percent of the Company's total worldwide annual turnover of the preceding financial year, whichever is higher. Such fine could have an adverse effect on the Company's earnings and financial position as well as have an adverse effect on the Company's reputation, please see section "*Strategic risks – Risks related to Sleep Cycle's brand and reputation*".

Moreover, if third parties such as analytics platforms, to whom Sleep Cycle distributes data to, lack the capacity to comply with GDPR or other applicable data protection regulations, laws or treaties, Sleep Cycle's reputation could be damaged by association. Accordingly, third parties could reflect negatively on Sleep Cycle and cause the Company's users to reduce their engagement in Sleep Cycle's product, which could affect the Company's revenues.

Sleep Cycle may be unsuccessful in complying with regulations and be involved in legal proceedings

Sleep Cycle's conducts business globally and its operational success is dependent on the Company's ability to distribute its product to users. In order to do so, Sleep Cycle must comply with a number of codes, laws and regulations regarding, for example, data protection, marketing and intellectual property. The Company's operations are mainly regulated by the Swedish Companies Act (2005:551) and GDPR, but also by applicable local rules

and regulations in jurisdictions where Sleep Cycle operates. If governments amend national rules and regulations, or if new rules or new regulations are imposed on Sleep Cycle, the Company could be subject to additional costs to ensure its compliance. Furthermore, re-classification of Sleep Cycle's products in any jurisdiction in which Sleep Cycle operates could result in Sleep Cycle having to amend the products offered in order to reach all users in the relevant jurisdictions.

Sleep Cycle may from time to time be involved in legal proceedings in various jurisdictions. Accordingly, from time to time, Sleep Cycle is subject to the risk of being involved in civil law and administrative proceedings which arise within the scope of its day-to-day operations. The Company has not been part to any administrative procedures, legal proceedings or arbitration proceedings (including any unsettled cases and cases that the Company is aware of that might arise) that recently had or could have material effects on the Company's financial position and profitability during the last twelve months.

Sleep Cycle also risks being involved in administrative proceedings with supervisory authorities following complaints from counterparties, third parties or routine investigations. It is inherently difficult to predict the outcome of legal, regulatory and other adversarial proceedings or claims. If the outcome of any current or future legal or administrative proceeding turns out to be negative for Sleep Cycle, this could have an adverse effect on Sleep Cycle's financial position and earnings. Even where the outcomes of the legal or administrative proceedings are positive for Sleep Cycle, such proceedings are associated with additional costs and resources being utilized towards the Company's defense and other measures.

Risk related to intellectual property rights

Sleep Cycle has as at the date of this Offering Circular two patents and other intellectual property rights which the Company utilizes as part of its operations, and there is a risk that a third party infringes upon the Company's intellectual property rights, including patents. Such an infringement by a third party could be made both consciously and unconsciously. Should a third party infringe the Company's intellectual property rights, the Company may have to enforce its rights, and there is a risk that such an enforcement is time consuming and costly. There is also a risk that the Company's current protection of its intellectual property rights is insufficient, and the Company may have difficulties defending its intellectual property rights for that reason. Furthermore, if the Company enforces its rights, there is a risk that the Company's assessment is incorrect, and the

Company may in such case be forced to pay, *inter alia*, legal costs.

By way of example, neither the company name Sleep Cycle nor the logotypes that the Company is actively using have trademark protection outside the United States. In principle, a trademark registration will confer the right to prevent others from using the registered trademark in business activities in the relevant area, such as Sweden or the EU. Generally, lack of trademark protection in relation to the company name and other names or logotypes that the Company uses may limit the Company's possibilities to oppose a third party's application or use of an identical or similar mark. It also increases the risk that the Company, by its use of the unregistered marks, may infringe a third-party right since the Company has not secured an exclusive right of its own. Should any of the above risks materialize, it could have a material adverse impact on the Company's brand and reputation, operations and earnings.

Furthermore, there is a risk that the Company infringes, or that an unwarranted or warranted claim is made that the Company infringes, upon other parties' intellectual property rights, including infringement of patents, which may entail that the Company is subject to claims, disputes and other legal proceedings. Such claims, disputes and other legal proceedings may be complex, and it may be difficult to foresee the outcome of such claims, disputes and other legal proceedings. Claims, disputes and other legal proceedings may also be time consuming and associated with costs, creating a risk of a material adverse effect on the Company's operations. In addition, there is a risk that a competitor of the Company makes an unwarranted claim that the Company infringes on intellectual property rights, which would force the Company to defend itself. Moreover, in the event of a negative outcome of a claim, dispute or any other legal proceeding, the Company may, *inter alia*, be forced to pay damages to the other party and their legal costs. In addition, as a consequence of an infringement, the Company may be forced to change its operations if the infringement is part of the Company's operations.

If any claims, disputes and other legal proceedings were brought against the Company and resulted in a finding of substantial legal liability, the lawsuit could result in financial loss for the Company or cause significant harm to the Company's brand or reputation. Further, allegations of improper conduct, whether or not valid, may harm the Company's brand and reputation, which may be damaging to the Company.

Sleep Cycle is exposed to tax risks

Sleep Cycle's tax management is conducted in accordance with interpretations of current tax legislation and other tax regulations as well as statements from the Swedish Tax Agency. The Company may from time to time be subject to tax audits and reviews. There is a risk that tax audits or reviews could result in additional taxes being imposed or deductions being denied, for example with regard to the implementation of incentive programs, re-organizations, hired consults and indirect tax on sales to certain countries outside the EU.

In the event Sleep Cycle's interpretation of tax legislation and other tax regulations or its applicability is incorrect, or if one or several authorities successfully make negative tax adjustments concerning the Company, or if applicable laws, treaties, regulations or interpretations thereof or the administrative practice relating to these change, including with retroactive effect, the Company's past and present handling of tax issues may be questioned. If tax authorities successfully present such claims, this could lead to an increase in tax costs, including tax surcharge and interest, and have an adverse impact on the Company's operating profit.

Risks related to the securities

An active, liquid and orderly trading market for Sleep Cycle's shares may not develop, the price of its shares may be volatile, and potential investors could lose a portion or all of their investment

Prior to the Offering, there has been no orderly trading arranged for Sleep Cycle's shares. There is a risk that an active and liquid market will not develop or, if developed, that it will be sustained after completion of the Offering. The Offering Price has been set to SEK 70 per share by the Company's Board of Directors and the Principal Owners, in consultation with SEB and Carnegie based on the discussions preceding the undertakings made by the Cornerstone Investors, contacts with certain other institutional investors, current market conditions and a comparison with the market price of other comparable listed companies. This price does not necessarily reflect the price at which investors in the market will be willing to buy and sell the shares following the Offering. For example, the price in subsequent trading after the listing may differ from the Offering Price. The price can depend on a number of factors, such as the Company not meeting analysts' expectations on results or the Company not reaching its financial and operational targets. Furthermore, following completion of the Offering and on the assumption that the Overallotment Option is fully exercised, 71.2 percent of the Company's shares will be subject to lock-up. For further information

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about the lock-up, see the risk factor "*Sales of shares by existing shareholders could cause the share price to decline*". The aforementioned may have an adverse impact on the liquidity of the shares and may result in a low trading volume. The degree of liquidity of the securities may adversely impact the price at which an investor in the Company's shares can dispose of the shares where the investor is seeking to achieve a sale within a short timeframe, which could affect investors' ability to resell shares at or above the Offering Price. This entails a significant risk for individual investors.

Sales of shares by existing shareholders could cause the share price to decline

The market price of Sleep Cycle's share could decline if there are substantial sales of the Company's shares, particularly sales by the Company's board members, executive management, and significant shareholders, or otherwise when a large number of shares are sold.

The Principal Owners and members of Sleep Cycle's Board of Directors and executive management have each agreed, subject to certain exceptions, for a certain period of time, not to sell their shares or enter into transactions with a similar effect without the prior written consent of the Managers. After the expiry of the relevant lock-up periods, the shareholders subject to lock-up will be free to sell their shares in Sleep Cycle. The sale of large quantities of the Company's shares in the market by shareholders encompassed by lock-ups or any of the Company's other shareholders, or the perception that such a sale will occur, could cause the market price of the Company's share to decline, which constitutes a significant risk for investors.

The Principal Owners will continue to have substantial influence over Sleep Cycle after the Offering and could delay or prevent a change in control over the Company

Assuming that the Offering is fully subscribed and that the Overallotment Option is exercised in full, the Principal Owners will own a total of 71.2 percent of shares in the Company after the Offering. Thus, the Principal Owners are together likely to continue to have a significant influence over the outcome of matters submitted to Sleep Cycle's shareholders for approval, including the election of directors and any merger, consolidation or sale of all or substantially all of Sleep Cycle's assets. In addition, the Principal Owners could have significant influence over the Company's executive management and Sleep Cycle's operations.

The interests of the Principal Owners may differ significantly from or compete with Sleep Cycle's interests or those of the other shareholders, and the Principal Owners

could jointly or individually, as applicable, exercise influence over Sleep Cycle in a manner that is not in the best interest of the other shareholders. For example, there could be a conflict between the interests of the Principal Owners on the one hand, and the interests of the Company or its other shareholders on the other hand with respect to distribution of dividends. Such conflicts could have a material adverse effect on the earnings, operations and financial position.

Sleep Cycle's ability to pay dividends is dependent upon its future earnings, financial position, cash flows, net working capital requirements, capital expenditures and other factors

Dividends may only be paid if sufficient distributable funds are available to the Company and in an amount that is justifiable with respect to the requirements imposed by the nature, scope and risks of the operations, the amount of equity as well as the Company's consolidation needs, liquidity and position in general for a specific financial year. Furthermore, the Company's potential to pay a dividend in the future is also influenced by the Group's future earnings, financial position, cash flows, working capital requirements and other factors. There is also a risk that the Company's shareholders may not resolve to pay dividends in the future.

The Company's Board of Directors intends to use the cash flow generated for continued investments in growth. The Board of Directors shall each year evaluate the possibility of distributing a dividend, after taking into account the development of the operations as well as its operating profit and financial position. This entails a risk for investors and may affect Sleep Cycle's ability to attract investors whose investment decision is particularly dependent on the opportunity to receive recurring dividends. If no dividend is paid, this also entails that the shareholders return is solely based on the Company's share price development.

Differences in currency exchange rates may materially adversely affect the value of shareholdings or dividends paid

Sleep Cycle's shares will be quoted in SEK only, and any dividends will be paid in SEK. As a result, shareholders outside Sweden may experience adverse effects on the value of their shareholding and their dividends, when converted into other currencies if SEK depreciates against the relevant currency. There is a risk that SEK will have a negative development or not have the development shareholders anticipate and that shareholders, in the future, will experience negative effects of their shareholdings in Sleep Cycle or dividends paid by Sleep Cycle.

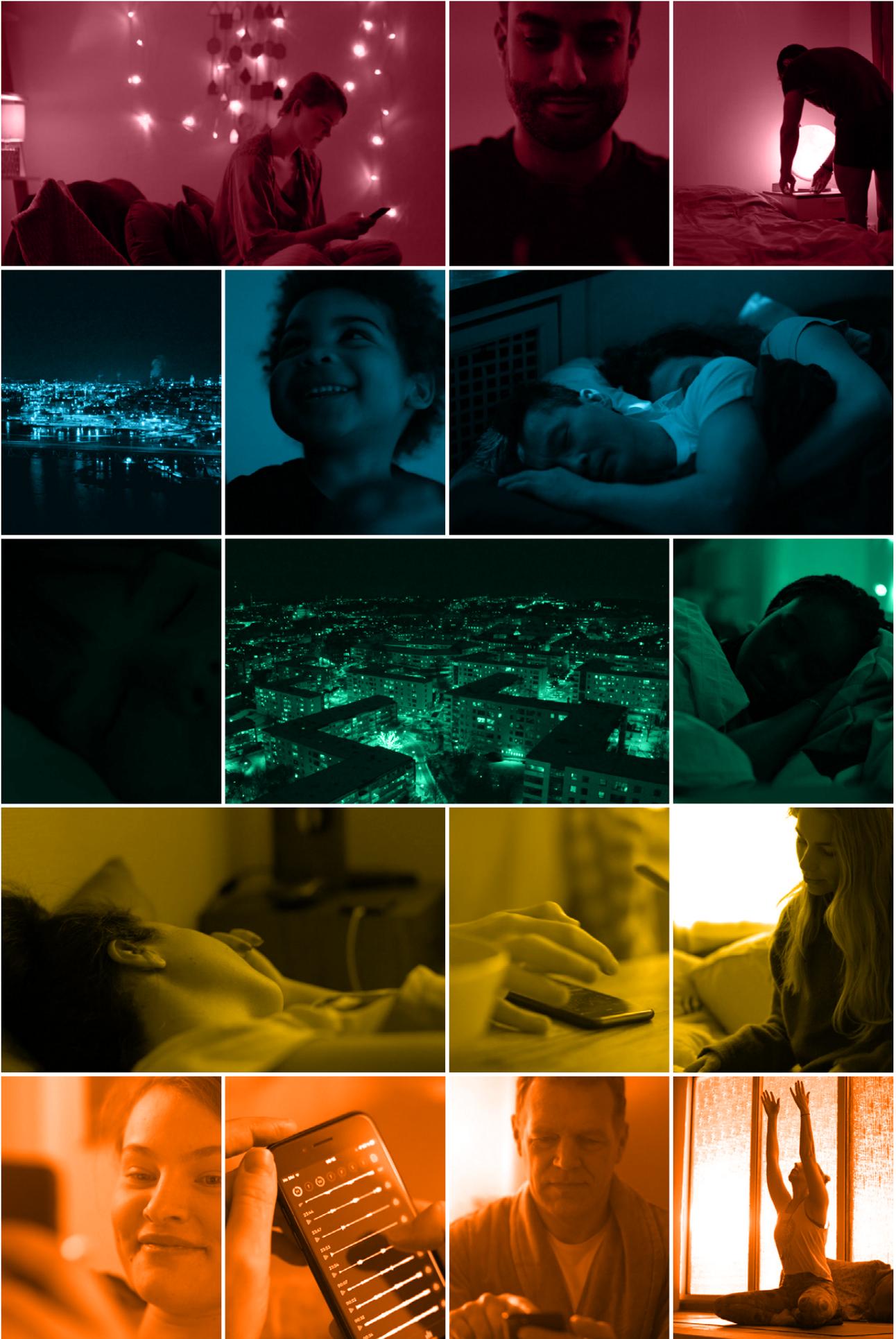
Shareholders in the United States or other countries outside Sweden may not be able to participate in any potential future cash offers

In connection with the Offering, shares in the Company will be offered to both the public in Sweden and to institutional investors in Sweden and abroad. Following the Offering, the Company will therefore, most likely, have a number of shareholders in countries outside Sweden. Such shareholders may be exposed to additional risks. If the Company issues new shares in a cash issue, shareholders shall, as a general rule, have preferential rights to subscribe for new shares proportionally to the number of shares held prior to the issue. Shareholders in certain other countries may, however, be subject to limitations that prevent them from participating in such rights offerings, or that otherwise makes participation difficult or limited. For example, shareholders in the United States may be unable to exercise any such rights to subscribe for new shares unless a registration statement under the Securities Act is effective in respect of such subscription rights and shares or an exemption from the registration requirements under the Securities Act is available. Shareholders in other jurisdictions outside Sweden may be similarly affected if the rights and the new shares being offered have not been registered with, or approved by, the relevant authorities in such jurisdictions. Sleep Cycle is under no obligation to file a registration statement under the Securities Act or seek similar approvals under the laws of any other jurisdiction outside Sweden in respect of any subscription rights and shares and doing so in the future may be impractical and costly. To the extent that shareholders in jurisdictions outside Sweden are not able to exercise their rights to subscribe for new shares in any future rights issues, their ownership in the Company may be diluted or reduced.

The commitments from Cornerstone Investors are not secured and may therefore not be met

Handelsbanken Fonder Aktiefbolag, Skandia Fonder AB and E. Öhman J:or AB (the "**Cornerstone Investors**") have undertaken to acquire shares in the Offering, corresponding to approximately SEK 150 million. The Cornerstone Investors will hold approximately 11 percent of the total number of shares and votes in the Company after the completion of the Offering. However, the Cornerstone Investors' commitments are not secured by any bank guarantee, blocked funds or pledge of collateral or similar arrangements, for which reason there is a risk that the Cornerstone Investors' will not be able to, entirely or partly, meet their commitments. Moreover, the Cornerstone Investors' commitments are associated with certain conditions, such as achieving a certain distribution of the Company's shares in connection with the Offering as well as that the Offering is completed within a certain period of time. In the event that any of these conditions are not fulfilled, there is a risk that the Cornerstone Investors will not fulfill their commitments, which could have a negative impact on completion of the Offering.

INVITATION TO ACQUIRE SHARES IN SLEEP CYCLE



Invitation to acquire shares in Sleep Cycle

In order to facilitate Sleep Cycle's continued profitable growth and development, Sleep Cycle and the Principal Owners have resolved to diversify the distribution of ownership of the shares. Sleep Cycle's Board of Directors has therefore applied for listing of the Company's shares on Nasdaq Stockholm.

On 17 May 2021, Nasdaq Stockholm's listing committee made the assessment that the Company fulfils the listing requirements. Nasdaq Stockholm will approve an application for admission to trading of the Company's shares on Nasdaq Stockholm subject to certain conditions, including that the Company submits such an application and fulfils the distribution requirement for its shares. Trading in the Company's shares is expected to commence on or about 8 June 2021.

Pursuant to the terms and conditions set forth in the Swedish Offering Circular, investors are hereby offered to acquire 4,870,171 shares, of which the Company offers 1,428,571 newly issued shares and the Principal Owners offer 3,441,600 existing shares (excluding potential shares offered in accordance with the Overallotment Option).

The Offering Price has been set to SEK 70 per share by the Company's Board of Directors and the Principal Owners, in consultation with SEB and Carnegie based on the discussions preceding the undertakings made by the Cornerstone Investors, contacts with certain other institutional investors, current market conditions and a comparison with the market price of other comparable listed companies. Handelsbanken Fonder Aktiebolag, Skandia Fonder AB and E. Öhman J:or AB have undertaken to acquire shares in the Offering, corresponding to approximately SEK 150 million. The Cornerstone Investors will hold approximately 11 percent of the total number of shares and votes in the Company after the completion of the Offering. In addition, all members of the Board of Directors have expressed an intention to subscribe for shares in the Offering.

An extraordinary general meeting intends on 7 June 2021 to resolve on the new issue of not more than 1,428,571 shares, which is expected to provide Sleep Cycle with gross proceeds of approximately SEK 100 million before transaction costs. Assuming that the Offering is fully subscribed the Company's share capital (following the Offering) will amount to approximately SEK 539,682.5, divided into 19,428,571 shares, of which the newly issued shares in the Offering represent approximately 7.4 percent.

The Principal Owners offer up to 3,441,600 existing shares which represents approximately 70.7 percent of the shares in the Offering.

The Principal Owners will issue an overallotment option to the Managers, which can be utilized in whole or in part by the Managers, for 30 days from the first date of trading in the Company's shares on Nasdaq Stockholm, to acquire additional 730,525 existing shares from the Principal Owners which corresponds to 15 percent of the total number of shares encompassed by the Offering to cover any overallotment in connection with the Offering (the "**Overallotment Option**").

Provided that the Overallotment Option is exercised in full the Offering encompasses 5,600,696 shares, which represents approximately 28.8 percent of the shares and votes in the Company.

The total value of the Offering amounts to approximately SEK 341 million and approximately SEK 392 million if the Offering is extended in full and the Overallotment Option is exercised in full.

INVITATION TO ACQUIRE SHARES IN SLEEP CYCLE

Handelsbanken Fonder Aktiefbolag, Skandia Fonder AB and E. Öhman J:or AB have undertaken to, directly or indirectly, acquire shares in the Offering to the Offering Price, corresponding to the amount and the respective percentages of the Offering listed below:

- Handelsbanken Fonder Aktiefbolag: SEK 60 million, 17.6 percent;
- Skandia Fonder AB: SEK 50 million, 14.7 percent; and
- E. Öhman J:or AB: SEK 40 million, 11.7 percent.

Each and one of the Cornerstone Investors' undertakings are conditioned by, *inter alia*, (i) that the listing of the Company's shares on Nasdaq Stockholm is completed no later than 9 July 2021 and (ii) that the shares in the Offering are allocated to the Cornerstone Investor corresponding to its undertakings.

Gothenburg, 28 May 2021

Sleep Cycle AB (publ)

Principal Owners

Background and reasons

Sleep Cycle is a market leading sleep tracking application with a mission to empower people to sleep better to improve global health. Sleep Cycle uses a patented AI-based audio technology to measure users' sleep and provide personalized insights based on the Company's sleep database. Sleep Cycle was founded in 2009 and is headquartered in Gothenburg, Sweden.

In 2009 Sleep Cycle launched a smart alarm clock as a mobile application to help users wake-up better. Since inception, the Company has continued to develop and improve the value proposition by gathering sleep data and extended functionality, in order to enhance the user experience. In 2015, Sleep Cycle launched the world's first audio-based sleep tracking application and transformed the business model from one-off purchases of the mobile application to a subscription-based revenue model. In recent years, Sleep Cycle has developed the application by adding a comprehensive set of tools, such as sleep aid and sleep insights to empower users to sleep better. As of 31 March 2021, Sleep Cycle provides its subscription service in more than 150 countries and 13 languages and had 820 thousand paying subscribers. Furthermore, Sleep Cycle has experienced strong financial growth and increased net revenue from SEK 93 million in 2018 to SEK 163 million as of the twelve-month period ending 31 March 2021, which corresponds to a compounded annualized growth rate ("**CAGR**") of 28 percent.

The Board of Directors and executive management of Sleep Cycle, supported by the Principal Owners, consider the IPO of the Company's shares to be a logical and important step to strengthen Sleep Cycle's global brand, increase credibility with potential partners to pursue growth opportunities and remain at the forefront of sleep tracking applications. The IPO will support the Company's continued growth and provide Sleep Cycle with access to the capital markets, as well as a diversified base of Swedish and international investors. The Company also believes that a listing will increase the profile of Sleep Cycle and allow the Company to attract, retain and invest in talented people to achieve Sleep Cycle's long-term mission. For these reasons, the Board of Directors has applied for listing on Nasdaq Stockholm.

USE OF ISSUE PROCEEDS

The Company will carry out an issue of new shares in connection with the Offering. The issue of new shares is expected to provide Sleep Cycle with proceeds of approximately SEK 100 million before deduction of transaction costs related to the full Offering, which are estimated at approximately SEK 26.8 million¹⁾, to be paid by the Company. Sleep Cycle has a history of growth and has since inception developed a comprehensive sleep application and expanded the product offering. Sleep Cycle has an ambition to accelerate growth going forward and is exploring several strategic initiatives such as increased paid subscriber acquisitions, increased reach through partnerships, growing the offering to corporates as well as expanding the product offering further to increase user value. The Company intends to deploy the proceeds received in connection with the Offering over time to support selected new strategic initiatives.

In other respects, reference should be made to the full particulars of this Offering Circular, which has been prepared by the Board of Directors of Sleep Cycle in connection with the application for listing of the Company's shares on Nasdaq Stockholm and the Offering made in connection with the listing.

The Board of Directors of Sleep Cycle is responsible for the contents of this Offering Circular. To the best of the Board of Director's knowledge, the information contained in the Offering Circular is in accordance with the facts and the Offering Circular makes no omissions likely to affect its import.

Gothenburg, 28 May, 2021

Sleep Cycle AB (publ)

The Board of Directors

The Board of Directors of Sleep Cycle AB (publ) alone is responsible for the content of this Offering Circular. However, the Principal Owners confirm its commitment to the terms and conditions of the Offering in accordance with what is set out in "Terms and conditions".

Principal Owners

1) Of the SEK 26.8 million, 21.8 million is expected to affect the income statement. SEK 8.7 million is included in the Company's accounting up until 31 March 2021.



Market overview

The information regarding market size and growth as well as Sleep Cycle's market position relative to its competitors presented in the Offering Circular constitutes Sleep Cycle's overall assessment, which is based on both internal and external data and information. Sleep Cycle has obtained certain market and competitive positioning information from a market report commissioned and paid for by the Company and performed by Strategy& ("**Strategy& market report**"). The Strategy& market report was prepared at the request of the Company in return for payment, and is according to the Company's opinion reliable. As part of the market report completed in March 2021, Strategy& was given access to internal Company information. A broad consumer survey in Sweden, the United States and Japan with more than 26,000 respondents was administered by Strategy& to serve as input for the market and competition analyses ("**Strategy& survey**"). The assumptions or market views presented in the Strategy& market report may have changed since the report was completed. Furthermore, Sleep Cycle has expressed views and assumptions related to the market and the Company's competitive position. These views and assumptions have not been verified by a third party, which may or may not have a different point of view. The information presented in this section may include estimates on future market performance and other forward-looking statements. Estimates and forward-looking statements are no guarantee for future results and actual events and circumstances may differ significantly from current expectations.

To the best of Sleep Cycle's knowledge, the information provided by the third parties is reliable and accurate and no facts have been omitted which would render the information in this section wrong or misleading.

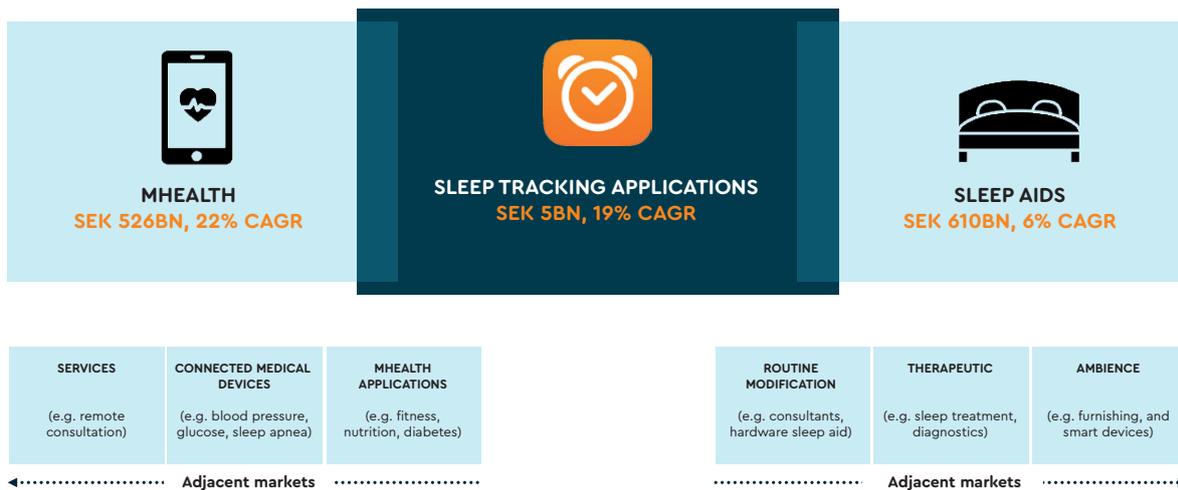
Introduction to Sleep Cycle's market

Sleep Cycle is a market leading¹⁾ sleep tracking application with a mission to empower people to sleep better to improve global health. Sleep Cycle uses a patented AI-based audio technology to measure users' sleep and provide personalized insights based on the Company's sleep database.

Sleep Cycle operates within the market for mobile sleep tracking applications, defined as applications that offer basic sleep tracking functionality such as sleep tracking and analysis, smart alarm and snore tracking. The mobile sleep tracking application market excludes applications directly linked to a wearable device. According to the Strategy& market report, Sleep Cycle is a global market leader within the sleep tracking application market in terms of estimated net revenue during 2020.

The market for sleep tracking applications is at the intersection between the broader mobile health ("mHealth") and sleep aid markets, as illustrated in Figure 1. The global mHealth market is defined as health practices supported by mobile devices, such as applications used in telemedicine and devices used for data collection and monitoring. The global sleep aid market includes products and services directed at improving the quality of sleep, e.g. ambience equipment and furnishing, sleep medications and routine modification devices to improve sleep. The sleep tracking application market is a subsegment of the mHealth apps market and the routine modification market niches.

FIGURE 1: POSITIONING OF THE SLEEP TRACKING APPLICATION MARKET RELATIVE TO THE GLOBAL MHEALTH AND SLEEP AID MARKETS¹⁾



Source: Company information and Strategy& market report

1) Estimated market value for 2020. Expected growth for the period 2020-'25E. The sleep tracking applications market includes sleep tracking and sleep aid apps included in Sleep Cycle's serviceable addressable market.

1) Sleep Cycle is pursuant to the Strategy& market report the leading sleep tracking application globally based on Sleep Cycle's net revenue relative to total market size in 2020.

Sleep Cycle's market

Sleep Cycle's serviceable addressable market is comprised of consumers worldwide with a willingness to pay for a sleep tracking application and is estimated to have a market value of SEK 4.9 billion in 2020, according to Strategy&. The serviceable addressable market is expected to grow by approximately 19 percent per annum 2020-'25E, mainly driven by increased payer penetration as well as growing interest in improving health and sleep. The market size for current users paying for a sleep tracking application has an estimated value of SEK 0.3 billion as of 2020.

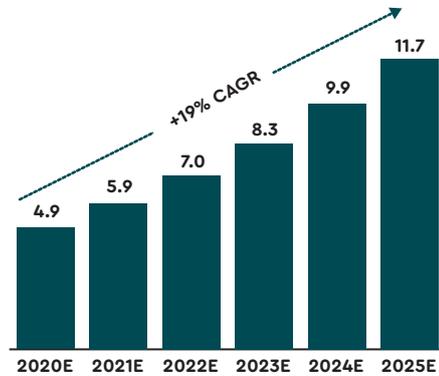
Structural market trends

The market growth is driven by four structural trends:

- (1) Increased consumer focus on health and wellness;
- (2) Sleep as the foundation for health and wellness;
- (3) Consumer empowerment within health; and
- (4) Growing penetration of subscription-based technology.

FIGURE 2: OVERVIEW OF SERVICEABLE ADDRESSABLE MARKET DEVELOPMENT

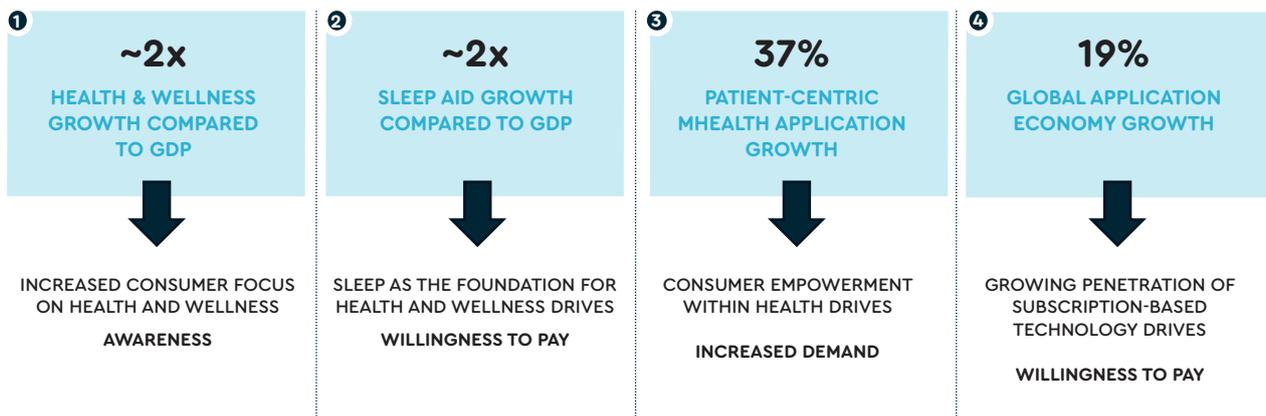
SEKbn, 2020-'25E



Source: Strategy& market report

FIGURE 3: STRUCTURAL TRENDS IMPACTING THE SLEEP TRACKING APPLICATIONS MARKET

Forecasted average growth rate per annum (2020-'25E)



Source: Strategy& market report, SensorTower

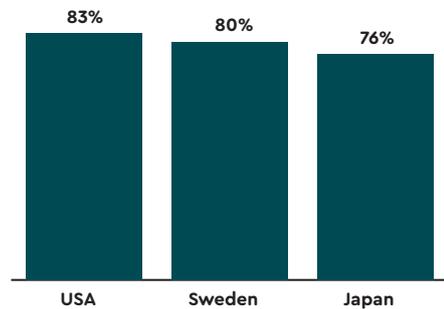


1. INCREASED CONSUMER FOCUS ON HEALTH AND WELLNESS

Consumers' focus on health and wellness has increased. The Strategy& survey found that 83 percent, 80 percent and 76 percent of all consumers in the United States, Sweden and Japan, respectively, rate their health and well-being as very important to them. While the health trend includes preventive and reactive healthcare directly related to diseases, the wellness trend is broader and includes an increased focus on general well-being and a healthy lifestyle. Wellness is increasingly perceived as a social status symbol. As a result of this trend, the overall health and wellness market is expected to grow twice as fast as global GDP during the period 2020-'25E, according to the Strategy& market report.

FIGURE 4: IMPORTANCE OF HEALTH AND WELL-BEING AMONG CONSUMERS

Responses to the statement "my own health and well-being is very important to me", percent share of consumers in USA, Sweden and Japan. 2020¹⁾



Source: Strategy& survey

1) Total number respondents: 22,658. 5-point scale (1 = Strongly disagree - 5 = Strongly agree). Users who responded 4-5 on the first statement categorized as "Interested in health and wellness".

2. SLEEP AS THE FOUNDATION FOR HEALTH AND WELLNESS

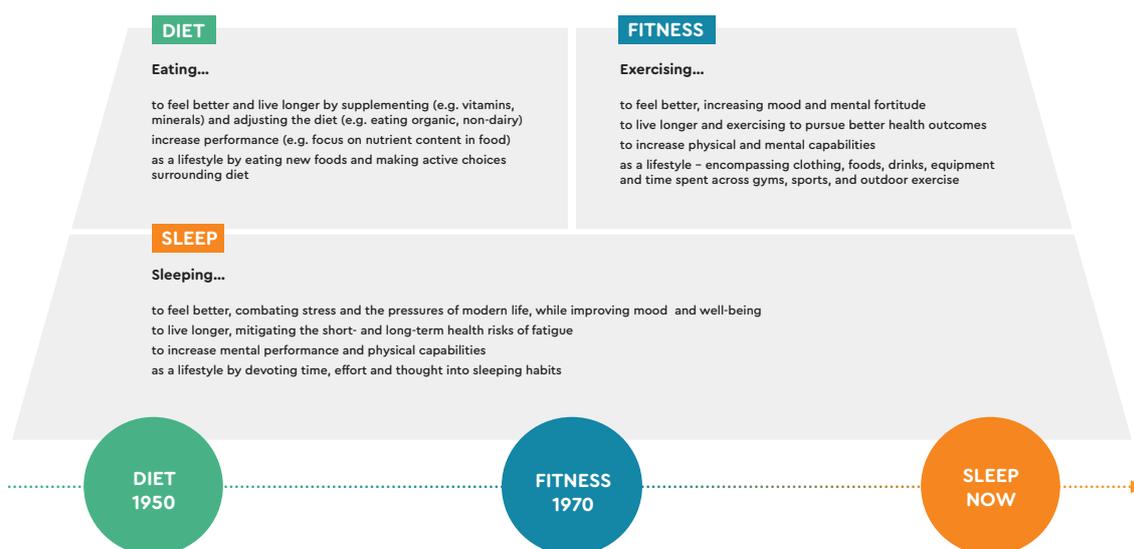
Sleep is increasingly recognized as not only an important part of good health and wellness, but as the foundation for good health and wellness. During the past decades the number of Americans not sleeping enough has increased significantly, resulting in more sleep related diseases and an increasing cost to society. However, interest in sleep and the importance of adequate sleep has increased, driving spending on products and services aiming to improve users sleep.

From 1942 to 2019, the share of Americans not getting the recommended seven hours of sleep increased by 2.5 times from 16 percent to 40 percent. Center for Disease Control and Prevention ("CDC") assess one third of American adults are sleep deprived and has consequently declared sleep deprivation a public health epidemic. Insufficient sleep has long-term health implications: insomnia patients bear twice the risk of getting heart disease¹⁾ and adults who sleep for 5 hours compared to those who sleep 7–8 hours per night are 2.5 times more likely to have diabetes. Insomnia is also associated with psychiatric conditions, with about half of insomnia patients being diagnosed with psychiatric conditions.²⁾ All of the above results in an estimated economic loss due to sleep deprivation of 2 percent of GDP.³⁾

Consumers' awareness of not only the health risks from insufficient sleep has increased, but also the awareness of the physical and cognitive benefits from adequate sleep. Consumers are increasingly willing to pay for products and services to improve sleep in order to combat stress, as well as to improve mood and well-being. In addition, top athletes and consumers are increasingly devoting time, effort and thought into their sleeping routines to improve mental and physical performance. With sleep evolving to become the basis of a healthy lifestyle affecting all other aspects of life, there was an increase in the need and use of sleep enhancing products and services. As a result of this trend, the overall market for sleep products and services is expected to grow twice as fast as global GDP during the period 2020–'25E, according to the Strategy& market report.

According to the Strategy& market report, the market for sleep products and services is expected to follow the same market trend as the market for diet in the 1950s and fitness in the 1970s. Starting in the 1950s, interest in diet rapidly increased as consumers understood its significant impact on well-being, health and performance. In the 1970s a similar trend in fitness emerged as consumers increasingly sought ways to improve both physical and mental performance through fitness. In both instances, the trend gave rise to a large global market for products and services, such as gym memberships and dietary supplements.

FIGURE 5: SLEEP AS THE FOUNDATION OF HEALTH AND WELLNESS



Source: Strategy& market report

- 1) "WHO technical meeting on sleep and health", World Health Organisation (2004). https://www.euro.who.int/data/assets/pdf_file/0008/114101/E84683.pdf
- 2) "Sleep Disorders and Sleep Deprivation: An Unbet Public Health Problem", Colten et al (2006).
- 3) Based on the average of 5 OECD countries (Canada, US, UK, Germany, Japan). "Why sleep matters — the economic costs of insufficient sleep: A cross-country comparative analysis", Hafner et al (RAND Corporation, 2016). https://www.rand.org/pubs/research_reports/RR1791.html.

MARKET OVERVIEW

The increased consumer interest in sleep is evidenced by Google searches. Searches relating to "Sleep", as classified by Google, has steadily increased during the last decades, as illustrated in Figure 6. During 2020, search interest for "Sleep" declined, which the Company believes is due to the COVID-19 pandemic.

3. CONSUMER EMPOWERMENT WITHIN HEALTH

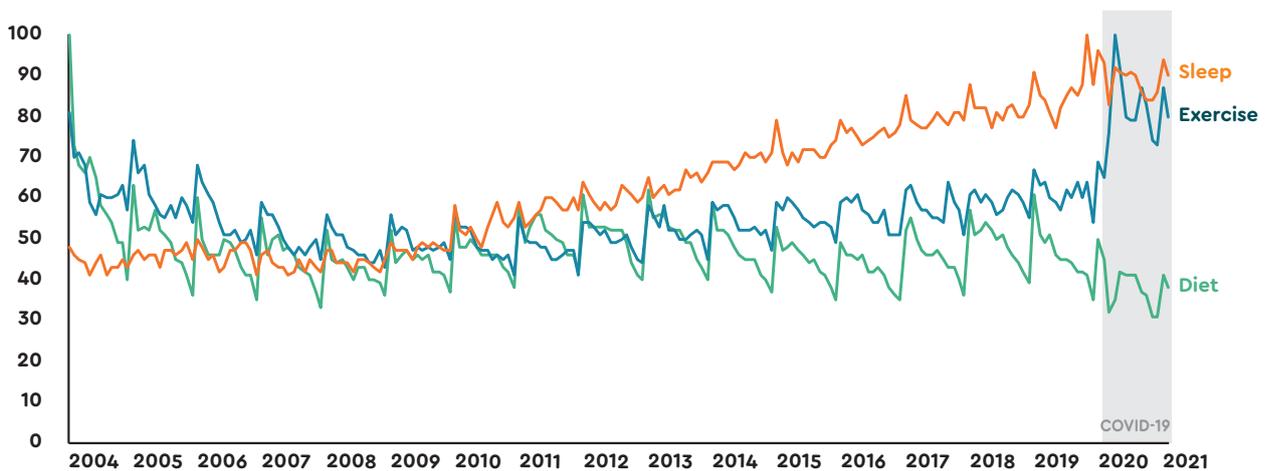
Consumers are increasingly taking control of their health by leveraging digital services and the internet. Remote and patient-centric healthcare is advantageous due to being comparatively non-invasive, convenient, offered at a low cost and easy-to-use. According to the Strategy& market report, patient-centric mHealth applications are estimated to grow 37 percent per annum during 2020-'25E.

4. GROWING PENETRATION OF SUBSCRIPTION-BASED TECHNOLOGY

Subscription-based revenue models are increasingly adopted across segments, ranging from gaming to health and wellness, due to the benefits for both the consumer and companies. The consumers benefit from a lower upfront cost, while companies typically see a higher average price per user over time and more predictable revenue streams. According to SensorTower, the global application economy is expected to grow at a 19 percent CAGR during 2020-'25E, with the payment model increasingly shifting from upfront fees towards subscription-based business models.

FIGURE 6: GLOBAL SEARCH INTEREST IN HEALTH AND WELLNESS TOPICS (2004-RE'20)

Monthly search interest worldwide relative to the highest point – a value of 100 represents the peak popularity of each search term



Source: Strategy& market report

COMPREHENSIVE AND HIGHLY RATED OFFERING

Sleep Cycle has successfully expanded its product from a niche sleep tracking application to a more holistic sleep solution. Sleep Cycle has the most comprehensive offering of all the Core competitors as presented in Figure 8. The broad set of functionalities enables Sleep Cycle to address different user needs and attract a wide audience. Sleep Cycle also offers several integrations, e.g. with smartphones, smartwatches and smart home devices, while competitors generally offer a more limited level of device integration beside smartphones.

Sleep Cycle is the highest rated sleep tracking application based on the most important Key Purchasing Criteria's ("KPC") according to the Strategy& survey.¹⁾ In the survey, users were asked to rate various features and rank each feature in order of importance for their purchasing decision. In this survey, Sleep Cycle scores the highest across most KPCs, including simplicity of use, accuracy of measurement, price, as well as quality and depth of functionality.

FIGURE 8: FUNCTIONALITY COMPARISON OF CORE COMPETITORS¹⁾

			PILLOW	SLEEP BOOSTER	SLEEPZY	SLEEP WATCH	SLEEP AS ANDROID	AUTO SLEEP	SLEEP SCORE	SLEEP TIME	ALARM CLOCK XTREME	SNORELAB	RUNTASTIC	Adjacent competitors			
														CALM	HEADSPACE		
BASIC SLEEP FUNCTIONALITY	SLEEP TRACKING	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	-	✓	No basic sleep functionality			
	SMART ALARM	✓	✓	✓	-	✓	-	✓	✓	✓	✓	-	(✓)				
	SNORE TRACKING	✓	✓	-	(✓)	-	✓	-	-	-	-	✓	-				
ADD-ON FUNCTIONALITY	JOURNAL	✓	(✓)	-	✓	✓	✓	-	✓	(✓)	-	-	✓	✓	-		
	SLEEP AIDS & MEDITATION	✓	(✓)	(✓)	(✓)	-	(✓)	-	(✓)	(✓)	-	-	-	✓	✓		
	HARDWARE INTEGRATION	✓	✓	-	-	✓	✓	✓	(✓)	-	-	-	-	(✓)	(✓)		
RATINGS ON APP STORES	IOS	4.7	4.3	4.5	4.3	4.7	-	4.7	4.3	4.7	-	4.4	-	4.9	4.9		
	ANDROID	4.4	-	4.5	3.6	-	4.5	-	3.3	3.8	4.2	4.2	4.1	4.2	4.5		

FUNCTIONALITY
 ✓ Full (✓) Limited - None

Source: Strategy& market report

1) Functionality comparison based on the Strategy& market report. Sleep aids and meditation row includes both sleep aid and meditation functions – full functionality defined as both sleep aids and meditation functionality; meanwhile limited functionality indicates a certain degree of functionality within either sleep aids or meditation, but not both. Full integrations = more than 3 integrations, limited = 1-3 integrations and none = 1 or fewer integrations. Ratings on app stores = average rating during December 2020.

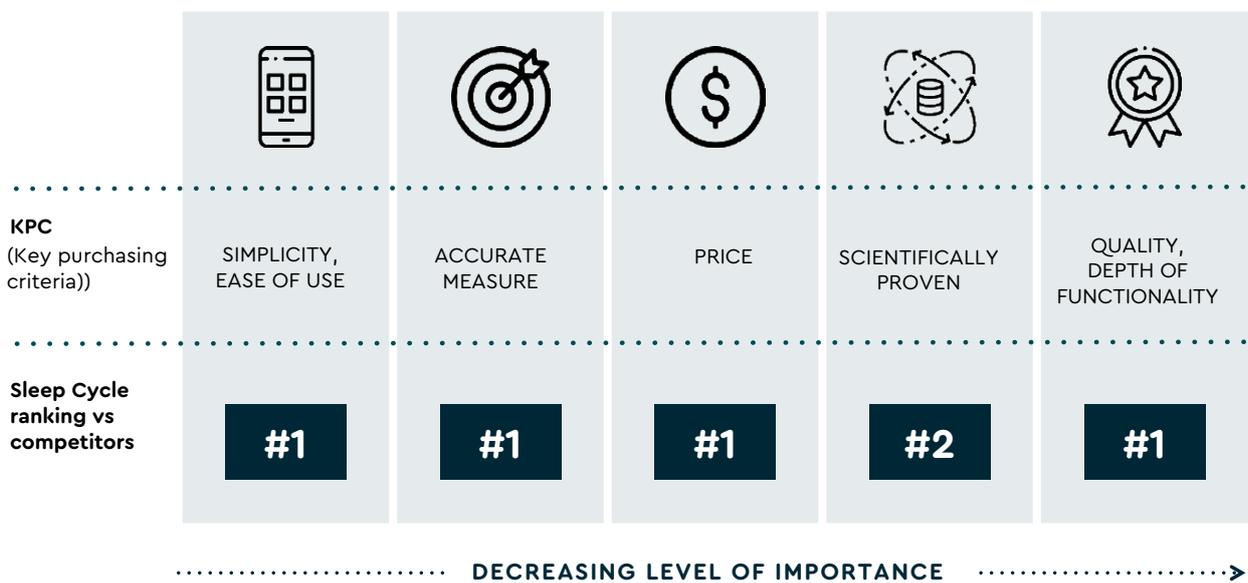
1) Based on the Strategy& market report. KPC ranking among Core competitors with more than 100 respondents (Sleep as Android, Sleep Watch, Alarm Clock Xtreme, Snorelab). Survey respondents scored Sleep as Android higher than Sleep Cycle on Scientifically Proven (3.90 and 3.86 out of 5, each respectively).

HIGHEST BRAND AWARENESS

Sleep Cycle has the highest brand awareness compared to the Core competitors. 32 percent of respondents using a sleep tracking application in the Strategy& survey were aware of Sleep Cycle, 13 percentage points higher than the closest Core competitor. The high brand awareness is further evidenced by a high share of voice¹⁾ and awareness of Sleep Cycle. The Company had an estimated 39 percent share of voice among Core competi-

tors in 2020. The relatively high awareness among consumers and large share of voice are testimonies to Sleep Cycle's authority in the market for sleep tracking applications and puts the Company in a favorable position to capitalize on the forecasted market growth.

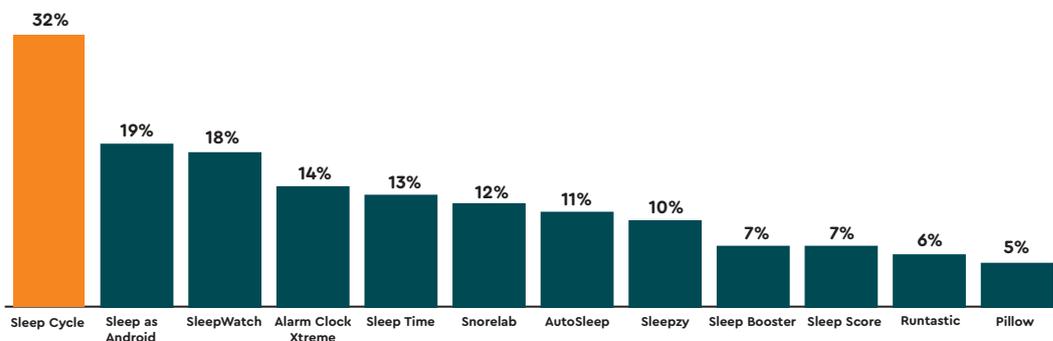
FIGURE 9: KPC SCORE BASED ON USER PERCEPTION



Source: Strategy& market report

FIGURE 10: CUSTOMER AWARENESS AMONG CORE COMPETITORS (2020)

Survey responses¹⁾, percent of sleep tracking application users in USA, Sweden and Japan. 2020



Source: Strategy& market report

1) Total number respondents: 2,849.

1) Share of voice is measured as a share of total impressions in sleep-related media coverage.

ONLY SCALE PLAYER IN A FRAGMENTED MARKET

The Strategy& market report estimates that Sleep Cycle is the largest sleep tracking application globally, based on a market share of more than 50 percent of the sleep tracking application market in 2020 based on estimated net revenue. The competitive landscape is highly fragmented with the nearest competitor having a market share that is approximately a fourth of Sleep Cycle's market share.

BARRIERS TO ENTRY

Sleep Cycle considers that the Company operates on a market with several barriers to entry which makes it possible for Sleep Cycle to defend its market position from identified Key Competitors and potential new market participants.

BRAND

According to Sleep Cycle, the Company's strong brand awareness is a factor that strengthens the Company's competitive advantage and raises barriers to entry. The strong brand is evidenced by the high share of voice and awareness that the Company enjoys. Sleep Cycle had an estimated 39 percent share of voice among Core competitors in 2020 supporting Sleep Cycle's well-established brand in the industry. Furthermore, Sleep Cycle has a higher brand awareness compared to competitors with other sleep tracking applications. 32 percent of respondents using a sleep tracking application were aware of Sleep Cycle, according to the Strategy& market report. See section "Business overview – Strengths and competitive advantage" for further information.

EXTENSIVE SLEEP DATABASE

Sleep tracking applications require large amounts of both annotated and structured data in order to track sleep and generate insights about sleep behavior. The size and quality of a database is essential for providing users with accurate sleep tracking and personalized insights. Sleep Cycle believes that the Company's technological advantage is to a large degree based on the size and quality of their sleep database.

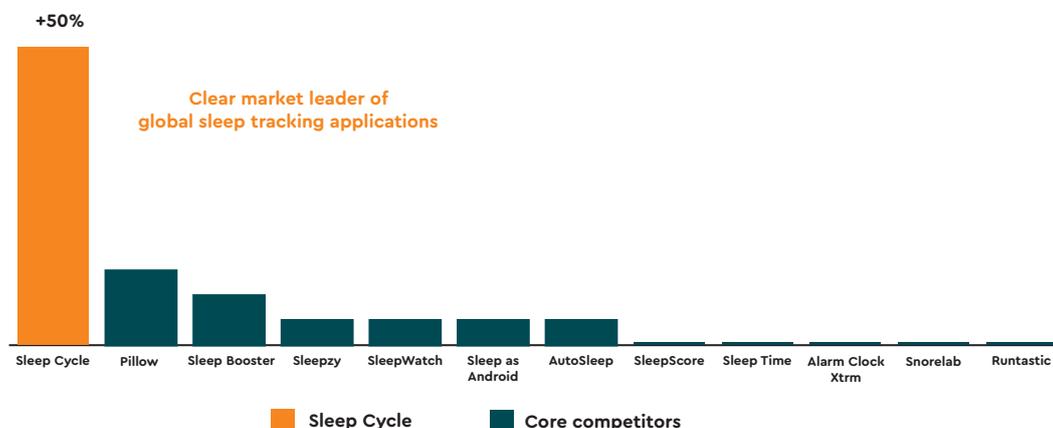
Public access to this type of data is limited and thus needs to be collected internally. The difficulty in building a sufficiently large database and the time required to do so provides a strong barrier to entry, according to the Company.

MACHINE LEARNING TECHNOLOGY

Expertise within development of machine learning technology is paramount for translating a set of data into an accurate predictive model, improve accuracy and design new features. Sleep Cycle believes that the Company's knowledge of and experience working with machine learning constitute a significant barrier to entry and allow the Company to maintain and improve its market position through continuous development.

The Company assesses that the ability to adapt a machine learning algorithm for specific purposes is something that is required for a company to maintain or improve its market position through continuous development and that this constitutes a high barrier that makes entry to the market difficult.

FIGURE 11: ILLUSTRATIVE OVERVIEW OF SLEEP CYCLES' MARKET-LEADING POSITION



Source: Strategy& market report

Channel and product expansion opportunities

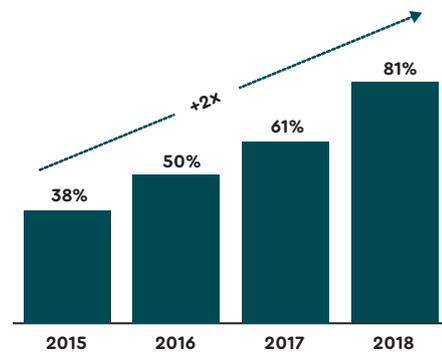
Sleep Cycle is continuously working on channel and product expansion opportunities. Sleep Cycle believes that the Company can further enlarge its serviceable addressable market by targeting new user channels and expanding its product offering. The estimated market value of expanding distribution across new channels, including partnerships and corporate wellness, amounts to approximately SEK 180 billion in 2020, according to Strategy&. In addition, by expanding its product offering, Sleep Cycle is able to access parts of the global mHealth market (including both services and devices), which is valued at an estimated SEK 500 billion in 2020, according to Strategy&.

ENTER NEW DISTRIBUTION CHANNELS

Expansion through new user channels includes both corporate wellness to private and public sector companies as well as partnerships. Companies are increasingly focused on employee health, aiming to improve productivity and employee well-being, driving increased corporate spend on health and wellness as evidenced by Figure 13 below.

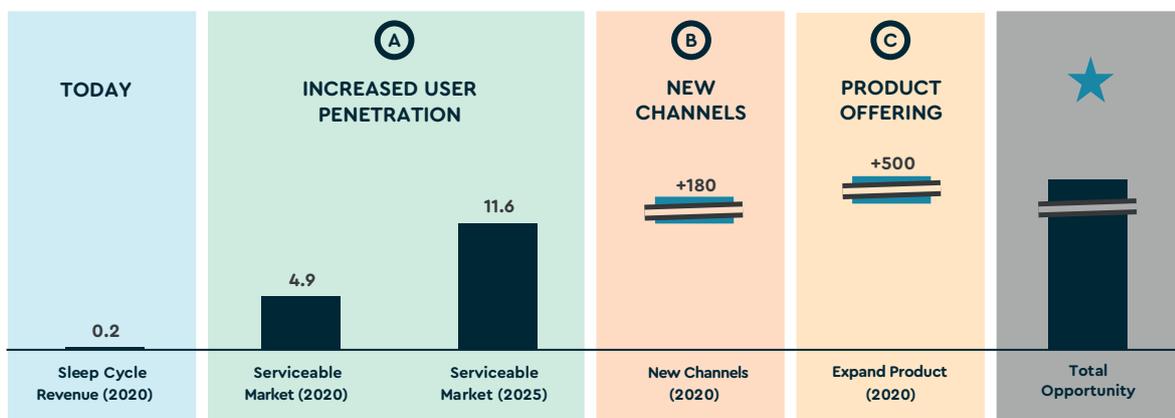
FIGURE 13: CORPORATE SPEND ON HEALTH AND WELLNESS

Share of employers planning to increase their spend on health and wellness, global, 2015-'18.



Source: Strategy& market report

FIGURE 12: KEY DRIVERS OF MARKET OPPORTUNITY (SEK BILLION)



Source: Strategy& market report

MARKET OVERVIEW

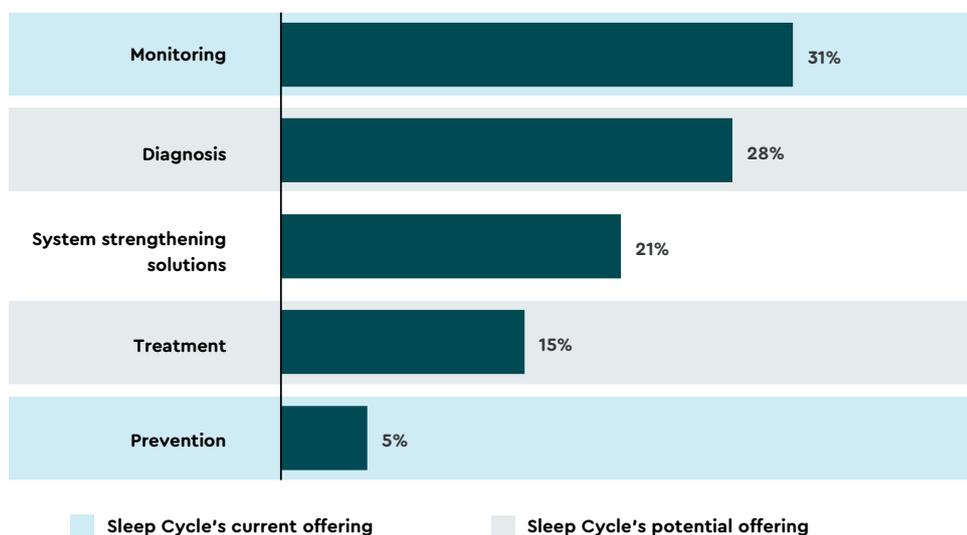
The Company assesses that there is a broad range of partnership opportunities within the market for sleep products, the hospitality industry, insurance companies, digital services and healthcare. According to the Strategy& market report new user channels are valued at approximately SEK 180 billion in 2020. See section "Business overview – Growth strategy" for further information.

EXPAND PRODUCT OFFERING

Sleep Cycle believes that it can enlarge its serviceable addressable market through product expansion within the mHealth market. The mHealth market is estimated to be SEK 500 billion as of 2020 according to the Strategy& market report. mHealth offers help in remote monitoring, diagnosis, treatment and prevention, as outlined in Figure 14. See section "Business overview – Growth strategy" for further information.

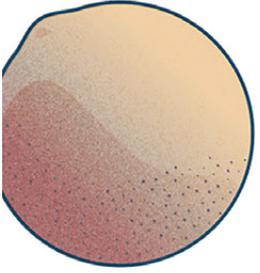
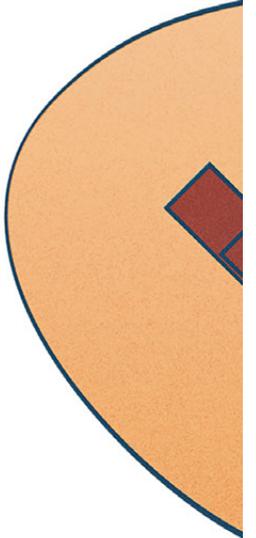
FIGURE 14: MHEALTH MARKET SEGMENTATION

Market segmentation, % of total market, 2020.



Source: Strategy& market report





Business overview

Introduction

COMPANY OVERVIEW

Sleep Cycle is a market leading sleep tracking application with a mission to empower people to sleep better to improve global health. Sleep Cycle uses a patented AI-based audio technology to measure users' sleep and provide personalized insights based on the Company's sleep database. Sleep Cycle was founded in 2009 and is headquartered in Gothenburg, Sweden.

As of 31 March 2021, Sleep Cycle had 2.1 million monthly active users and 820 thousand subscribers and was available in 13 different languages to users across over 150 countries. Sleep Cycle recorded a net revenue of SEK 163 million during the twelve-month period ended 31 March 2021, resulting in an annual growth rate of 28 percent since 2018. Sleep Cycle's subscription-based

business model and operational efficiency enables high profitability. During the twelve-months period ended 31 March 2021, the Company's adjusted operating profit (adjusted for items affecting comparability related to development of and preparations linked to future strategic initiatives, as well as the transition to IFRS) amounted to SEK 57 million, corresponding to an adjusted operating profit margin of 35 percent.

VISION

Sleep Cycle is on the frontier of sleep. As the leading authority, we uncover the secrets of sleep and provide a better platform for health.

MISSION

Sleep Cycle empowers people to sleep better to improve global health.

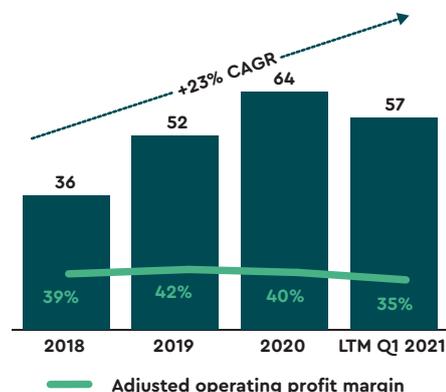
FIGURE 15: NET REVENUE

Net revenue during respective period (SEKm)



FIGURE 16: ADJUSTED OPERATING PROFIT AND ADJUSTED OPERATING PROFIT MARGIN

Adjusted operating profit and adjusted operating profit margin during respective period (SEKm)



BRIEF HISTORY

2009

Sleep Cycle was founded and launched a smart alarm clock on iPhones to help users wake-up better.

2010

Following user requests, long-term sleep statistics and graphs were added to the application to give users insights to their sleep patterns.

2011

Sleep Cycle launched sleep quality metrics to quantify how users sleep and add an additional level of insights into what affects users' sleep.

2013

Sleep Cycle released heart rate tracking to compliment the sleep statistics, and to give users a more holistic view of their sleep and health.

2014

Sleep Cycle debuted on Android devices, and to expand the set of health data tracked, Apple Health app integration was developed.

2015

Sleep Cycle surpassed ten million downloads and released the world's first audio-based sleep tracking application¹⁾ and transformed the business model from one-off purchase of the mobile application to a subscription-based model.

2016

Sleep Cycle exceeded 18 million downloads.

2017

Sleep Cycle expanded audio-based sleep tracking to include other events such as snoring and sleep talking.

2019

Sleep Cycle expanded a series of functions to the Sleep Cycle Application, including sleep notes and Sleep Aid. Sleep notes helps users understand how daily activities impact their sleep. Sleep Aid helps users fall asleep with stories and relaxing guides designed to calm down the mind, music and poetry, as well as sounds and ambience.

2020

Sleep Cycle introduced personalized insights based on individual sleep routines, aiming to drive behavioral change and an improvement in sleep health by leveraging Sleep Cycle's vast amount of sleep data. Furthermore, the Company established its own payment solution that is web-based and not connected to the app stores. The payment solution will be used for expansion of new user channels.

2021

Sleep Cycle reached 48 million downloads and expanded its product offering with Weekly Reports, further advancing the personalized insights feature to provide users with concrete feedback based on longer periods of time. In addition, Sleep Cycle has initiated partnerships and signed their first client within corporate wellness.

1) Sleep Cycle holds patents relating to audio-based sleep tracking and alarm functions (registered in 2010, 2013 and 2016).

Strengths and competitive advantage

Sleep Cycle is a market leading player in the sleep tracking application market. Sleep Cycle believes that it will be able to maintain its strong market position and competitive advantage through the platform's inherent strengths and competitive advantages:

- (i) Sleep Cycle's addressable market is large and growing at an attractive rate;
- (ii) Sleep Cycle is the leading sleep tracking application globally;
- (iii) Sleep Cycle has a first-mover advantage and network effects;
- (iv) Sleep Cycle has strong growth and high profitability underpinned by a subscription-based business model;
- (v) Sleep Cycle has several growth initiatives to drive continued growth; and
- (vi) Sleep Cycle consists of an entrepreneurial team with sector expertise.

LARGE MARKET GROWING AT AN ATTRACTIVE RATE

Sleep is increasingly recognized as the foundation of health and wellness. The increasing interest in sleep has been driven by increased awareness of not only the health risks from sleep deprivation, but also of the physical and cognitive benefits from sufficient sleep. Strategy& estimates the value of Sleep Cycle's serviceable addressable market value is estimated at SEK 4.9 billion in 2020 and is expected to grow by approximately 19 percent per annum 2020-'25E, according to a market report from Strategy&. The growth is primarily driven by increased demand and willingness to pay for digital health services and adoption of subscription-based business models. See section "*Market overview – Sleep Cycle's market*" for further information.

LEADING GLOBAL SLEEP TRACKING APPLICATION

Sleep Cycle is the leading sleep tracking application globally, based on (i) the most comprehensive and highest rated product offering among competitors, (ii) the highest brand awareness compared to Core competitors and (iii) a market share of more than 50 percent of the global sleep tracking application market based on estimated net revenue 2020. 32 percent of survey

respondents that use a sleep tracking application were aware of Sleep Cycle, which is 68 percent higher than the closest competitor. The leading market position puts Sleep Cycle in a favorable position to capitalize on the forecasted market growth for sleep tracking apps. See section "*Market overview – Competitive landscape*" for further information.

FIRST-MOVER ADVANTAGE AND NETWORK EFFECTS

Sleep Cycle has a first-mover advantage in developing an audio-based sleep tracking technology¹⁾, which combined with a large user base makes it difficult for competitors to dislodge Sleep Cycle's position due to the extensive data requirements. As of 31 March 2021, Sleep Cycle had 2.1 million monthly active users and a large database consisting of more than 480 million nights of sleep data. The technology benefits from significant network effects wherein a higher number of engaged users create more data, which improves user value through increased sleep tracking accuracy and better personalized insights, in turn driving a higher number of engaged users. See section "*– Technology – Network effects*" for further information.

STRONG GROWTH AND HIGH PROFITABILITY

Sleep Cycle has experienced strong net revenue growth with a CAGR of 31 percent per annum during 2018-'20 and the subscription-based business model allows for high revenue visibility. As of 31 March 2021, Sleep Cycle had 820 thousand subscribers, of which 99 percent are 12-month subscriptions. In 2020, Sleep Cycle recorded a net revenue of SEK 159 million.

Sleep Cycle's business model and operational efficiency enable high profitability. The technology is highly accessible and scalable, as the technology can be accessed through a basic smartphone or smartwatch and all processing is undertaken on the device itself. The Company's adjusted operating profit amounted to SEK 64 million in 2020, corresponding to an adjusted operating profit margin of 40 percent.

Sleep Cycle has an asset-light business model supported by limited investment needs. Sleep Cycle receives subscription fees upfront, creating favorable net working capital characteristics that drives adjusted operating cash flow and cash conversion²⁾, which amounted to SEK 76 million and 118 percent respectively in 2020.

1) Sleep Cycle holds patents relating to audio-based sleep tracking and alarm functions (registered in 2010, 2013 and 2016).

2) Adjusted for items affecting comparability related to development of and preparations linked to future strategic initiatives, as well as the transition to IFRS.

GROWTH INITIATIVES

Sleep Cycle has a history of product innovation and growth and has successfully expanded its product from a niche sleep tracking application to a more holistic sleep solution. Sleep Cycle has identified several strategic initiatives to accelerate growth by increasing reach through marketing and new distribution channels as well as to expand the product offering into adjacent markets:

- (i) Build on strong organic platform to scale marketing and increase the number of new subscribers;
- (ii) Extend product reach through new distribution channels, including partnerships and corporate wellness; and
- (iii) Leverage data to expand user value and product offering into mHealth addressing sleep disorder diagnosis, monitoring and treatment.

ENTREPRENEURIAL TEAM

Sleep Cycle is an entrepreneurial Company, led by a management team with sector expertise. The Company has a strong culture which is evidenced by an employee NPS¹⁾ of 94. The Company has historically achieved low employee turnover by focusing on maintaining a healthy workplace where employees can develop.

Sustainability, corporate social responsibility and GDPR

Sleep Cycle considers sustainability to be a natural part of its operations and has high ambitions for reaching current and future environmental and sustainability requirements. The Company considers environmental and sustainability aspects to be an integral part of all decision-making across the organization.

Sleep Cycle has identified five Environmental, Social and Governance ("ESG") focus areas, as shown in Figure 17. The following of the Company's focus areas are in line with the UN's sustainable development goals: Improving global health, sustainable product offering, attractive workplace and participation in research.

IMPROVE GLOBAL HEALTH

ESG factors are at the core of Sleep Cycle's mission to improve global health by empowering people around the world to sleep better. Sleep Cycle considers its offering to have a positive impact on users' sleep of which 72 percent indicate that they sleep better when using Sleep Cycle's application.

FIGURE 17: ESG



1) Net promoter score.

SUSTAINABLE PRODUCT OFFERING

Sleep Cycle strive to democratize sleep solutions through an accessible offering that will be available on all smartphones as well as other smart devices, across the world. The Company is continuously engaged in product development to be able to serve everyone with an interest in sleep and access to a microphone and thus regularly evaluating new devices to improve product accessibility.

PARTICIPATE IN RESEARCH

According to Sleep Cycle, the Company has one of the largest databases of sleep data and contributes to improved global health and wellbeing by participating in sleep research. Sleep Cycle collaborates with research institutions and universities around the world to improve the understanding of sleep and provide access to anonymized and aggregated sleep data to drive the research agenda.

CUSTOMER PRIVACY

As part of its business operations, Sleep Cycle processes large amounts of personal data on a daily basis. As such, the Company has an established process of how to process data in accordance with applicable legislation to maintain users' trust and customer satisfaction. For more information, see section "– Technology – User trust".

ATTRACTIVE WORKPLACE: EQUALITY AND DIVERSITY

Moreover, Sleep Cycle's responsibility as a societal player expands as the Company grows, impacting stakeholders within and outside of Sleep Cycle. The Company aims to remain an attractive workplace by offering a healthy workplace where employees thrive and develop. The company works for equality and diversity of skills, gender, experience and culture. At the end of 2020, all employees have warrants in the Company.

In 2020, the Company increased its focus on sustainability and laid the foundation for long-term sustainability work. The Company is continuously working to improve its internal processes, working methods and systems to reduce its environmental footprint. Sleep Cycle also works actively to choose partners and suppliers that offer environmentally friendly alternatives. The Company recognises that its business operations and provision of services may at times impact the environment and works to reduce harmful effects it might have. Sleep Cycle's internal work is focused on areas including, but not limited to reducing travel by using electronic meeting services, encouraging travel by train, public transport

and reducing paper use by ensuring that its employees have digital solutions available.

Business model**INTRODUCTION**

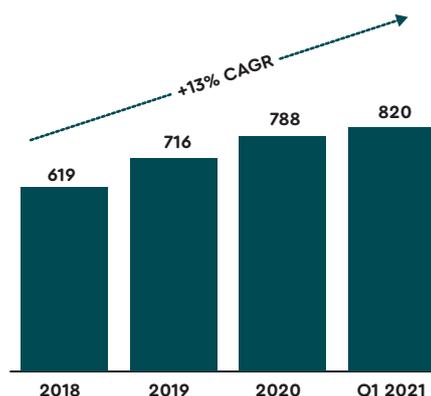
Sleep Cycle offers a digital subscription service that gives users access to its sleep tracking application and can be accessed on both smartphones and smart-watches. The subscriptions to the application are sold through Apple App Store, Google Play Store, Huawei App Gallery and the Company's website.

Sleep Cycle offers both a freemium and premium version of the application. The premium version is accessed through a 12-month subscription and includes broader functionality compared to the freemium version such as expanded sleep tracking and insights features. See section "– The Sleep Cycle platform" for further information.

As of 31 March 2021, Sleep Cycle had 2.1 million monthly active users and 820 thousand subscribers. 99 percent of the subscribers were 12-months subscriptions.¹⁾ As of 31 March 2021, the Sleep Cycle application had been downloaded 48 million times.

FIGURE 18: SUBSCRIPTION DEVELOPMENT

Total subscriptions ('000) 2018–Q1 2021



1) Sleep Cycle has 506 thousand active premium users of the application which stems from the old revenue model (i.e. before 2016) when consumers received access to the premium version as a one-off purchase of the application.

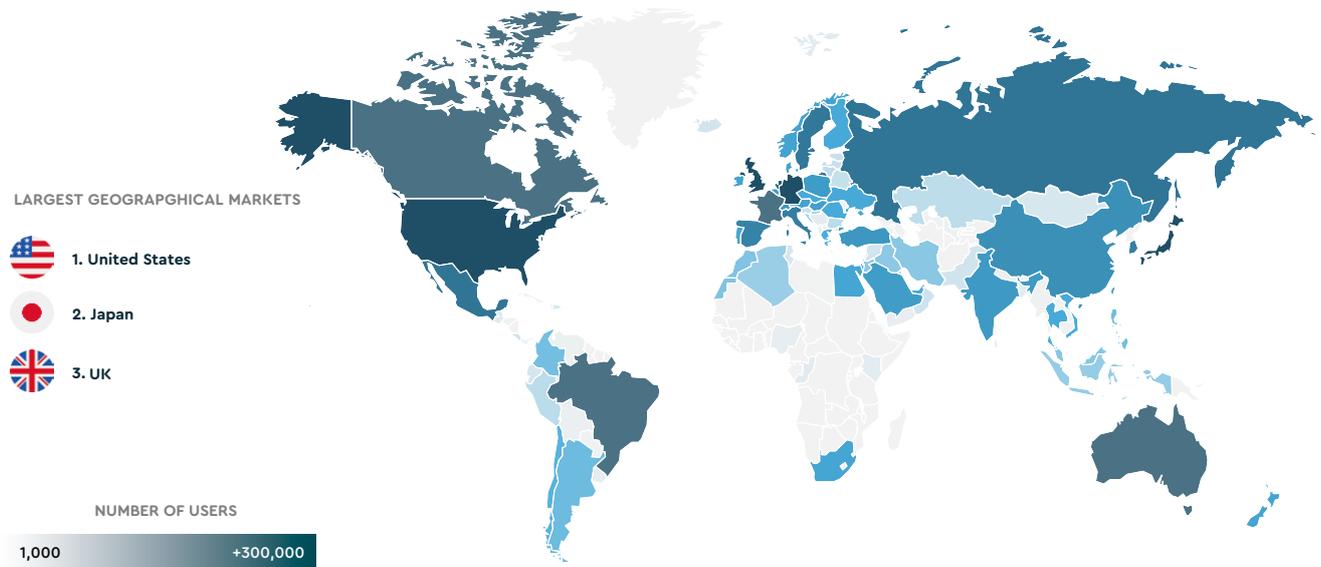
BUSINESS OVERVIEW

Sleep Cycle's application is available in 13 different languages¹⁾, which are spoken by about 55 percent of the world's population²⁾. Furthermore, the Company has users across 150 countries, with 38 percent of users in Europe, 33 percent in North America, 25 percent in Asia and Pacific (APAC) and 5 percent in Rest of the World

(RoW). The United States, Japan and UK represent the Company's largest geographical markets. In addition, Sleep Cycle has a user base across a wide range of age groups and is evenly represented across genders, as shown in Figure 20.

FIGURE 19: GEOGRAPHICAL USER DISTRIBUTION

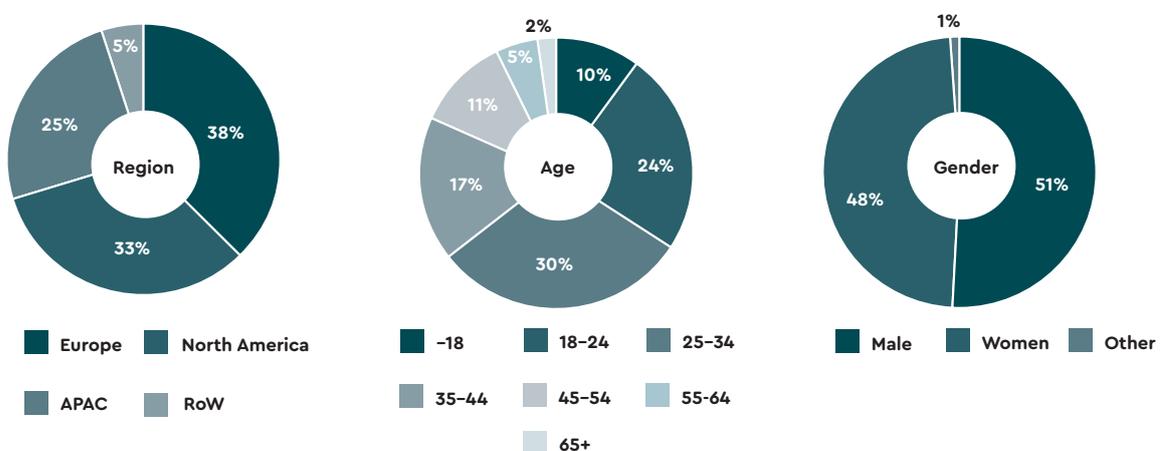
Geographical distribution and share of Sleep Cycles users by region¹⁾



1) Distribution by geographical region based on active users in Q4 2020.

FIGURE 20: USER DISTRIBUTION

Share of Sleep Cycle users by region, age, and gender¹⁾



1) Gender and age distribution based on users participating in Sleep Cycle's sleep survey as at December 2020.

1) English, French, German, Italian, Japanese, Korean, Portuguese, Russian, Simplified Chinese, Spanish, Swedish, Traditional Chinese and Turkish.

2) Calculated as number of first language (L1) speakers plus second language (L2) speakers.

SUBSCRIBER ACQUISITION

In 2020, Sleep Cycle gained 454 thousand new subscribers of which 90 percent were from non-paid channels (as shown in Figure 21 and 22) – i.e. channels in which Sleep Cycle does not have to invest in paid marketing to acquire new subscribers. The Company believes that delivering and maintaining a product with high user value and satisfaction has been driving Sleep Cycle's strong brand recognition and customer awareness, which has supported subscriber growth from non-paid channels.

Sleep Cycle's strong brand is integral for attracting new users to the platform. As such, building and maintaining a strong brand is a strategic focus for Sleep Cycle. This has resulted in the Company being featured in major publications and an estimated 39 percent share of voice among Core competitors¹⁾ during 2020.

Sleep Cycle initiated its paid marketing and started to pay for online advertisement driving new users in May 2019 on iOS and in April 2020 on Android platforms. The Company expects that new subscriber acquisitions through paid channels will play an important part in the growth of the subscriber base going forward.

FIGURE 21: NEW SUBSCRIBERS BY CHANNEL

Number of new subscribers from non-paid and paid channels (2018-'20, thousand)

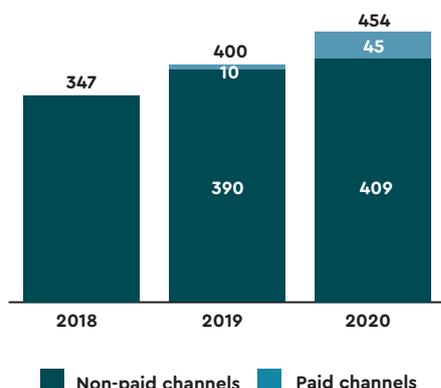


FIGURE 23: SHARE OF VOICE

Share of total impressions in sleep-related media coverage among Core competitors (2020)

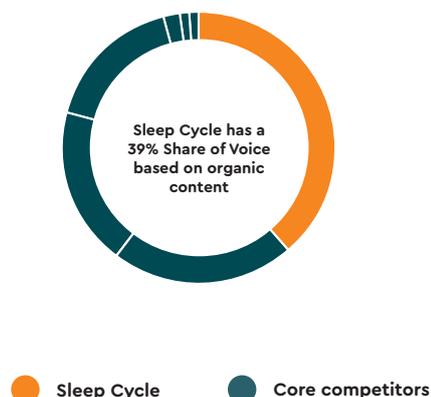
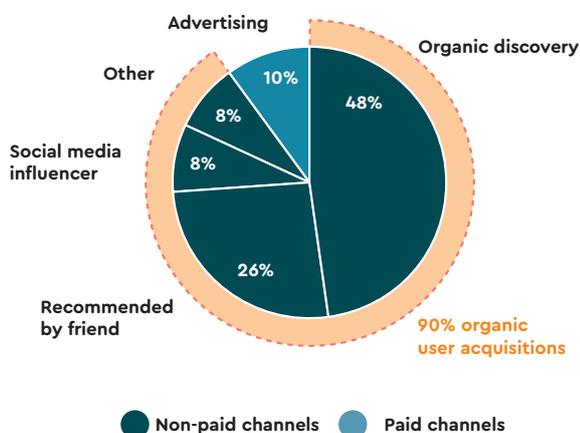


FIGURE 22: NEW USERS BY MARKETING CHANNELS

Distribution of new users by marketing channel (2020)



1) Core competitors include Sleep Watch, Sleep as Android, Sleep Score, Sleepzy, Sleep Time, Sleep Booster and SnoreLab. Data for Alarm Clock Xtreme, Runtastic, Pillow and AutoSleep not available.

CONVERSION TO SUBSCRIPTION

Once a user has installed the application, it is imperative for Sleep Cycle to convert freemium users to premium users. Users are offered a 7-day trial, before converting into a paying subscription. Sleep Cycle has improved its conversion during 2020 through improved user targeting and improved conversion flow in the application. During Q1 2021 Sleep Cycle converted 10.1 percent of new installs to trials. See the section “– Growth strategy – Improved subscription acquisition cost through localization, targeting and conversion” for further information.

Product development is an important driver of conversion. For example, the update of the premium feature “Other sounds”, which is a feature that allows users to replay sounds recorded during the night, such as sleep talking and snoring. The feature was updated in Q4 2020, and contributed to a significant increase in new trials compared to the previous quarter. During the first quarter of 2021 the number of new trials from the feature “Other sounds” amounted to 73 thousand, as shown in Figure 25.

SUBSCRIPTION RENEWAL

The renewal rate reflects the total number of 12-months subscriptions being renewed in a given period divided by the total number of 12-months subscriptions up for

renewal in the same period. In 2020, the renewal rate amounted to 46 percent for subscribers across all platforms, 48 percent on iOS and 33 percent on Android platforms, which corresponds to 329 thousand renewals during the year. During the first quarter of 2021, renewal rate amounted to 49 percent, which corresponds to 108 thousand renewals.

As an example, 40 percent of the new subscribers signing up through iOS in Q1 2018 renewed in Q1 2019, 53 percent of the remaining subscribers renewed in Q1 2020 and 60 percent renewed in Q1 2021. Factors impacting the renewal rate includes *inter alia* customer engagement and price. The Company is actively monitoring these factors to improve renewal rates.

Growth strategy

Sleep Cycle has identified three avenues for continued growth, which are expected to expand the Company’s reach and subscription base.

ACCELERATE SUBSCRIBER ACQUISITION

90 percent of all new subscriptions in 2020 stem from non-paid channels. The Company expect that non-paid channels will remain a key component going forward and aims to maintain it through continued focus on product development and branding.

FIGURE 24: INSTALL-TO-TRIAL CONVERSION

Share of all users converting from install to trial

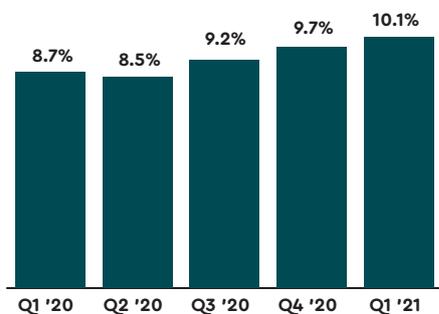
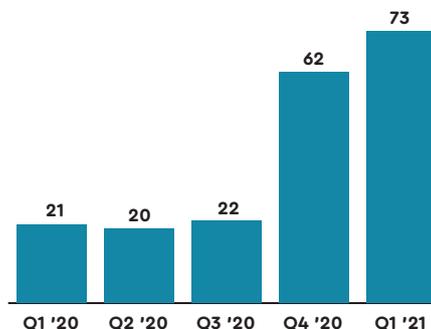


FIGURE 25: NEW TRIALS

Number of new trials from the feature “Other sounds” (thousand)



MARKETING STRATEGY

The Company has been focused on developing and testing its marketing strategy before scaling up marketing costs. The Company makes strategic decisions on marketing spend and marketing channels based on, among other things, the ratio between implied lifetime value ("LTV") of a subscriber and the subscriber acquisition cost ("SAC"):

- (i) As an illustration, the implied LTV¹⁾ for iOS is estimated at SEK 379 and comprises two parts: value of the first subscription year and the following years. Value of the first subscription year amounts to SEK 179 and is calculated as the current price of SEK 255²⁾ less platform costs for first-year subscriptions of 30 percent. For subsequent years, the value amounts to SEK 200 and is calculated as the product of the current price and a renewal rate of 48 percent to account for users who cancel their subscription after the first year, less platform costs of 15 percent for renewal years, divided by the renewal rate.
- (ii) SAC amounted to SEK 251 during the first quarter of 2021 and is calculated as the paid marketing spend of SEK 5.9 million for Q1 2021 divided by the number of new subscribers from these channels during Q1 2021 which amounted to 23,350.

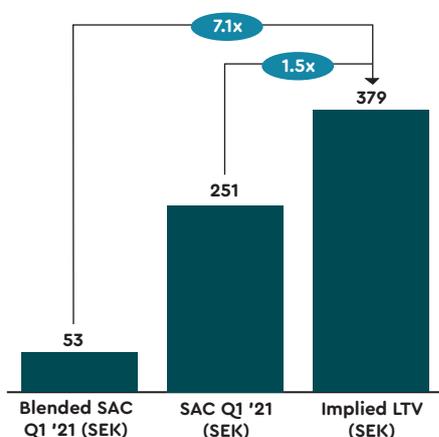
The Company is also monitoring its blended SAC, which amounted to SEK 53 during the first quarter of 2021 and is calculated as total marketing expenses of SEK 7.7 million during Q1 2021 divided by the total number of new subscribers, which amounted to 145 thousand during Q1 2021. In addition to paid marketing, the Company expects to increase brand marketing costs to increase awareness of Sleep Cycle and its products. As such, Sleep Cycle believes ratio between implied LTV and blended SAC is a more appropriate representation of the Company's growth potential. The ratio between implied LTV and blended SAC as well as SAC amounted to 7.1 and 1.5 times, respectively. The ratio between implied LTV and blended SAC is illustrated in Figure 26.

IMPROVED SUBSCRIPTION ACQUISITION COST THROUGH LOCALIZATION, TARGETING AND CONVERSION

Sleep Cycle has identified three levers which it can utilize in order to decrease SAC: improve targeting, scale marketing strategy and drive conversion. The historical development of SAC is shown in Figure 27.

FIGURE 26: IMPLIED LTV AND SAC

Implied LTV and SAC, Q1 2021 (SEK)



1) Calculated on the current subscription cost with an approximate renewal rate.
2) USD 29.99 converted to SEK using USD/SEK 8.50 per 31 March 2021.

BUSINESS OVERVIEW

Performance marketing has to date primarily been focused on and adapted to the United States and other English-speaking markets and conducted on channels including among others Apple Search Ads, Facebook Ads Network and Google Universal App Campaigns. Going forward, Sleep Cycle sees localized marketing efforts (i.e. marketing where language, packaging and messaging is adapted to the specific geographical market) to be crucial parts of expanding the marketing strategy. It is Sleep Cycle's opinion that the evolution and improvement of the SAC in the United States, shown in Figure 28, present potential of localized marketing strategies.

Furthermore, Sleep Cycle has to date focused its marketing efforts on users that could be described as "Health-aware" represented by the 72 percent of respondents who used Sleep Cycle to understand their sleep better in the Strategy& survey. Going forward, the Company aims to broaden its marketing campaigns to also target other segments who seek to improve sleep quality. By improving targeting, the Company believes it can achieve a further decline in SAC.

FIGURE 27: PAID MARKETING CHANNEL SPEND AND SAC

Performance marketing spend incurred during each each period, SEKm and as a percent of revenue

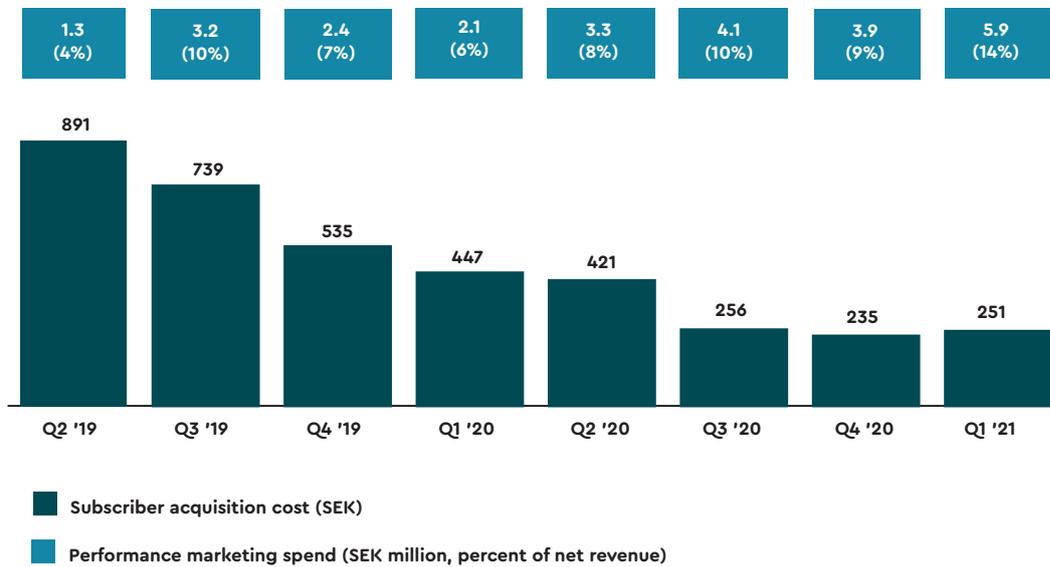


FIGURE 28: SAC DEVELOPMENT IN THE US

New subscriptions (thousand) and paid subscriber acquisition cost (SEK) in the United States on iOS platform¹⁾



¹⁾ February and March 2020 excluded due to technical issues with the data platform's ability to track marketing spend and new customers. Lockdown measures were imposed on 21 March 2020 and 11 November 2020 in the United States.

Lastly, the Company believes further declines in SAC can be driven by improving the conversion from users installing the application to starting a subscription. As the Company continues to develop and expand its premium offering, conversion is expected to improve, which helps drive an increased amount of new subscriptions without additional marketing spend.

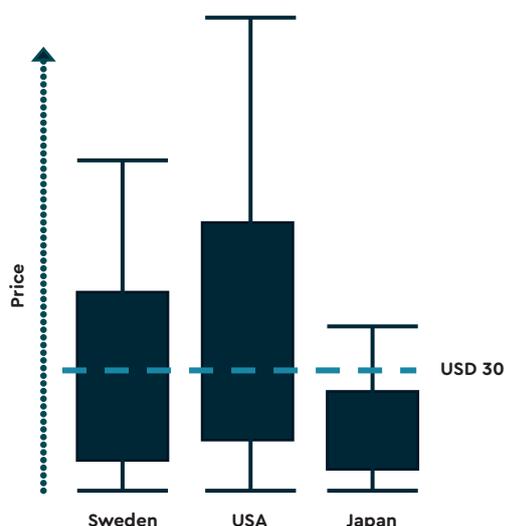
IMPROVED LTV THROUGH LOCALIZED PRICING AND HIGHER RENEWAL RATES

Sleep Cycle continuously works to improve LTV through optimized pricing, lower platform fees and higher renewal rates.

The Company and the Strategy& survey identified significant opportunities to improve penetration in markets, where Sleep Cycle currently has limited presence, through localized pricing. Historically, Sleep Cycle has had the same price across all markets, but by implementing a differentiated pricing model, the Company believes that it will be able to capture additional market share through either increasing demand from reducing the price, or increase revenue through optimized pricing. Figure 29 illustrates customers' willingness to pay for an annual subscription to Sleep Cycle in the Company's largest markets and indicates room for optimized pricing in existing markets. The Company also aims to expand its sale of subscriptions outside of Apple App Store and Google Play Store in an effort to reduce platform fees and, in extension, increase LTV.

FIGURE 29: WILLINGNESS TO PAY

Indicative willingness to pay for a Sleep Cycle subscription in three large markets. Boxes indicate 25th-75th percentiles and wicks indicate minimum and maximum values



In addition, the renewal rate is also an important factor in increasing LTV. Sleep Cycle has in 2021 increased focus on the renewal rate through localized win-backs and churn prevention activities.

EXPAND REACH THROUGH PARTNERS AND CORPORATE WELLNESS

Sleep Cycle aims to further accelerate growth through partnerships and by expanding its proposition to corporate wellness.

EXPAND REACH THROUGH PARTNERSHIPS

Sleep Cycle believes that there is a strong strategic rationale to expand the Company's reach through a broad range of partnerships and that several frameworks provide a large degree of flexibility. The Company has identified several opportunities to expand its reach through mutually beneficial partnerships and has a pipeline of opportunities across various markets including among others sleep products, hospitality, insurance, digital services and health care providers.

Sleep Cycle will work with partners across several strategic and financial frameworks, ranging from (i) public relations partnerships with other software companies in adjacent markets to enhance visibility of the Sleep Cycle offering, (ii) bundled offering, in which Sleep Cycle subscriptions are sold together with other products, where Sleep Cycle either sells subscriptions in bulk or a revenue share is agreed, (iii) product integrations, in which Sleep Cycle functionality or the product experience is integrated into other digital products, where Sleep Cycle receives a license fee or a revenue share, and (iv) hardware integrations, in which Sleep Cycle's audio-based technology is integrated into hardware (e.g. smartwatches and smart speakers), at a license fee or a revenue share.

CORPORATE WELLNESS

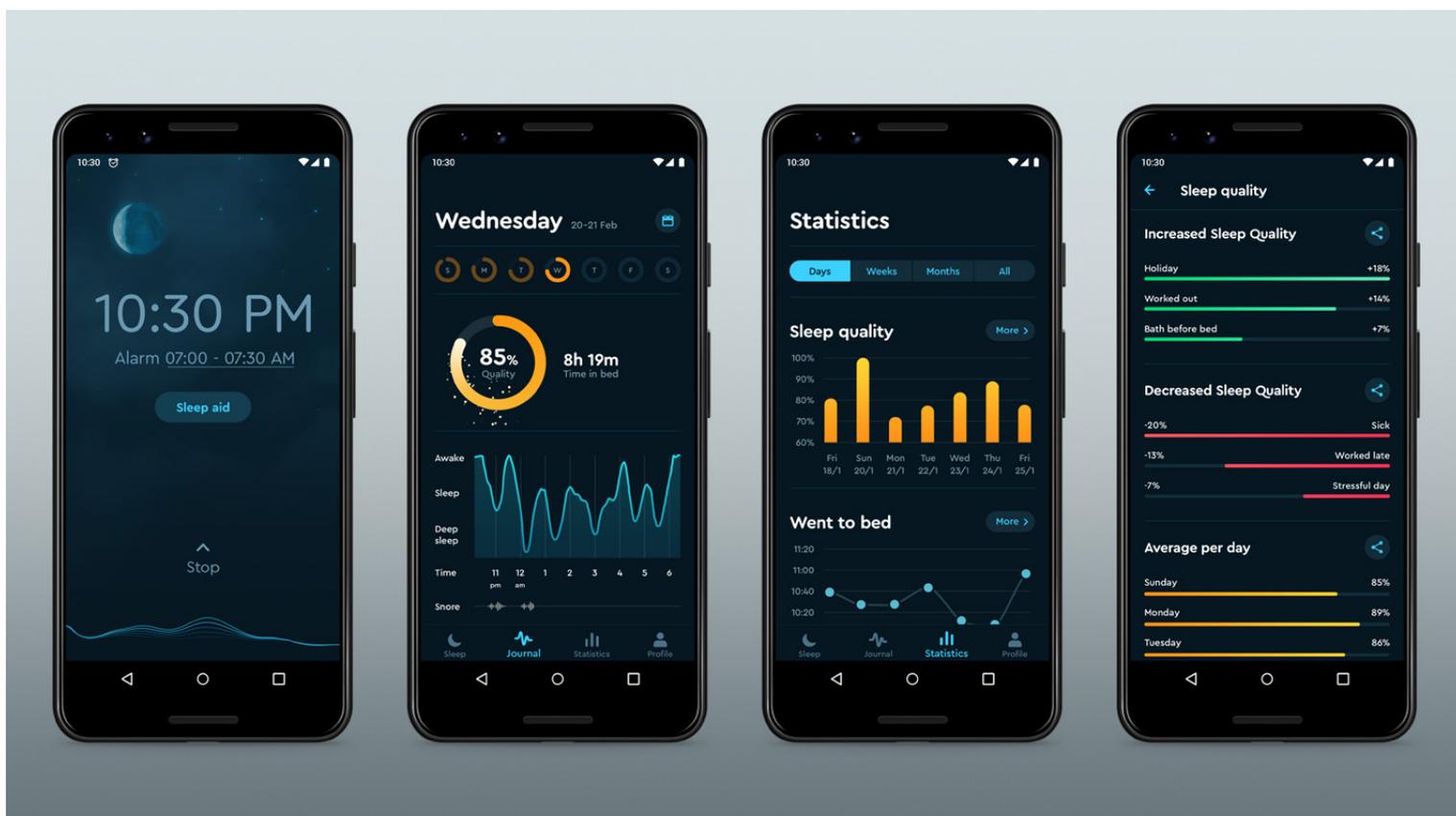
Sleep Cycle has a well-established consumer platform and the Company believes that the platform can be leveraged to expand its offering within corporate wellness solutions. Furthermore, the Company believes that it is well positioned to leverage its platform to address corporate and public sector customers. The corporate wellness product roll-out has been initiated and is in the early stages of expansion with a self-service subscription management and purchase workflow in place. In December 2020, Sleep Cycle onboarded its first customer and the Company is of the opinion that partnerships and in-house sales and customer success teams are the next strategic steps in the expansion of the corporate wellness offering. Sleep Cycle aims to initially evaluate the sales strategy on the Swedish market, prior to a wider geographic roll-out.

The corporate offering targets three segments with the offering and distribution channels designed accordingly and illustrated in Table 1:

- (i) SME offering targeting small- and medium-sized enterprises with 5–100 employees, where Sleep Cycle subscriptions are sold in bulk at discounted prices. The offering is limited to the premium functionality in the consumer application in multiple languages across all devices.
- (ii) Corporate offering (currently in planning stage) targeting companies with 101–500 employees. The corporate offering is expected to include dedicated account management managed by Sleep Cycle's customer success team, and a reporting and analytics platform, allowing employers to review and track aggregate employee engagement and sleep patterns across the workforce, while maintaining total employee privacy.
- (iii) Enterprise offering (currently in the planning stage) targeting companies with a headcount with more than 501 employees, which, in addition to all of the above, is envisaged to include branded sleep content and sleep coaching.

TABLE 1: CORPORATE WELLNESS OFFERING

OFFERING	Future offering		
	SME	CORPORATE	ENTERPRISE
COMPANY SIZE	5–100	101–500	+501
PREMIUM ACCESS	✓	✓	✓
CURATED CONTENT FOR WORK	✓	✓	✓
ACCOUNT MANAGEMENT		✓	✓
REPORTING AND ANALYTICS		✓	✓
BRANDED CONTENT			✓



EXPAND PRODUCT OFFERING

Sleep Cycle has a track record of product development being guided by identified and unaddressed user needs and aligned around three strategic initiatives:

GROW DEVICE INTEGRATION

Sleep Cycle is continuously exploring the opportunity to further develop the product to improve the user experience and to be able to serve everyone with an interest in sleep and access to a microphone and thus regularly evaluate new devices to improve product accessibility. Sleep Cycle is currently tracking audio, movement and heart rate data through the user's iOS/Android smartphone and Apple Watch. The Company sees potential to further improve the Sleep Cycle offering through integration with smart home devices and wearables, where additional data such as oxygen saturation (SpO2) and body temperature can be utilized to increase the accuracy of Sleep Cycle's sleep tracking function.

STRENGTHEN PRODUCT OFFERING

Sleep Cycle is consistently working to improve the user value by further strengthening the product offering through expansion of use cases. The Company has identified opportunities to expand its product into diagnostics of sleep disorders, leveraging its extensive database of sleep data, and treatment of sleep disorders with the help of sleep experts available in-app, which will complement the current functionality and create additional user value.

EXPAND IN NEW CHANNELS

Sleep Cycle has developed a successful consumer platform, which the Company believes can be expanded into additional channels such as corporate wellness and partnership integrations. Sleep Cycle is developing a corporate wellness offering, where the Sleep Cycle application will be provided by companies to their employees as part of a health and wellness program. Additionally, parts of Sleep Cycle's value proposition can be distributed through strategic partnerships, where functionality can be packaged as modules and integrated into partnership experiences.

The Sleep Cycle platform

INTRODUCTION

Sleep Cycle offers comprehensive sleep functionality with the goal to increase awareness and knowledge of the importance of good sleep and to provide tools to improve users sleep routines. In a user survey with more than 3,000 respondents, conducted by Sleep Cycle in January 2021, 72 percent of respondents reported that they fall asleep faster with Sleep Cycle, 69 percent felt more refreshed and rested when waking up with Sleep Cycle and 72 percent of respondents considered that they sleep generally better with Sleep Cycle.

By meeting user needs and improving user-reported sleep quality, Sleep Cycle has achieved positive reviews from users, with an average rating of 4.7 on Apple App Store and 4.4 on Google Play (as of December 2020, according to the Strategy& market report). In addition, Sleep Cycle receives positive attention from app store editors, holding the distinction of Editors' Choice on Apple App Store, as of December 2020.

Sleep Cycle believes that the Company's long-term success is dependent on the ability to deliver user value through intuitive and insightful features, which will be a key factor of maintaining and further increasing user engagement of 50 percent in 2020, defined as daily active users divided by monthly active users.

FUNCTIONALITY OF THE SLEEP CYCLE APP

The Sleep Cycle application offers a broad set of tools designed to track and improve users' sleep health and routines throughout the day.

FIGURE 30: USER ENGAGEMENT

Average daily active users (DAU) / average monthly active users (MAU) in 2020

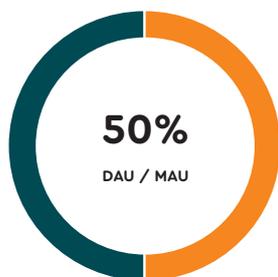
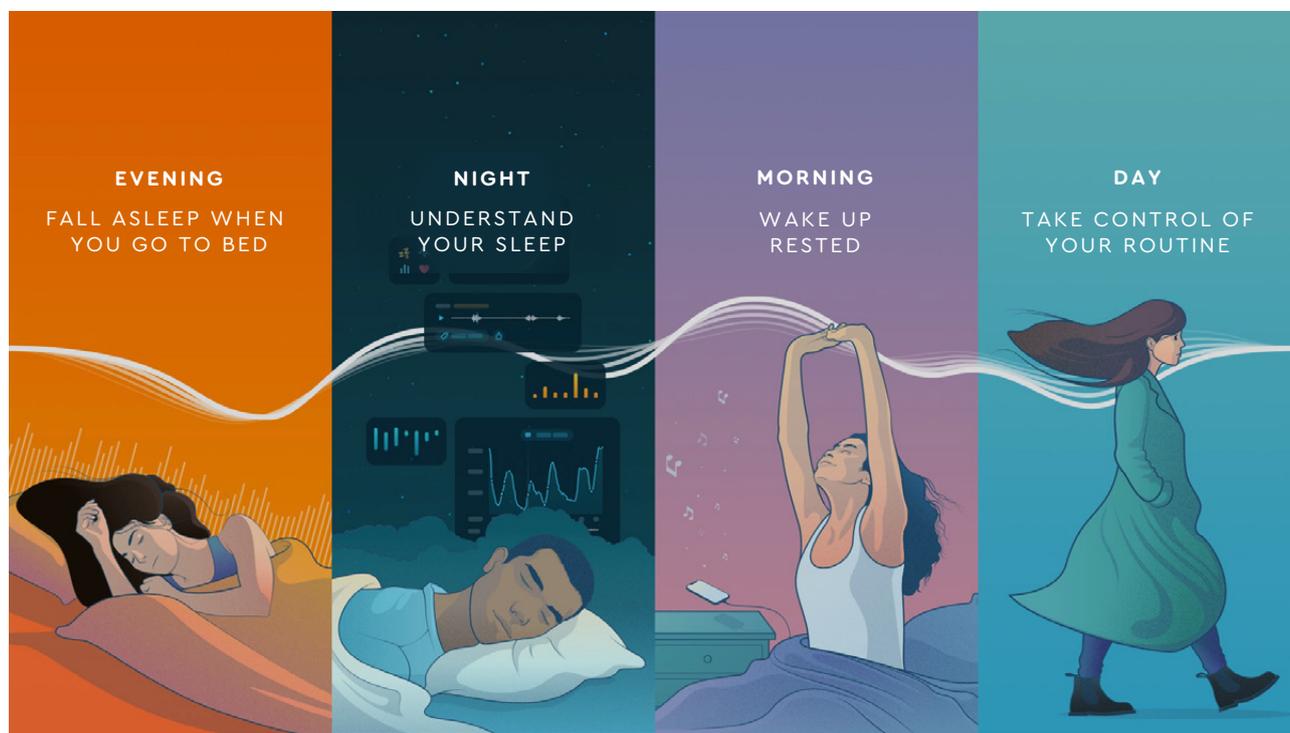


FIGURE 31: SLEEP CYCLE FUNCTIONALITY THROUGHOUT THE DAY



EVENING

Sleep Cycle provides tools and information for users to fall asleep faster and easier in the evening with the help of the Sleep Aid functionality – a collection of stories and relaxing guides designed to calm down the mind, music and poetry, as well as sounds and ambience designed to help users fall asleep faster. The content is both composed and recorded by external producers and audio engineers.

The Sleep Aid functionality has been used by 31 percent of Sleep Cycle's premium users and 72 percent of the respondents in the user survey, conducted by Sleep Cycle in January 2021, say they fall asleep faster using Sleep Aid. In January 2021, 320 thousand active users listened on average to 9 hours of Sleep Aid.

NIGHT

Sleep Cycle provides accurate sleep tracking and data analysis during the night through non-intrusive sleep tracking, based on either audio or movements, and analysis performed offline on the users' smartphone without the need for additional hardware. The sleep analysis is performed in real-time, locally on the user's device. Sleep Cycle has a smart sound detection feature which saves detailed summaries of sleep sounds such as snoring, sleep talking, coughing, background noise, as well as inhaling and exhaling.

Sleep Cycle provides accurate sleep tracking and analysis even when two persons sleep in the same bed. With only one microphone, Sleep Cycle is able to detect sounds and accurately attribute the sounds to each person based on the distance to the phone. When both persons' use Sleep Cycle, the two phones communicate with each other and cross-reference sound decay to attribute each sound to the right user.¹⁾

1) This feature is currently only available on iOS.

BUSINESS OVERVIEW

MORNING

Sleep Cycle offers a smart alarm function which wakes up the user during the lightest sleep phase within a pre-determined time period based on the users sleep patterns. The intelligent snooze function gradually decreases the snooze time to gently bring users from asleep to a completely awake state at the desired alarm time. Integration with devices such as Philips Hue or Apple HomeKit allows for an even easier wake-up. Users can for example pre-program the light in the bedroom to gradually increase during the wake-up window or for the curtains to go up automatically when waking up. Sleep Cycle also offers the premium feature "Other sounds", which is a feature that allows users to replay sounds recorded during the night, such as sleep talking and snoring.

DAY

Users can access data-driven insights and tools for further understanding their sleep throughout the day and identify long-term trends in sleep patterns and assess how a multitude of factors affect sleep – e.g. weather, mood, activity, stress levels and dietary intake, which users can input through sleep notes. In addition, users can compare their own sleep patterns to aggregated national and global statistics. Based on the analyzed sleep data, Sleep Cycle generates personalized insights into users' sleep behavior and advice on how to improve sleep quality.

Sleep Cycle personalize user insights, based on historical sleeping patterns, such as bedtimes or nightly disruptions. The insights will thus look different for users with different sleep routines. In addition, Sleep Cycle also offers a sleep school, which is a training program comprised of daily communication over a period of time, helping users better understand sleep and their own sleep routine.

In April 2021, Sleep Cycle launched a new feature called "Weekly reports" which provides users with long-term sleep insights and contextualization of sleep data aimed to improve users sleep routines.

LEGACY PLATFORMS

The Company has over the years developed different applications. Apart from Sleep Cycle, none of the products are actively maintained by the Company but some of them still have active users. The application Life Cycle is the most popular legacy application and accounted for less than five percent of the Company's net revenue in 2020. Life Cycle helps users keep track of their time and can be connected to Sleep Cycle to provide more inclusive data of activity during the day that can impact sleep.

Legacy products will not be prioritized going forward and future product development will be based on the Sleep Cycle platform.

Technology

TECHNOLOGY PLATFORM

The Sleep Cycle sleep tracking application and its functionality is built on a proprietary machine learning platform for sleep tracking. The platform has a modular design and is supported by a cloud-based infrastructure ensuring high degree of scalability and reliability.

At the heart of the technology platform is the proprietary and purpose-built machine learning algorithm made to track sleep, and the comprehensive sleep database with over 480 million nights as of 31 March 2021.

SLEEP TRACKING BASED ON MACHINE LEARNING TECHNOLOGY

The machine learning algorithm developed by Sleep Cycle is based on research in the field of audio event detection and falls into the category of modern artificial neural networks also known as deep learning. The neural network is trained, using a cloud-based cluster, on a dataset consisting of 2.9 million annotated 10 seconds audio clips collected from 253 thousand unique individuals. This model architecture and dataset enables Sleep Cycle to accurately track sleep/wake periods and detect multiple simultaneous audio events, e.g. concurrent breathing and movement in bed.

The level of precision of the machine learning algorithm is highly dependent on the amount and quality of the annotated audio data that is used to train the algorithm.

Sleep Cycle believes that the Company's advantage within machine learning is to a large degree based on the size and quality of this database. As of March 2021, Sleep Cycle had a total of 218 thousand professional annotated clips of sleep audio (e.g. coughing, movement and snoring).

In addition to Sleep Cycle's professional annotators, audio is annotated by users, who can on a voluntary basis provide feedback on the model's predictions, which is then used to retrain the AI. The Company started to collect user-annotated events in September 2020 and has as of March 2021 accumulated 2.7 million user-annotated events. This can be compared to the 2.1 million sound clips in Google AudioSet (human-labeled 10-second sound clips drawn from YouTube videos), according to Google.

With the increasing database of professional and user audio annotations, Sleep Cycle has improved the accuracy of sleep/wake prediction from 83 percent achieved by the 2019 model version to 91 percent achieved by the 2020 model version (launched on user devices in 2021). The accuracy is comparable to the accuracy of wearable devices of approximately 90–93 percent.

FIGURE 32: TECHNOLOGY INFRASTRUCTURE

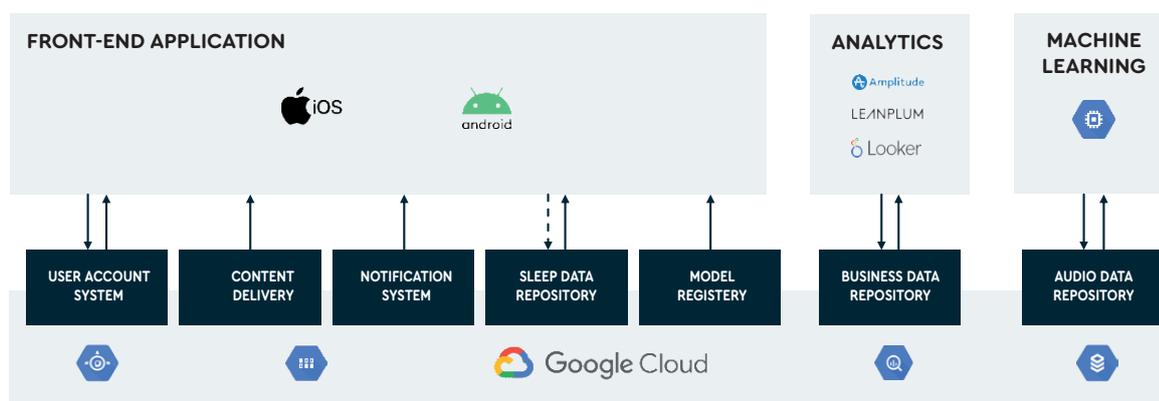


FIGURE 33: PROFESSIONALLY ANNOTATED EVENTS

Cumulative professionally annotated events in the Sleep Cycle database (thousand)

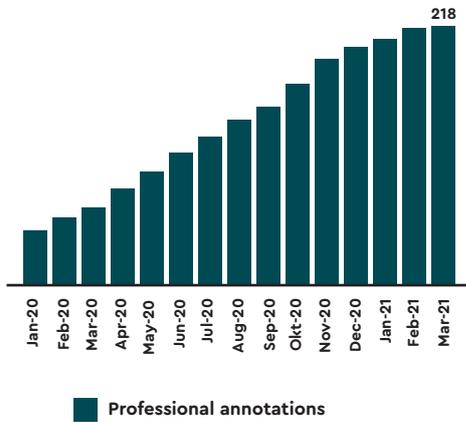


FIGURE 34: USER-ANNOTATED EVENTS

Cumulative user-annotated events in the Sleep Cycle database (thousand)

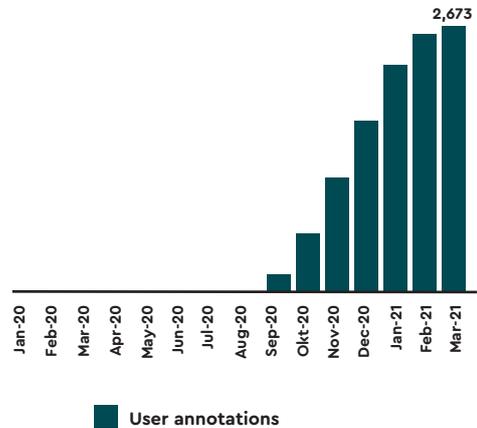
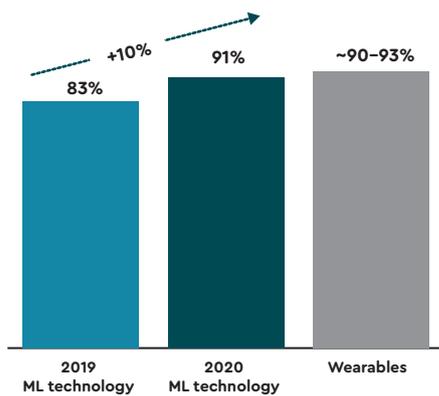


FIGURE 35: SLEEP/WAKE ACCURACY OVER TIME

Sleep/wake accuracy by technology (percent)



SLEEP INSIGHTS BASED ON COMPREHENSIVE SLEEP DATABASE

Sleep Cycle has tracked over 18 billion hours of sleep and has over 480 million nights of data from over 3 million unique users, who have consented to participate in Sleep Cycle’s Sleep Survey. This sleep database enables Sleep Cycle to understand sleep trends on user- and population-level.

The database stores both sleep-specific data such as sleep latency, sleep regularity, sleep duration, sleep disruptions and sleep environment, as well as non-sleep data such as geo-location, demographic profile and behavioral data. The large database allows for even the most subtle of sleep patterns to be statistically proven with narrow confidence intervals. According to the Company, the sleep database creates a competitive advantage in delivering more accurate tools for users to improve their sleep. This dataset is becoming increasingly valuable from a research perspective, as it can be used to gain insights on sustainable long-term improvements in sleep quality for Sleep Cycle’s users. Sleep Cycle’s sleep database is continuously expanding, as users continue using the sleep tracking application and volunteer to share their sleep data.

Sleep Cycle has a documented ability to drive behavioral change by delivering sleep insights to its users. Variances in sleep routines are leveraged to generate personalized sleep insights to the user. Figure 37 shows an example of a user's sleep regulatory (dark blue bars) and sleep quality (orange bars) and at what point personalized insights (green circles) are generated to the user.

FIGURE 36: SLEEP CYCLE'S USER DISTRIBUTION BY COLLECTED SLEEP DATA
Number of users based on number of nights in sleep database

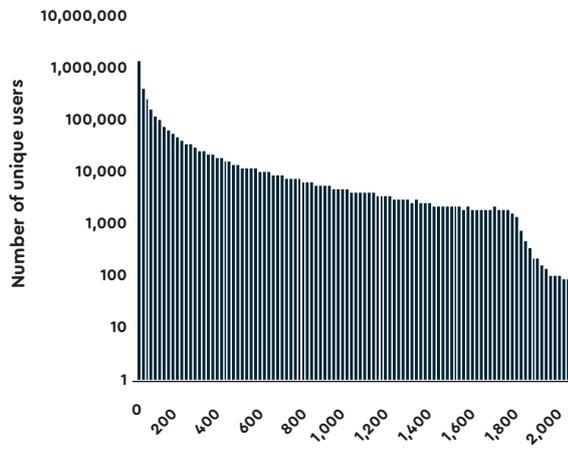
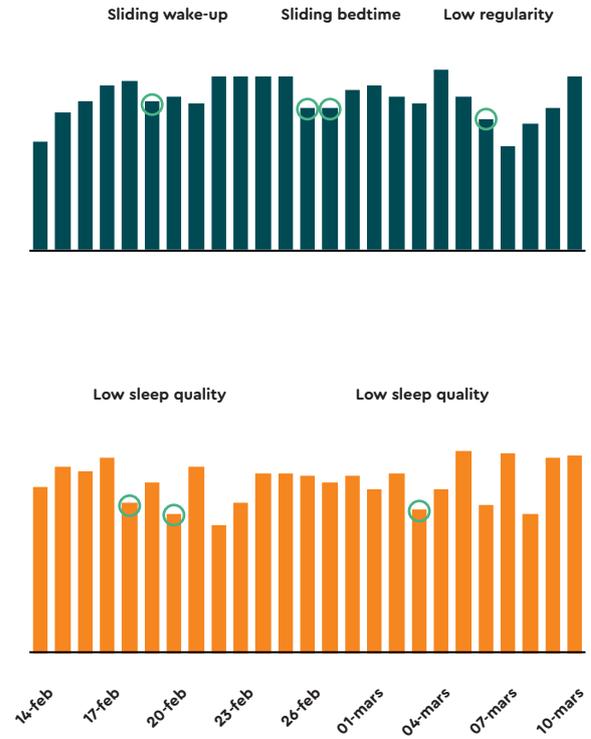


FIGURE 37: EXAMPLE OF SLEEP INSIGHTS DRIVING BEHAVIORAL CHANGE

Dark blue bars represent sleep regularity in percent. Orange bars represent sleep quality in percent. Green circles represent generated insights during February - March 2021



BUSINESS OVERVIEW

The Company engages with the research community within both sleep and machine learning research. Sleep Cycle collaborates with well-known universities such as Harvard Medical School, University of Missouri, University of Gothenburg and Lund University, to improve the understanding of sleep and what factors impact sleep.

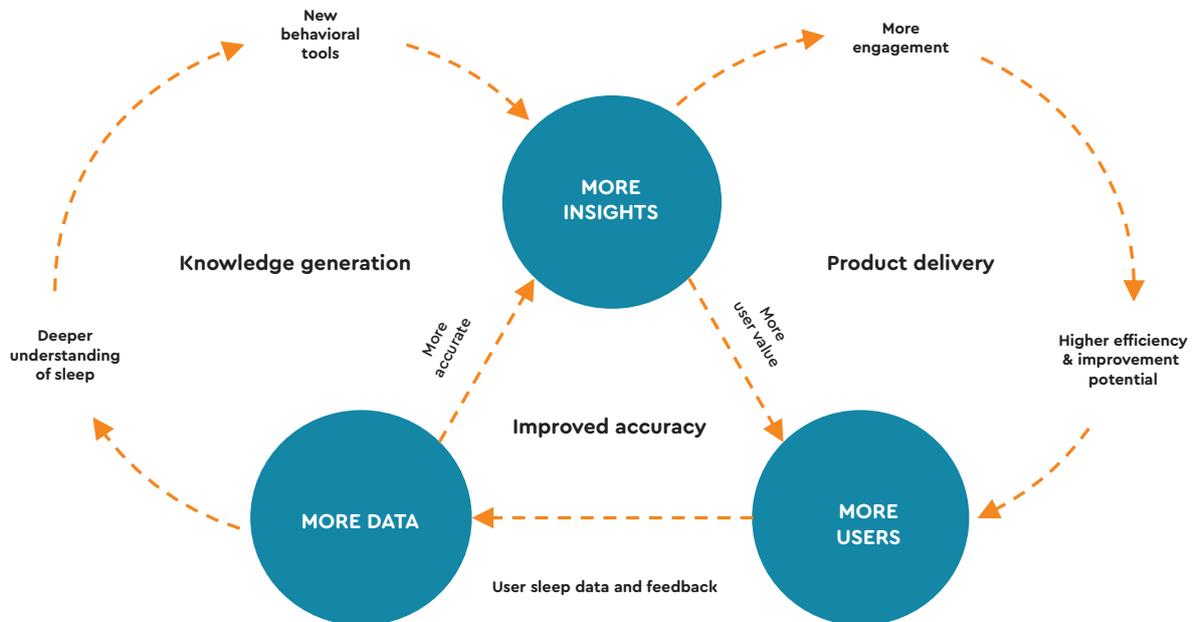
An example, Sleep Cycle recently contributed to a study conducted by Rebecca Robbins et al. at Harvard Medical School.¹⁾ The study was done with the help of data from Sleep Cycle, and assessed changes in the average sleep duration during the COVID-19 pandemic. The study was enabled by Sleep Cycle's large sleep database, where 2.9 million nights of data were collected in several capitals across the world, including the US, Sweden and the UK.

NETWORK EFFECTS

Sleep Cycle believes that the Company benefit from several network effects as illustrated in Figure 38:

- (i) Improved accuracy – More sleep data drives improvements in prediction accuracy, leading to higher user value, which in turn facilitates user growth and in extension more sleep data.
- (ii) Knowledge generation – Additional sleep data has the potential to deepen Sleep Cycle's understanding of sleep and factors impacting sleep and lead to the development of new behavioral tools aimed to provide more astute insights.
- (iii) Product delivery – More and improved insights lead to higher engagement among users, providing more data on changes in behavior, facilitating improvement of Sleep Cycle's user experience, paving the way for an improved product, higher user value and thus more users.

FIGURE 38: NETWORK EFFECTS



1) Robbins et al. (2021), "Estimated Sleep Duration Before and During the COVID-19 Pandemic in Major Metropolitan Areas on Different Continents: Observational Study of Smartphone App Data".

DEVELOPMENT CAPABILITIES

Sleep Cycle has a team of 15 employees as of 31 March 2021 engaged in the continuous development of the Company's technology platform, comprised of e.g. software developers and data and machine learning scientists. The Company expects that in the near-term, development will focus on improving tracking accuracy through adding additional biomarkers, increasing coaching capabilities and expansion of the platform across more devices. The development work and daily operations are guided by several core values that are specified below.

ACCESSIBILITY AND SCALABILITY

The Sleep Cycle application and the technology platform supporting it are designed to be scalable and accessible to all users. The core functionality (i.e. alarm clock and sleep tracking) is not dependent on internet connectivity and all analysis and processing is decentralized, i.e. performed locally on the user's device. Cloud-deployment and back-up of user data minimizes risk of local hardware failures and limits dependency on access to the Company's technology infrastructure (e.g. data centers). All of the above allow for Sleep Cycle to scale and adapt its platform to the size and needs of the Company's user base.

Sleep Cycle is also designed to be accessible to as many users as possible. A key factor of accessibility is the patented audio-based sleep analysis, which gives users access to complex sleep tracking technology through a basic smartphone. The technology is device and software-agnostic and can be accessed through a range of smartphones and smartwatches and can be integrated in other products through SDKs limiting the need for additional hardware and reducing the end-user cost.

USER TRUST

Ensuring and maintaining a high level of privacy, information security and reliability is critical to gain and maintain users' trust in Sleep Cycle, which is something that the Company continuously works with.

Firstly, sleep data is processed in real-time on the user's local device, with only short sound clips of nightly events being saved for a limited period. The data never leaves the user's device without active and explicit consent, which can be withdrawn at any time. Should the user opt to share their sleep data to provide feedback on the predictive model or participate in Sleep Cycle's Sleep Study, the statistics and sound clips are shared through encrypted uploads to cloud-based data centers, anonymized and used on an aggregated basis. Sleep Cycle follows regulations and take all precautions to ensure that information handling is GDPR compliant.

Secondly, to ensure information security, Sleep Cycle monitors information security threats and weaknesses together with leading third-party providers and only work with third-party service providers with recognized cyber security certifications. Cyber security is embedded in Sleep Cycle's information and risk policies, which includes rules regarding approved authentication methods and detailed description of data access.

Thirdly, to deliver a reliable service to its users, Sleep Cycle's sleep tracking application is designed to function autonomously and locally on users' devices. New features are thoroughly analyzed for quality assurance and deployed gradually to selected control groups prior to a wider rollout.

The Company has historically succeeded in delivering limited performance disruption with 99.6 percent successful wakeups¹⁾ Unsuccessful wakeups are most commonly related to factors outside of Sleep Cycle's control, such as device updates during the night.

1) During February 2021.

Organization and people

The Company is organized into four functions: Finance, Commercial, Product and Technology and the functions are led by Chief Financial Officer (CFO) Per Andersson, Chief Commercial Officer (CCO) Samuel Cyprian, Chief Product Officer (CPO) Sandra Hansson and Chief Technology Officer (CTO) Mikael Kågebäck, respectively. Each of the function heads report directly to the CEO, Carl Johan Hederöth, as illustrated in Figure 39 below (see section "Board of directors, executive management and auditor" for further information).

The number of FTEs in Sleep Cycle AB has increased since 2018, as shown in Table 2 below and is expected to continue to grow in the coming years. As of the date of this Offering Circular, 10 employees have been hired during 2021. The Company's employees have varied backgrounds and skillsets and include e.g. data analysts, software engineers, marketing and PR specialists, customer support personnel and business controllers.

The Company has high employee satisfaction, with an employee NPS score of 94 as of January 2021, according to a survey conducted by the Company. Furthermore, the average response score amounted to 8 out of 10

when employees were asked whether they viewed Sleep Cycle's culture as entrepreneurial.¹⁾ Sleep Cycle continuously works to support its employees in their professional development and is responsive to the employees' wellbeing and personal needs. By focusing on maintaining a healthy work environment where employees can develop, the Company has historically achieved low employee turnover.

INNOVATIVE CULTURE

Sleep Cycle aims to maintain a creative culture with work and prioritization of new initiatives guided by a data-driven approach. As an example, Sleep Cycle identified a user need of non-invasive sleep tracking and as such became the first mover in audio-based sleep tracking. Each team is led by subject matter experts with a diverse set of backgrounds from e.g. computer science, data analytics and research, who work in decentralized and small teams on specific parts of a feature/project and maintain full ownership of their work product from initial planning phase to implementation. The gradual feature roll-out also maintains momentum and innovation, while minimizing impact of mistakes.

TABLE 2 - HISTORICAL NUMBER OF EMPLOYEES¹⁾

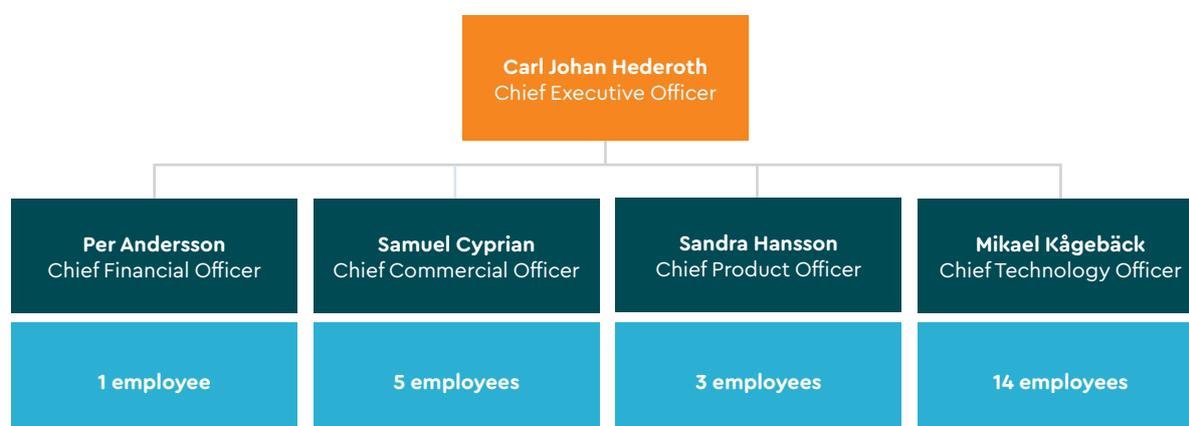
Year	2018	2019	2020	Q1 2021
Number of FTEs	13	24	22	25

1) Average number of FTEs during respective period. In 2020, Mdlabs AB, a non-core operation subsidiary with 2 FTEs was divested.

1) Responses to questions were on a scale of 1-10 (1 = Strongly disagree, 10 = Strongly agree).

FIGURE 39: ORGANIZATIONAL OVERVIEW

Number of employees including function heads as of 31 March 2021



Financial targets and dividend policy

The financial targets below constitute forward-looking statements which are based on a number of estimates and assumptions and are subject to risks and uncertainties. Sleep Cycle's actual results may differ materially from what is explicitly or implicitly stated in these forward-looking statements due to a variety of factors, some of which are outside of the Company's control. Sleep Cycle's business, profitability, the development of the Company's market and the broader macroeconomic, legal and regulatory environment in which the Company operates may differ materially and be more negative than assumed when preparing the financial targets below. In addition, unanticipated events, whether within or outside of Sleep Cycle's control, may adversely affect the actual results that the Company achieves in future periods whether or not its assumptions prove to be correct. Please refer to the section "Risk factors" for further discussion on the topic.

The Board of Directors of Sleep Cycle has adopted the following financial targets and dividend policy:

- The Company aims to have annual net revenue growth of at least 30 percent adjusted for currency effects, from 2022 and onwards.
- The Company aims to prioritize growth over profitability and targets an operating profit margin of approximately 20 percent in the medium-term, whereas the long-term operating profit margin shall exceed 30 percent.

- The Company's Board of Director intend to use the cash flow generated for continued investments in growth. The Board of Directors shall each year evaluate the possibility of distributing a dividend, after taking into account the development of the business as well as its operating profit and financial position.

The Company believes that 2020 subscription growth was tempered by COVID-19. Following the decreased annual growth rate of subscribers, the Company believes that 2021 will show lower net revenue growth rate compared to 2020. Furthermore, as the Company recognizes revenue from subscriptions over a twelve-month period, net revenue during the fiscal year 2021 largely comprises sales from the fiscal year 2020. The Company further assess that the change in exchange rates during the last twelve months have an adverse effect on the Company's net revenue growth and earnings during 2021 compared to the fiscal year 2020.

In terms of profitability, the Company believes that the 2021 operating profit margin will be impacted by the planned increase in marketing costs, additional operational expenses linked to administrative costs and personnel as part of becoming a listed company, as well as additional staff costs linked to growth initiatives related to sales and product development. See the section "Operating and financial review" for further information.



Selected financial information

The selected consolidated financial information presented below has been derived from the Company's audited consolidated financial statements for the years 2020, 2019 and 2018, and from the reviewed interim report for the three-month period ending 31 March 2021. The information has been prepared in accordance with IFRS, unless otherwise stated.

The information in this section should be read together with the sections "*Operating and financial review*", "*Capitalization, indebtedness and other financial information*", as well as the Company's audited consolidated financial statements for the three years ending 31 December 2020, 2019 and 2018 and the reviewed interim report for the three-month period ending 31 March 2021 (with comparative figures for the corresponding period in 2020) which has been included in the Offering Circular and can be found in the section "*Historical financial information*".

Consolidated income statement

MSEK	Jan 1 – Dec 31			Jan 1 – Mar 31	
	2020	2019	2018	2021	2020
Net revenue	159.4	122.7	93.3	42.0	38.1
Other income	0.2	6.5	0.2	0.0	0.0
Capitalised work on own account	0.0	0.0	0.0	0.6	0.0
Platform costs	(40.1)	(30.5)	(25.2)	(10.3)	(9.5)
Other external costs	(42.0)	(27.4)	(17.9)	(19.4)	(4.9)
Staff costs	(20.5)	(18.3)	(13.5)	(8.0)	(5.2)
Depreciation and amortization of tangible and intangible assets	(0.6)	(0.8)	(0.8)	(0.1)	(0.2)
Other operating expenses	(0.0)	(0.2)	(0.0)	(0.1)	(0.0)
Operating profit (EBIT)	56.2	52.0	36.1	4.7	18.4
Financial income	0.0	0.1	0.0	0.0	0.0
Financial expenses	(0.2)	(0.1)	(0.1)	0.0	0.0
Profit before tax	56.1	52.0	36.0	4.7	18.4
Tax expense	(12.1)	(10.3)	(9.3)	(1.0)	(3.9)
Net profit	44.0	41.6	26.7	3.7	14.4
Earnings per share, calculated on the profit for the year attributable to the Parent Company's shareholders:					
Earnings per share before dilution, SEK	294	278	178	25	96
Earnings per share after dilution, SEK	285	274	178	24	94

Consolidated balance sheet

MSEK	Dec 31			Mar 31	
	2020	2019	2018	2021	2020
ASSETS					
Non-current assets					
<i>Intangible non-current assets</i>					
Capitalized expenditure on development work	0.0	0.0	0.0	0.8	0.0
Patents	0.0	0.1	0.2	0.0	0.0
<i>Total intangible non-current assets</i>	0.0	0.1	0.2	0.8	0.0
<i>Tangible non-current assets</i>					
Right-of-use assets	1.0	1.5	2.1	0.9	1.4
Equipment and computers	0.2	0.3	0.3	0.2	0.3
<i>Total tangible non-current assets</i>	1.2	1.8	2.4	1.1	1.6
Deferred tax assets	0.1	12.2	8.6	0.0	13.3
Total non-current assets	1.3	14.0	11.2	1.9	14.9
Current assets					
Accounts receivable	0.1	0.0	0.2	30.8	0.0
Other current receivables	2.0	0.5	0.9	0.7	0.3
Current tax assets	9.6	0.0	0.0	15.0	0.0
Prepaid expenses and accrued income	38.6	34.2	22.4	25.5	47.1
Cash and cash equivalents	53.1	58.3	49.7	44.7	9.1
Total current assets	103.4	93.1	73.1	116.7	56.6
TOTAL ASSETS	104.7	107.1	84.3	118.6	71.6
EQUITY AND LIABILITIES					
Equity					
Share capital	0.2	0.2	0.2	0.2	0.2
Other contributed capital	2.0	1.4	0.0	2.8	1.4
Retained earnings including income for the year	(2.0)	5.3	7.0	1.7	(31.7)
Total equity attributable to owners of the Parent Company	0.1	6.9	7.2	4.6	(30.1)
Non-current liabilities					
Lease liabilities	0.4	0.9	1.4	0.3	0.8
Total non-current liabilities	0.4	0.9	1.4	0.3	0.8
Current liabilities					
Lease liabilities	0.5	0.5	0.6	0.5	0.5
Account payable	6.8	1.3	3.2	13.3	2.2
Current tax liabilities	0.0	12.8	11.2	0.0	5.5
Other current liabilities	0.5	0.4	0.3	0.6	0.4
Accrued expenses and prepaid income	96.4	84.2	60.5	99.3	92.2
Total current liabilities	104.2	99.2	75.7	113.7	100.8
TOTAL EQUITY AND LIABILITIES	104.7	107.1	84.3	118.6	71.6

Consolidated cash flow

MSEK	Dec 31			Mar 31	
	2020	2019	2018	2021	2020
Cash flow from operating activities					
Operating profit/loss	56.2	52.0	36.1	4.7	18.4
Adjustments for non-cash items					
Depreciation and amortization of tangible and intangible assets	0.6	0.8	0.8	0.1	0.2
Gain/loss on sale of Group company	0.0	(6.4)	0.0	0.0	0.0
Interest received	0.0	0.1	0.0	0.0	0.0
Interest paid	(0.2)	(0.1)	(0.1)	(0.0)	(0.0)
Income tax paid	(22.4)	(12.2)	(5.8)	(6.3)	(12.3)
Cash flow from operating activities before changes in working capital	34.4	34.1	31.0	(1.5)	6.2
Change in working capital					
Change in current receivables	(6.0)	(11.7)	2.5	(16.3)	(12.8)
Change in current liabilities	17.8	25.3	19.2	9.5	8.9
Cash flow from operating activities	46.1	47.7	52.6	(8.2)	(2.3)
Cash flow from investing activities					
Sale of Group company (net impact on liquidity)	(0.0)	3.5	0.0	0.0	0.0
Investments in intangible assets	0.0	0.0	0.0	(0.8)	0.0
Investments in tangible assets	0.0	(0.1)	(0.3)	0.0	0.0
Cash flow from investing activities	(0.0)	3.4	(0.3)	(0.8)	0.0
Cash flow from financing activities					
Dividend paid	(51.4)	(43.3)	(22.6)	0.0	(51.4)
Repayment of leasing debt	(0.5)	(0.6)	(0.6)	(0.1)	(0.1)
Proceeds from issued warrants	0.6	1.4	0.0	0.7	0.0
Cash flow from financing activities	(51.3)	(42.5)	(23.2)	0.6	(51.6)
Cash flow for the period	(5.2)	8.7	29.1	(8.5)	(49.2)
Cash and cash equivalents at beginning of period	58.3	49.7	20.5	53.1	58.3
Cash and cash equivalents at end of period	53.1	58.3	49.7	44.7	9.1

IFRS performance measures

MSEK	Dec 31			Mar 31	
	2020	2019	2018	2020	2019
Net revenue	159.4	122.7	93.3	42.0	38.1
Net profit for the period	44.0	41.6	26.7	3.7	14.4
Earnings per share before dilution, SEK	294	278	178	25	96
Earnings per share after dilution, SEK	285	274	178	24	94
Average number of shares outstanding, before dilution	150,000	150,000	150,000	150,000	150,000
Average number of shares outstanding, after dilution	154,526	151,843	150,000	155,049	153,733

Alternative performance metrics not defined according to IFRS

Presented below are certain alternative performance metrics that are not defined according to IFRS. Management uses these alternative performance measures to monitor the underlying development of the Company's business. See "Definitions of alternative performance measure that are not defined according to IFRS" for definitions and reasons for use of Non-IFRS financial measures and reconciliation tables below of Non-IFRS financial measures.

MSEK	Dec 31			Mar 31	
	2020	2019	2018	2021	2020
Net revenue growth	30.0%	31.5%		10.2%	30.7%
Currency adjusted net revenue growth	26.9%			14.4%	24.6%
EBITDA	56.9	52.8	36.9	4.8	18.5
Non-recurring items	7.5			7.1	
Adjusted EBITDA	64.4	52.8	36.9	12.0	18.5
Adjusted operating profit	63.7	52.0	36.1	11.8	18.4
Adjusted operating profit margin	40.0%	42.4%	38.7%	28.1%	48.2%
Adjusted operating profit less marketing costs margin	52.3%	53.6%	44.9%	46.5%	52.4%
Operating profit (EBIT)	56.2	52.0	36.1	4.7	18.4
Operating profit margin	35.3%	42.4%	38.7%	11.2%	48.2%
Adjusted operating cash flow	76.2	66.3	58.2	4.4	14.7
Adjusted cash conversion	118%	126%	158%	36.5%	79.2%
Total subscriptions (Thousand)	788	716	619	820	732
ARPU (SEK)	212	184	164	209	211

Definitions of alternative performance measures that are not defined according to IFRS

Alternative performance measure	Definition	Reason for use of measure
Net revenue growth	Change in net revenue compared to same period previous year.	The measure shows the Company's growth in net revenue compared to the same period during previous year.
Currency adjusted net revenue growth	Defined as the year's net revenue divided by the previous year's net revenue converted to the year's average exchange rates for the company's largest currency exposures (USD, EUR, JPY, GBP, AUD and CAD).	Used to measure the Company's underlying net revenue growth adjusted for currency effects.
EBITDA	Operating profit/loss before depreciation, amortization and impairment.	EBITDA is an indication of the Company's earning capacity and is a complement to operating profit excluding depreciation, amortization and write-downs of tangible and intangible fixed assets.
Non-recurring items	Items of non-recurring nature that are not part of normal operations and are therefore impacting the comparability between different periods.	The measure is used to understand the Company's development and comparison between the years.
Adjusted EBITDA	Operating profit/loss before depreciation, amortization and impairment adjusted for non-recurring items.	Adjusted EBITDA is used to understand the Company's earnings capacity adjusted for items affecting comparability.
Adjusted operating profit	Operating profit/loss adjusted for non-recurring items.	Adjusted operating profit is used to understand the Company's earning capacity adjusted for items affecting comparability.
Adjusted operating profit margin	Adjusted operating profit in relation to the Company's net revenue.	Adjusted operating margin is used to understand the Company's earning capacity adjusted for items affecting comparability.
Adjusted operating profit less marketing costs margin	Adjusted operating profit less marketing cost in relation to the Company's net revenue.	Adjusted operating margin excluding marketing costs is used to understand the Company's earnings capacity adjusted for items affecting comparability and marketing costs and provides a more accurate picture of the company's profitability over time. As marketing costs are expensed in full in the period they arise while revenue is accrued over the term of the contract, operating profit provides an adjustment for marketing costs and a more accurate picture.
Operating profit (EBIT)	Operating income less operating costs before net financial income and taxes.	The amount shows the Company's earnings before interest and taxes, which gives Management an overview of total profitability.
Operating profit margin	Operating profit in relation to the Company's net revenue.	Operating profit margin is an indicator of a Company's earnings ability.
Adjusted operating cash flow	Adjusted EBITDA plus changes in net working capital less investments in tangible and intangible assets.	The measure shows cash and cash equivalents generated by the Company's operating activities adjusted for items affecting comparability.
Adjusted cash conversion	Adjusted operating cash flow in relation to the Company's Adjusted EBITDA.	The measure is used to measure the proportion of the Company's profit that is converted into cash and cash equivalents and describes how cash-generating the operating activities are.
Total subscriptions	Total number of subscriptions at the end of the period.	The measure indicates how many subscribers the Company has at the end of the period.
ARPU	Average net revenue per subscriber for the period.	The measure indicates the Company's net revenue per subscription on average during the period.

Reconciliation tables

RECONCILIATION OF NET REVENUE GROWTH AND CURRENCY ADJUSTED NET REVENUE GROWTH

MSEK	Dec 31			Mar 31	
	2020	2019	2018	2021	2020
Net revenue previous period	122.7	93.3		38.1	29.2
Net revenue current period	159.4	122.7	93.3	42.0	38.1
Net revenue growth	30.0%	31.5%		10.2%	30.7%
Currency adjusted net revenue previous period	125.7			36.7	30.6
Net revenue current period	159.4	122.7	93.3	42.0	38.1
Currency adjusted net revenue growth	26.9%			14.4%	24.6%

RECONCILIATION OF ADJUSTED EBITDA, EBITDA, ADJUSTED OPERATING PROFIT, ADJUSTED OPERATING PROFIT MARGIN, ADJUSTED OPERATING PROFIT LESS MARKETING COSTS MARGIN, OPERATING PROFIT (EBIT), OPERATING PROFIT MARGIN

MSEK	Dec 31			Mar 31	
	2020	2019	2018	2021	2020
Net revenue	159.4	122.7	93.3	42.0	38.1
Other income	0.2	6.5	0.2	0.0	0.0
Capitalised work on own account	0.0	0.0	0.0	0.6	0.0
Platform fees	(40.1)	(30.5)	(25.2)	(10.3)	(9.5)
Other external costs	(42.0)	(27.4)	(17.9)	(19.4)	(4.9)
Staff costs	(20.5)	(18.3)	(13.5)	(8.0)	(5.2)
Depreciation and amortization of tangible and intangible assets	(0.6)	(0.8)	(0.8)	(0.1)	(0.2)
Other operating costs	(0.0)	(0.2)	(0.0)	(0.1)	0.0
Operating profit (EBIT)	56.2	52.0	36.1	4.7	18.4
<i>Operating profit margin (%)</i>	35.3%	42.4%	38.7%	11.2%	48.2%
Depreciation and amortization of tangible and intangible assets	0.6	0.8	0.8	0.1	0.2
EBITDA	56.9	52.8	36.9	4.8	18.5
Non-recurring items					
Strategic projects	7.5	0.0	0.0	7.1	0.0
Non-recurring items	7.5	0.0	0.0	7.1	0.0
Adjusted operating profit	63.7	52.0	36.1	11.8	18.4
<i>Adjusted operating margin (%)</i>	40.0%	42.4%	38.7%	28.1%	48.2%
Marketing costs	(19.6)	(13.7)	(5.8)	(7.7)	(1.6)
Adjusted operating profit less marketing costs	83.3	65.7	41.4	19.5	20.0
<i>Adjusted operating profit less marketing costs margin (% of net revenue)</i>	52.3%	53.6%	44.9%	46.5%	52.4%
Adjusted EBITDA	64.4	52.8	36.9	12.0	18.5

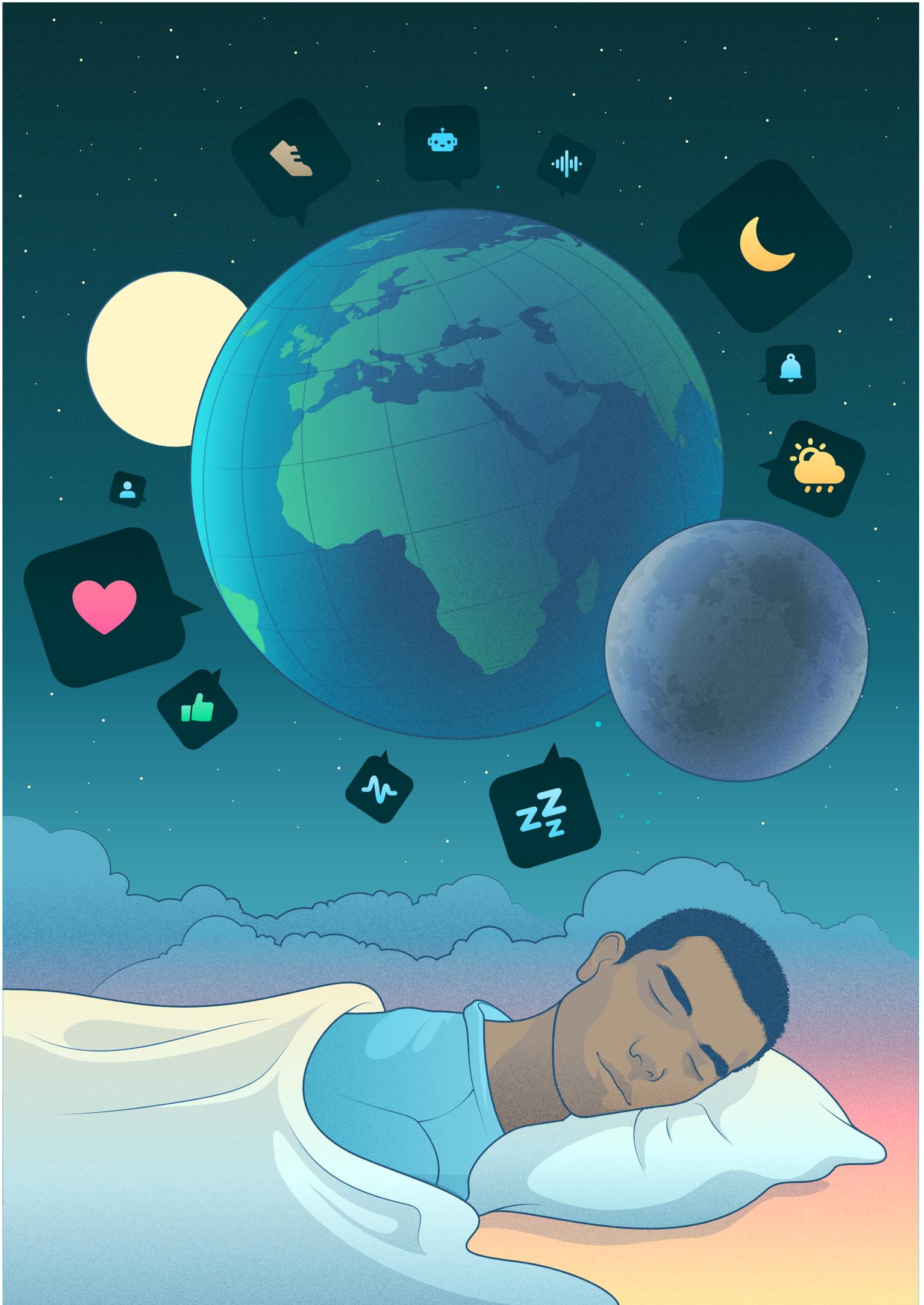
RECONCILIATION OF ADJUSTED OPERATING CASH FLOW AND CASH CONVERSION

MSEK	Dec 31			Mar 31	
	2020	2019	2018	2021	2020
Adjusted EBITDA	64.4	52.8	36.9	12.0	18.5
Change in net working capital	11.8	13.6	21.6	(6.8)	(3.9)
Investments in tangible and intangible assets	0.0	(0.1)	(0.3)	(0.8)	0.0
Adjusted operating cash flow	76.2	66.3	58.2	4.4	14.6
<i>Adjusted cash conversion</i>	<i>118%</i>	<i>126%</i>	<i>158%</i>	<i>36.5%</i>	<i>79.2%</i>

Quarterly data

The table below presents selected unaudited financial information for the quarters for the parent company during the 2018, 2019 and 2020 fiscal years and for the three-month period ending 31 March 2021, which has been taken from the internal accounting and reporting system for Sleep Cycle.

MSEK	2018				2019				2020				2021
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Net revenue	18.3	22.6	25.2	26.6	29.1	28.8	30.7	34.0	38.1	39.2	40.3	41.8	42.0
Net revenue growth					58.5%	27.0%	22.0%	27.6%	31.1%	36.4%	31.3%	23.0%	10.2%
Other income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0
Platform costs	(5.1)	(6.1)	(6.7)	(7.2)	(7.1)	(7.3)	(7.6)	(8.5)	(9.5)	(9.9)	(10.3)	(10.5)	(10.3)
Other external costs	(2.9)	(3.1)	(3.3)	(6.1)	(6.6)	(5.9)	(7.3)	(6.8)	(5.0)	(8.6)	(8.7)	(19.9)	(19.5)
Staff costs	(1.6)	(2.1)	(2.2)	(5.6)	(3.7)	(4.6)	(4.0)	(4.9)	(5.2)	(5.1)	(4.6)	(5.6)	(8.0)
Depreciation and amortization	0.0	0.0	0.0	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	0.0	0.0	0.0	0.0
Other operating expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.1)
Total operating costs	(9.7)	(11.4)	(12.3)	(19.0)	(17.4)	(17.8)	(19.0)	(20.3)	(19.7)	(23.5)	(23.7)	(36.0)	(38.0)
Operating profit (EBIT)	8.7	11.3	12.8	7.7	11.7	10.9	11.7	13.6	18.4	15.7	16.8	5.7	4.7
ARPU	137	158	166	172	188	186	193	199	211	213	211	212	209
Total subscriptions	556	594	621	619	618	621	651	716	732	744	782	788	820



Operating and financial review

The information presented below should be read in conjunction with section "*Selected financial information*", the Company's audited consolidated financial statements and reviewed interim financial statement for the three months ending 31 March 2021 included in the section "*Historical financial information*". The audited consolidated financial statements and the reviewed interim report for the three months ending 31 March 2021 have been prepared in accordance with IFRS.

The information below contains forward-looking statements that are subject to various risks and uncertainties. The Company's actual results may differ materially from those anticipated in these forward-looking statements as a result of several factors, including, but not limited to, those in the section "*Risk factors*" and elsewhere in this Offering Circular.

Overview

Sleep Cycle is a market leading sleep tracking application with an overarching mission of empowering people to sleep better and improve global health. Sleep Cycle uses a patented AI-based audio technology to measure users' sleep and provide personalized insights based on the Company's sleep database. Sleep Cycle was founded in 2009 and is headquartered in Gothenburg, Sweden.

As of 31 March 2021, Sleep Cycle had 2.1 million monthly active users and 820 thousand subscribers and was available in 13 different languages to users across over 150 countries. In 2020, Sleep Cycle recorded a net revenue of SEK 159 million. Net revenue has grown by 31 percent per annum during 2018-'20. Sleep Cycle's subscription-based business model and operational efficiency enables high profitability. During 2020, the Company's adjusted operating profit amounted to SEK 64 million, corresponding to an adjusted operating profit margin of 40 percent.

Key factors affecting Sleep Cycle's operating profit and cash flow

Sleep Cycle's operating profit and cash flows have historically been affected, and are expected to continue to be affected, by certain key factors including, particularly the factors below.

- Growth and trends in the global market for sleep tracking applications
- Growth in total subscriptions
- Pricing and product optimization
- Platform fees
- Organizational build-out
- Working capital
- Currency fluctuations

GROWTH AND TRENDS IN THE GLOBAL MARKET FOR SLEEP TRACKING APPLICATIONS

Sleep Cycle's operating profit and cash flow have historically been positively affected by the underlying growth in the sleep tracking app market. The serviceable addressable market was as of 2020 estimated to be worth SEK 4.9 billion and is forecasted to grow by 19 percent during 2020–2025, reaching a value of

SEK 11.7 billion by 2025. See also the section entitled "*Market overview*".

GROWTH IN TOTAL SUBSCRIPTIONS SUBSCRIBER ACQUISITION FROM NON-PAID CHANNELS

The Company's strong market position, credible brand and high Share of Voice have been key in driving growth historically. During 2020, organic channels accounted for approximately 90 percent of new subscriptions. Sleep Cycle believes that organic customer acquisition is critical for growing total subscriptions and subsequently the Company's operating profit and cash flow.

In the short term, the unwinding of lockdowns and other COVID-19 related restrictions are expected to affect the Company's ability to attract new subscribers. See also the section entitled "*Risk factors – Risks related to economic growth and market conditions*".

PAID CUSTOMER ACQUISITIONS

Sleep Cycle uses several different marketing channels to increase awareness of the Company and its products and attract new subscribers. Sleep Cycle has increased its marketing activities to enable and support continued growth. As a share of revenue, marketing costs have amounted to 6 percent during 2018, 11 percent during 2019 and 12 percent during 2020. Sleep Cycle intends to continue to invest in marketing to improve overall brand awareness and to attract new subscribers.

Sleep Cycle uses a data-driven approach when making strategic decisions on marketing spending and selecting the most effective marketing channels to grow total subscriptions. In particular, the Company closely monitors the ratio between subscriber acquisition cost ("**SAC**") and lifetime value ("**LTV**") by channel and market. The SAC represents the price Sleep Cycle pays for a new subscription acquired through a paid channel and amounted to on average SEK 251 across all paid channels for the three-month period ending 31 March 2021. Sleep Cycle's SAC varies across channels and markets. LTV is based on the expected future net revenue generated by a subscriber less platform fees, based on historical renewal rates. See the section titled "*Business overview – Growth strategy – Marketing strategy*" for further details about Sleep Cycle's marketing strategy.

PARTNERSHIPS AND CORPORATE WELLNESS

Sleep Cycle is expanding its reach by partnering with companies and combining its product offering and integrating the Sleep Cycle experience with the partner's product. In addition, the Company aims to leverage the Sleep Cycle platform and expand its proposition within corporate wellness, enabling additional future growth, by leveraging its platform to address corporate and public sector customers. Sleep Cycle expects that the success of the ongoing expansion into partnerships and corporate wellness will affect total subscriptions and subsequently operating profit and cash flow. See the section "*Business overview – Growth strategy*" for further details about Sleep Cycle's product expansion strategy.

RENEWAL RATES

The renewal rate reflects the total number of 12-months subscriptions being renewed in a given period divided by the total number of 12-months subscriptions up for renewal in the same period. In 2020, the renewal rate amounted to 46 percent for subscribers across all platforms, which corresponds to 329 thousand renewals during the year. During the first quarter of 2021, the renewal rate amounted to 49 percent, which corresponds to 108 thousand renewals. Sleep Cycle has historically seen that the renewal rate increases over time as cohorts mature. As an example, 40 percent of the new subscribers on iOS signing up in Q1 2018 renewed in Q1 2019. Of the remaining subscribers, 53 percent renewed in Q1 2020 and 60 percent renewed in Q1 2021. Factors impacting the renewal rate include *inter alia* customer engagement and price. The Company is actively monitoring these factors to improve renewal rates.

The renewal rate has declined year over year in 2020, driven by increased focus from Apple and Google to facilitate users in cancelling subscription services. Still, the renewal rate remains at a relatively high level compared to other subscription services, driven by Sleep Cycle's high user engagement. In Q1 2021 targeted churn prevention activities were launched in order to win back customers and improve renewal rates.

PRICING AND PRODUCT OPTIMIZATION

Sleep Cycle offers a paid subscription and a "freemium version" of its product. Sleep Cycle's application is available in 13 different languages and the Company has users across 150 countries. Historically, subscription has been priced unanimously at USD 29.99 per annum across all geographies. Sleep Cycle's average revenue per subscriber ("**ARPU**") amounted to SEK 164, SEK 184 and SEK 212, for 2018, 2019 and 2020, respectively. The increase in ARPU has mainly been driven by an increased number of subscribers signing up at full price. This is due to a change of the price on its product offering in 2018 as well as that the Company has decreased the number of marketing campaigns with a price reduction on subscriptions.

With its global user base, Sleep Cycle has seen an opportunity to tailor its offering and adapt it to specific geographical markets. As of Q1 2021, the Company has initiated a localized pricing strategy and expects to continue to refine its pricing strategy going forward. Furthermore, Sleep Cycle's user base varies across a wide range of age groups and is evenly represented across genders. The presence is particularly strong among younger age groups, providing a demographic tailwind. In addition, the wide user base allows the Company to target and increase penetration among certain groups.

Sleep Cycle believes that a locally priced and targeted offering will help drive higher conversion rates among its userbase and expects that the success of its initiatives will affect operating profit and cash flows. See also the section entitled "*Business overview – Growth strategy*".

The Company's pricing strategy differs for users that subscribe through partnerships or the corporate wellness offering. For the corporate wellness offering, employers will purchase licenses for their employees, and Sleep Cycle will then receive a payment based on how many licenses are bought. Pricing for subscriptions that are signed up for through the partnership model will depend on the bundled offering.

PLATFORM FEES

Sleep Cycle's application is distributed mainly through Apple App Store and Google Play Store. Sleep Cycle pays a 30 percent platform fee on the subscription price for new subscriptions coming from Apple and Google for the first 12 months. Beyond the first 12-months, Sleep Cycle pays a 15 percent platform fee on the subscription price. The Company expects that should Apple and Google change the platform fee, it would affect Sleep Cycle's operating profit and cash flow.

Subscriptions can also be purchased through the Company's own distribution channels, including its website and partnership offering, which has a lower fee in the range of 5–10 percent of the subscription price. Should Sleep Cycle increase the share of sold subscriptions through its own channels, it would decrease the platform fees as a percentage of net revenue and sequentially improve operating profit and cash flows.

ORGANIZATIONAL BUILD-OUT TECHNOLOGY DEVELOPMENT

Sleep Cycle has made significant investments into the development of its platform. The platform is cloud based and modular, which allows the Company to scale it as needed and launch new releases quickly and at a low cost. Even though these investments have affected the cash flow during the period which is comprised by the historical financial information, the Company has obtained a scalable platform which is built for significant growth. Technology development have been and will continue to be important in order for Sleep Cycle to meet existing and future customer demands for new and better products and services while maintaining its market position and competitiveness.

Sleep Cycle is also continuously investing to expand its device universe, and to increase the number of metrics used to track sleep routines. While the Company estimates that these investments will broaden the Company's target audience and increase net revenue in the future, it will also increase costs and subsequently impact operating profit and cash flow in the short term.

PRODUCT DEVELOPMENT

Sleep Cycle is continuously developing the product offering and launching new features. Historically, the Company has seen that launching new features has had a material impact on both the Company's ability to attract and retain users.

The Company is also continuously investing in the build-out of the product offering for partnerships, corporate wellness and to expand into monitoring, diagnosis, and treatment. While the Company estimates that these investments will increase net revenue in the future, it will also increase costs and subsequently impact operating profit and cash flow in the short term.

CAPITALIZATION

Sleep Cycle has not capitalized any development costs during the year 2018, 2019 and 2020. During the first quarter 2021, Sleep Cycle has started capitalizing certain development costs in relation to certain development projects, which is expected to impact its operating

profit. For the three-month period ending 31 March 2021, Sleep Cycle capitalized development costs of SEK 0.8 million.

WORKING CAPITAL

Sleep Cycle has a favourable net working capital profile where the main driver is the upfront payments the Company receives for subscriptions. The Company defines net working capital as accounts receivable, other current receivables and prepaid expenses and accrued income less accounts payable, other current liabilities and accrued expenses and prepaid income.

Accrued income constitutes the Company's most significant current asset and is driven by the 15–45 days payment term from Apple and Google. Prepaid income and accrued expenses constitute the Company's most significant current liability and is driven by advance payments for sold subscriptions.

With the upfront payments, Sleep Cycle's net working capital dynamic results in a natural cash inflow as net revenue increase.

CURRENCY FLUCTUATIONS

Sleep Cycle's application is distributed through Apple App Store, Google Play Store and Huawei App Gallery. All transactions Sleep Cycle carries out with Apple and Google are made in SEK, which is why there is limited direct foreign currency exposure within the Group's revenues. However, the Company sets the subscription price for each country in the local currency. Google and Apple facilitate the sales in all currencies after which they convert the subscription fees in foreign currency to SEK up to 30 or 45 days after the actual sale has taken place, on each platform respectively. This gives rise to a currency effect between the net revenue in SEK recorded by Sleep Cycle and the SEK payment received from Google and Apple and the resulting effect is recorded in net revenue.

For the financial year 2020, 40 percent of net revenue came from users paying the subscription fee in USD, 14 percent in EUR, 10 percent in JPY, and 8 percent in GBP. During 2020, the currency effects affected the net revenue positively with corresponding 2 percent of the net revenue 2020. For a sensitivity analysis, see "*Financial risks – Sleep Cycle is exposed to indirect currency risks due to subscription prices being set in local currency*".

Key items in the income statement

NET REVENUE

Sleep Cycle's net revenue is generated from subscriptions, accounting for 99 percent of net revenue in 2020. Subscriptions are contracted mainly on an annual basis with advance payments. The revenue is recognised linearly over the subscription period. The Company's most important distribution channels are Apple and Google.

PLATFORM COSTS

Platform costs comprise of fees paid to Apple and Google as distribution channels as well as fees relating to the Company's own distribution channels. Paid platform fees are recognized as an asset and depreciated over the period the revenue is recognised (over the term of the contract).

OTHER EXTERNAL COSTS

Other external costs comprise of all other external expenses such as marketing costs, external consultants as well as general and administration costs.

STAFF COSTS

Staff costs consist of costs for salaries to employees, social charges, and other personnel related costs.

EBITDA

Operating profit before depreciation and amortization of tangible and intangible assets.

DEPRECIATION AND AMORTIZATION OF TANGIBLE AND INTANGIBLE ASSETS

Depreciation and amortization of tangible and intangible assets primarily comprise of depreciation of non-current assets with right of use. Amortization, depreciation and impairment are reported on a straight-line basis over the expected useful life of the asset unless such use periods are unlimited.

OPERATING PROFIT/LOSS (EBIT)

Operating profit/loss before financial items and tax.

TAX EXPENSE

Tax expense includes tax on the income for the period and deferred tax arising from or reversal of temporary differences. Tax is recognised in the income statement, except in cases where it relates to items recognised in other comprehensive income or directly in equity.

NET PROFIT

Net profit for the period is calculated as profit before tax with deduction for tax expenses.

Comparison between the three-month period ending 31 March 2021 and 31 March 2020

The table below shows Sleep Cycle's result of operations in MSEK as well as the percentage change between the two periods.

MSEK	Jan – Mar 2021	Change in MSEK	Change in %	Jan – Mar 2020
Net revenue	42.0	3.9	10.2%	38.1
Other income	0.0	0.0	0.0%	0.0
Capitalised work on own account	0.6	0.6	–	0.0
Platform costs	(10.3)	(0.8)	8.4%	(9.5)
Other external costs	(19.4)	(14.5)	295.3%	(4.9)
Staff costs	(8.0)	(2.8)	54.6%	(5.2)
Depreciation and amortization	(0.1)	0.0	(20.1%)	(0.2)
Other operating expenses	(0.1)	(0.1)	–	0.0
Operating profit (EBIT)	4.7	(13.7)	(74.5%)	18.4
Financial income	0.0	0.0	–	0.0
Financial expenses	0.0	0.0	(33.3%)	0.0
Profit before tax	4.7	13.7	(74.5%)	18.4
Tax expense	(1.0)	3.0	(75.3%)	(3.9)
Net profit	3.7	(10.7)	(74.3%)	14.4

NET REVENUE

Net revenue increased by SEK 3.9 million, or 10.2 percent, from SEK 38.1 million for the three-month period ending 31 March 2020 to SEK 42.0 million for the three-month period ending 31 March 2021. The increase was mainly driven by an increase in total subscribers. Currency-adjusted net revenue growth amounted to 14.4 percent during the period.

PLATFORM COSTS

Platform costs increased by SEK 0.8 million, or 8.4 percent, from SEK 9.5 million for the three-month period ending 31 March 2020 to SEK 10.3 million for the three-month period ending 31 March 2021. The increase was mainly due to an increase in net revenue. Platform costs as a share of net revenue decreased from 24.9 percent to 24.5 percent, mainly driven by an increase in subscriptions sold through own channels.

OTHER EXTERNAL COSTS

Other external costs increased by SEK 14.5 million, or 295.3 percent, from SEK 4.9 million for the three-month period ending 31 March 2020 to SEK 19.4 million for the three-month period ending 31 March 2021. The increase was mainly driven by investments in marketing as well as costs for development of and preparations linked to future strategic initiatives, as well as the transition to IFRS.

STAFF COSTS

Staff costs increased by SEK 2.8 million, or 54.6 percent, from SEK 5.2 million for the three-month period ending 31 March 2020 to SEK 8.0 million for the three-month period ending 31 March 2021. The increase was mainly driven by an increase in the number of employees.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization decreased from SEK 0.2 million for the three-month period ending 31 March 2020 to SEK 0.1 million for the three-month period ending 31 March 2021. The decrease was driven by less depreciation on right of use assets.

OPERATING PROFIT/LOSS (EBIT)

EBIT decreased by SEK 13.7 million, or 74.5 percent, from SEK 18.4 million for the three-month period ending 31 March 2020 to SEK 4.7 million for the three-month period ending 31 March 2021. The decrease was mainly due to an increase in operating expenses driven by investments in marketing and costs for development of and preparations linked to future strategic initiatives, as well as the transition to IFRS.

TAX EXPENSE

Tax expense decreased by SEK 3.0 million, or 75.3 per cent, from SEK 3.9 million for the three-month period ending 31 March 2020 to SEK 1.0 million for the three-month period ending 31 March 2021. The decrease was driven by a decrease in lower profit before tax.

NET PROFIT

Net profit decreased by SEK 10.7 million, or 74.3 percent, from SEK 14.4 million for the three-month period ending 31 March 2020 to SEK 3.7 million for the three-month period ending 31 March 2021. The decrease was mainly due to an increase in operating expenses.

Comparison of financial year 2020 and financial year 2019

The table below shows Sleep Cycle's result of operations in MSEK as well as the percentage change between the two periods.

MSEK	2020	Change in MSEK	Change in %	2019
Net revenue	159.4	36.8	30.0%	122.7
Other income	0.2	(6.3)	(97.5%)	6.5
Platform costs	(40.1)	(9.7)	31.6%	(30.5)
Other external costs	(42.0)	(14.7)	53.5%	(27.4)
Staff costs	(20.5)	(2.2)	11.9%	(18.3)
Depreciation and amortization	(0.6)	0.2	(20.0%)	(0.8)
Other operating expenses	0.0	0.1	(79.5%)	(0.2)
Operating profit (EBIT)	56.2	4.3	8.2%	52.0
Financial income	0.0	(0.1)	(100%)	0.1
Financial expenses	(0.2)	0.0	47.1%	(0.1)
Profit before tax	56.1	4.1	8.0%	52.0
Tax expense	12.1	(1.7)	16.8%	(10.3)
Net profit	44.0	2.4	5.8%	41.6

NET REVENUE

Net revenue increased by SEK 36.8 million, or 30.0 percent, from SEK 122.7 million during the financial year 2019 to SEK 159.4 million during the financial year 2020. The increase was driven by higher ARPU coupled with an increase in the number of subscribers. The increase in ARPU was mainly driven by a larger share of new subscriptions sold at full price. Currency-adjusted net revenue growth amounted to 26.9 percent during the period.

PLATFORM COSTS

Platform costs increased by SEK 9.7 million, or 31.6 percent, from SEK 30.5 million during the financial year 2019 to SEK 40.1 million during the financial year 2020. The increase was mainly due to an increase in net revenue. Platform costs as a share of net revenue increased from 24.9 percent to 25.2, mainly driven by the high intake of new subscribers.

OTHER EXTERNAL COSTS

Other external costs increased by SEK 14.7 million, or 53.5 percent, from SEK 27.4 million during the financial year 2019 to SEK 42.0 million during the financial year 2020. The increase was mainly due to increased marketing and costs for development of and preparations linked to future strategic initiatives, as well as the transition to IFRS. Sleep Cycle also invested in marketing to a greater extent. SEK 2.2 million of the other external costs was related to the development of the Company's platform.

STAFF COSTS

Staff costs increased by SEK 2.2 million, or 11.9 percent, from SEK 18.3 million during the financial year 2019 to SEK 20.5 million during the financial year 2020. The increase was mainly driven by higher costs for remuneration to employees. In addition, SEK 13.0 million was related to costs for development of the Company's platform.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization decreased by SEK 0.2 million from SEK 0.8 million during the financial year 2019 to SEK 0.6 million during the financial year 2020. The decrease was mainly driven by lower depreciation on equipment and computers.

OPERATING PROFIT/LOSS (EBIT)

EBIT increased by SEK 4.3 million, or 8.2 percent, from SEK 52.0 million during the financial year 2019 to SEK 56.2 million during the financial year 2020. The increase was mainly due to an increase in net revenue.

TAX EXPENSE

Tax expense increased by SEK 1.7 million, or 16.8 percent, from SEK 10.3 million during the financial year 2019 to SEK 12.1 million during the financial year 2020. The increase was driven by an increase in profit before tax.

NET PROFIT

Net profit increased by SEK 2.4 million, or 5.8 percent, from SEK 41.6 million during the financial year 2019 to SEK 44.0 million during the financial year 2020. The increase was mainly due to an increase in net revenue.

Comparison of financial year 2019 and financial year 2018

The table below shows Sleep Cycle's result of operations in MSEK as well as the percentage change between the two periods.

MSEK	2019	Change in MSEK	Change in %	2018
Net revenue	122.7	29.4	31.5%	93.3
Other income	6.5	6.2	2,594.6%	0.2
Platform costs	(30.5)	(5.3)	21.2%	(25.2)
Other external costs	(27.4)	(9.4)	52.6%	(17.9)
Staff costs	(18.3)	(4.8)	35.7%	(13.5)
Depreciation and amortization	(0.8)	0.0	(2.0%)	(0.8)
Other operating expenses	(0.2)	(0.1)	680.0%	0.0
Operating profit (EBIT)	52.0	15.9	44.0%	36.1
Financial income	0.1	0.1	-	0.0
Financial expenses	(0.1)	0.0	6.3%	(0.1)
Profit before tax	52.0	16.0	44.3%	36.0
Tax expense	(10.3)	(1.0)	(14.4%)	(9.3)
Net profit	41.6	14.9	(5.4%)	26.7

NET REVENUE

Net revenue increased by SEK 29.4 million, or 31.5 percent, from SEK 93.3 million during the financial year 2018 to SEK 122.7 million during the financial year 2019. The increase was mainly due to an increase in ARPU and an increase in total subscribers. The increase in ARPU was mainly driven by Sleep Cycle raising the price of its product offering during 2018.

PLATFORM COSTS

Platform costs increased by SEK 5.3 million, or 21.2 percent, from SEK 25.2 million during the financial year 2018 to SEK 30.5 million during the financial year 2019. The increase was mainly due to an increase in net revenue. Platform costs as a share of net revenue decreased from 27.0 percent to 24.9 percent, driven by a higher share of total subscribers coming from renewed subscriptions.

OTHER EXTERNAL COSTS

Other external costs increased by SEK 9.4 million, or 52.6 percent, from SEK 17.9 million during the financial year 2018 to SEK 27.4 million during the financial year 2019. The increase was mainly driven by higher marketing costs and the purchase of external services such as server and technology services.

STAFF COSTS

Staff costs increased by SEK 4.8 million, or 35.7 percent, from SEK 13.5 million during the financial year 2018 to SEK 18.3 million during the financial year 2019. The increase was mainly due to an increase in the number of employees.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization remained relatively unchanged between 2018 and 2019.

OPERATING PROFIT/LOSS (EBIT)

EBIT increased by SEK 15.9 million, or 44.0 percent, from SEK 36.1 million during the financial year 2018 to SEK 52.0 million during the financial year 2019. The increase was mainly due to an increase in net revenue.

TAX EXPENSE

Tax expense increased by 1.0 SEK million, or 10.6 percent, from SEK 9.3 million during the financial year 2018 to SEK 10.3 million during the financial year 2019. The increase was driven by an increase in profit before tax.

NET PROFIT

Net profit increased by SEK 26.7 million, or 10.6 percent, from SEK 15.0 million during the financial year 2018 to SEK 41.6 million during the financial year 2019. The increase was mainly due to an increase in net revenue.

Cash flow

The following table shows the Company's cash flows for the three-month period ending on 31 March 2021 and the 2018–2020 financial years.

MSEK	Jan – Mar 2021	2020	2019	2018
Cash flow from operating activities	(8.2)	46.1	47.7	52.6
Cash flow from investing activities	(0.8)	0.0	3.4	(0.3)
Cash flow from financing activities	0.6	(51.3)	(42.5)	(23.2)
Total	(8.5)	(5.2)	8.7	29.1

CASH FLOW FROM OPERATING ACTIVITIES

The Company's cash flow from operating activities decreased by SEK 10.6 million from SEK 2.3 million for the three-month period ending on 31 March 2020 to a cash outflow of SEK 8.2 million for the three-month period ending 31 March 2021. The decrease was mainly due to higher operating expenses, resulting from an increase in marketing costs and costs for development of and preparations linked to future strategic initiatives, as well as the transition to IFRS.

The Company's cash flow from operating activities decreased by SEK 1.6 million from SEK 47.7 million during the financial year 2019 to SEK 46.1 million during the financial year 2020. The decrease was mainly due to a cash outflow coming from change in receivables.

The Company's cash flow from operating activities decreased by SEK 4.9 million from SEK 52.6 million during the financial year 2018 to SEK 47.7 million during the financial year 2019. The decrease was mainly due to a cash outflow coming from change in receivables.

CASH FLOW FROM INVESTING ACTIVITIES

The Company's cash outflow from investing activities increased by SEK 0.8 million from SEK 0.0 million for the three-month period ending on 31 March 2020 to SEK 0.8 million for the three-month period ending on 31 March 2021. The cash outflow was mainly driven by an increase in capitalised research and development costs.

The Company's cash flow from investing activities decreased by SEK 3.4 million from SEK 3.4 million during the financial year 2019 to SEK 0.0 million during the financial year 2020.

The Company's cash flow from investing activities increased by SEK 3.7 million from an outflow of SEK 0.3 million during the financial year 2018 to SEK 3.4 million during the financial year 2019. The increase was driven by the divestment of a subsidiary.

CASH FLOW FROM FINANCING ACTIVITIES

The Company's cash flow from financing activities increased by SEK 52.2 million from an outflow of SEK 51.6 million for the three-month period ending on 31 March 2020 to an inflow of SEK 0.6 million for the three-month period ending on 31 March 2021. The improvement was driven by proceeds from issued warrants and that the Company paid out dividends during the period ended on 31 March 2020.

The Company's cash outflow from financing activities increased by SEK 8.9 million from SEK 42.5 million during the financial year 2019 to SEK 51.3 million during the financial year 2020. The increase was driven by an increase in dividends paid.

The Company's cash outflow from financing activities increased by SEK 19.2 million from SEK 23.3 million during the financial year 2018 to SEK 42.5 million during the financial year 2019. The increase was mainly due to an increase in dividends paid.

Liquidity and financial position

The Company's shareholders' equity increased by SEK 34.7 million from a negative position of SEK 30.1 million for the three-month period ending on 31 March 2020 to SEK 4.6 million for the three-month period ending on 31 March 2021. The negative position in shareholders' equity in 31 March 2020 was a result of change in accounting principles when Sleep Cycle converted to IFRS in December 2020. The Company did not operate with negative shareholders' equity during any point in time between 2018 and 2020 when reporting according to K2. The Company assesses that there is no risk of deficit in shareholders' equity going forward. The improvement in 31 March 2021 was mainly driven by an increase in retained earnings. The Company's cash and cash equivalents increased by SEK 35.5 million from SEK 9.1 million for the three-month period ending on 31 March 2020 to SEK 44.7 million for the three-month period ending on 31 March 2021. The increase was primarily driven by the Company's profitability coupled with an attractive adjusted cash conversion.

As of 31 December 2020, shareholders' equity amounted to SEK 0.1 million, compared to SEK 6.9 million as of 31 December 2019. The low level in shareholders' equity as of 31 December 2020 was due to the dividend that

was decided when the Company reported in accordance with K2 accounting principles. Upon the conversion to IFRS accounting principles, sales and profits were recognised linearly over the subscription period coupled with that accrued expenses and prepaid income increased. Subsequently, shareholders' equity decreased after the IFRS conversion which explains the low level. The Company assesses that there is no risk of deficit in shareholders' equity going forward. As of 31 December 2020, Sleep Cycle's cash and cash equivalents amounted to SEK 53.1 million, compared to SEK 58.3 million as of 31 December 2019. The decrease of SEK 5.2 million was primarily due to the outflow from financing activities driven by an increase in paid dividends.

As of 31 December 2019, shareholders' equity amounted to SEK 6.9 million, compared to SEK 7.2 million as of 31 December 2018. The decrease of SEK 0.3 million was primarily due to that dividends paid exceeded net profit for the year. As of 31 December 2019, Sleep Cycle's cash and cash equivalents amounted to SEK 58.3 million, compared to SEK 49.7 million as of 31 December 2018. The increase of SEK 8.7 million was primarily driven by high profitability coupled with an attractive adjusted cash conversion.

Investments

The following table summarises Sleep Cycle's main investments during the financial years 2018–2020 and for the period ending 31 March 2021.

MSEK	Jan – Mar 2021	2020	2019	2018
Investments in tangible fixed assets	0.0	0.0	0.1	0.3
Investments in intangible fixed assets	0.8	0.0	0.0	0.0
Total	0.8	0.0	0.1	0.3

Investments in tangible non-current assets amounted to SEK 0.0 million, SEK 0.1 million and SEK 0.3 million in 2020, 2019 and 2018, respectively, and consisted mainly of investments in equipment and computers. As of the three month period ending 31 March 2021 Sleep Cycle has started to capitalize development costs. During this period capitalized development costs amounted to SEK 0.8 million.

ONGOING AND FUTURE INVESTMENTS

The Company has no significant ongoing investments and has not made any firm commitments regarding significant future investments.

However, the Company is investing in equipment and computers and anticipates going forward to make investments to approximately the same extent as historically.

Tangible non-current assets

The book value of the Company's tangible non-current assets at 31 March 2021 amounted to SEK 1.1 million and consisted of assets with right of use as well as equipment and computers.

Intangible non-current assets

Intangible non-current assets at 31 March 2021 amounted to SEK 0.8 million and consisted of capitalized expenditure on development work.

Off-balance sheet items

As at 31 March 2021, Sleep Cycle had no off-balance sheet items, as defined in accordance with IFRS.

Significant trends

During the past year, Sleep cycle has been negatively affected by COVID-19 and adverse currency movements. Lockdowns related to COVID-19 have led to a temporary change in user behavior and subsequently reduced demand for the Company's product offering. In addition, the Company has through its global user base an indirect exposure to currency movements, particularly the relationship between USD and SEK. The development of USD and SEK during 2020 is expected to have a continued negative effect on the Company as net revenue from subscriptions sold during this period is recognized linearly over the subscription period.

Sleep Cycle now sees a return to strong growth in the intake of new subscribers, especially towards the end of the first quarter of 2021, which is expected to continue. During April 2021, Sleep Cycle's net revenue amounted to SEK 14.7 million, corresponding to an annual net revenue growth and currency adjusted net revenue growth of 12.2 percent and 17.4 percent, respectively. Intake of new subscribers amounted to 41 thousands, number of renewals amounted to 26 thousands and total subscribers amounted to 833 thousands. During April 2020, Sleep Cycles net revenue amounted to SEK 13.1 million. The intake of new subscribers amounted to 28 thousands, number of renewals amounted to 26 thousands and total subscribers amounted to 731 thousands.

Other than what is described in the sections "*Risk factors*", "*Business overview*", and "*Significant changes since 31 March 2021*", there were no trends, uncertainties, demands, commitments or events known to the Company as per the date of this Offering Circular that with reasonable certainty would have a material impact on the Company's outlook for the current fiscal year.

Significant changes since 31 March 2021

- In order to prepare the Company for the listing on Nasdaq Stockholm, the extraordinary shareholders' meeting on 7 April 2021 resolved on (i) a new issue of 150,000 shares at the quota value, (ii) reduction of share capital with retirement of the newly issued shares, (iii) bonus issue and (iv) amendment of the articles of association and that the Company shall become public.
- On 3 May 2021, the extraordinary shareholders' meeting resolved on a share split, whereby one share was split into 120 shares. After the share split, the total number of shares in the Company amounted to 18,000,000.
- The Company has entered into an agreement with Samsung, see section "*Legal considerations and supplementary information – Material agreements – Samsung Health Cooperation agreement*".

Other than what is stated above, no significant changes have occurred to Sleep Cycle's financial position or financial earnings since 31 March 2021.

Capitalization, indebtedness and other financial information

The tables in this section describe the Company's capitalization and indebtedness at Group level as of, 31 March 2021. See section "Share capital and ownership structure" for further information about the Company's share capital and shares. The tables in this section should be read in conjunction with section "Operating and financial review" and the Company's financial information, including the related notes, which may be found elsewhere in this Offering Circular.

Capitalization

MSEK	Per 31 March 2021	Adjustments	Adjusted
Current debt			
Guaranteed	-	-	-
Secured	-	-	-
Unguaranteed/unsecured	-	-	-
Total current debt	-	-	-
Non-current debt			
Guaranteed	-	-	-
Secured	-	-	-
Unguaranteed/unsecured	-	-	-
Total non-current debt	-	-	-
Shareholders' equity			
Share capital	0.2	0.0	0.2
Other contributed capital	2.8	100.0	102.7
Other reserves	-	-	-
Retained earnings including income for the year	1.7	-	1.7
Total equity	4.6	100.0	104.6
Total	4.6	100.0	104.6

The items in the column "adjustments" correspond to issue proceeds amounting to in total approximately SEK 100 million (prior to transaction costs of SEK 26.8 million), from the issue of 1,428,571 shares in the Company in order to carry out the Offering.

Net indebtedness

Sleep Cycle's net indebtedness as of 31 March 2021 is presented in the table below. The table only includes interest bearing liabilities. As of 31 March 2021 the Company has no indirect indebtedness.

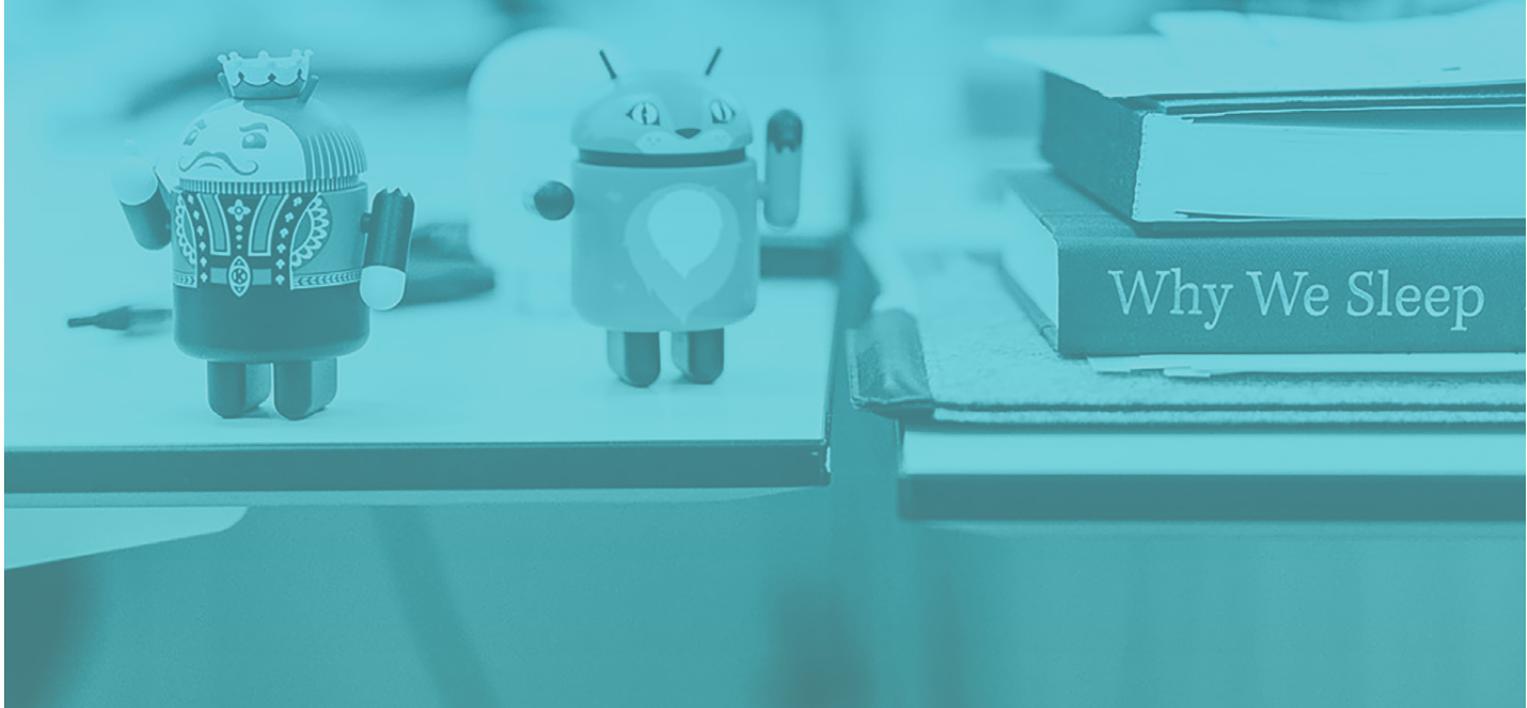
MSEK	Per 31 March 2021	Adjustments	Adjusted
(A) Cash	44.7	100.0	144.7
(B) Cash equivalents	-	-	-
(C) Other current financial assets	-	-	-
(D) Liquidity (A)+(B)+(C)	44.7	100.0	144.7
(E) Current financial debt (including debt instruments, but excluding current portion of non-current financial debt)	-	-	-
(F) Current portion of non-current financial debt	-	-	-
(G) Current financial indebtedness (E+F)	-	-	-
(H) Net current financial indebtedness (G-D)	(44.7)	(100.0)	(144.7)
(I) Non-current financial debt (excluding current portion and debt instruments)	-	-	-
(J) Debt instruments	-	-	-
(K) Non-current trade and other payables	-	-	-
(L) Non-current financial indebtedness (I)+(J)+(K)	-	-	-
(M) Total financial indebtedness (H) + (L)	(44.7)	(100.0)	(144.7)

The items in the column "adjustments" correspond to issue proceeds amounting to in total approximately SEK 100 million (prior to transaction costs of SEK 26.8 million), from the issue of 1,428,571 shares in the Company in order to carry out the Offering.

Working capital and capital requirements

Working capital refers to Sleep Cycle's ability to access cash and other available resources in order to be able to meet its liabilities as they fall due over the next twelve months. Sleep Cycle's assessment is that the existing working capital is sufficient for its present requirements during the next twelve months as of the date of this Offering Circular.

Board of Directors, executive management and auditor



Board of Directors

Sleep Cycle's Board of Directors consists of five ordinary members, including the chairman, all of whom are elected for the period up until the end of the annual general meeting in 2022. The Board of Directors includes no deputy board members. The table below shows the members of the Board of Directors, when they were first elected and whether they are considered to be independent of the Company and/or the major shareholders.

Name	Position	Member since	Independent of	
			The Company and executive management	The major shareholders
Lars Berg	Chairman	2020	Yes	No
Anne Broeng	Board member	2020	Yes	Yes
Olof Nilsson	Board member	2020	Yes	Yes
Rasmus Järborg	Board member	2020	Yes	Yes
Ödgård Andersson	Board member	2021	Yes	Yes



LARS BERG

BORN 1947

CHAIRMAN OF THE BOARD SINCE 2020

Education: B.Sc. in Economics at Gothenburg School of Economics.

Other current assignments: Chairman of the board of Greater Than AB.

Previous assignments (last five years): Chairman of the board of Net Insight AB and NORMA Group SE. Board member of Bio Electric Solutions LGJ AB.

Shareholding in the Company: Lars Berg holds 200 warrants¹⁾ in Sleep Cycle. Lars Berg does not hold any shares in the Company.



ANNE BROENG

BORN 1961

BOARD MEMBER SINCE 2020

Education: M.Sc. Economics at University of Aarhus. Designed Board leadership course for ATP at Copenhagen Business School, Directors College at Stanford University and Board Masterclass (Executive Board education) at Copenhagen Business School.

Other current assignments: Chairman of the board of Asta & Jul.P Justesen Fond and Velliv. Deputy chairman of the board of Bruhn Holding ApS. Board member of AFU (Arbejdsmarkedets fond for udstationerede), Aquaporin A/S, ATP, IFU (Investment Fund for Developing Countries), LG (Lønmodtagernes garantifond), NNIT A/S, Rodinia ApS, Seniorpensionsordningen and VKR Holding.

Previous assignments (last five years): Board member of Bikuben Fonden, Danske Commodities, F. Salling Holding A/S, F. Salling Invest A/S, Kollegiefonden Bikuben, Købmand Ferdinand Sallings Mindefond, Købmand Hermand Sallings Fond, Nasdaq Nordic Ltd., Pension Danmark and Velux.

Shareholding in the Company: Anne Broeng holds 100 warrants¹⁾ in Sleep Cycle through an affiliate. Anne Broeng does not hold any shares in the Company.

1) For more information on the warrants, see section "Share capital and ownership structure – Convertibles, warrants etc. – Incentive programs – Warrant program 2020/2023".

2) For more information on the warrants, see section "Share capital and ownership structure – Convertibles, warrants etc. – Incentive programs – Warrant program 2020/2023".



OLOF NILSSON

BORN 1969
BOARD MEMBER SINCE 2020

Education: M.Sc. in Physics at Stockholm KTH Royal Institute of Technology.

Other current assignments: Board member of Hemverket AB, High Estate AB, hittapunkt.se AB, Marton 1 Holding AB, Marton International AB, Marton Sverige AB, Mäklarsåkrat AB, Wave BidCo AB and Wave HoldCo AB. CEO and deputy board member of ViOchO1 Advisers AB.

Previous assignments (last five years): Chairman of the board in Aumar AB and Bokadirekt i Stockholm AB. Board member of Apolea holding AB, Apotea AB, FPV Holding AB, Yanzi Networks AB and Yanzi Networks Holdings AB. Deputy board member of FPV Holding AB.

Shareholding in the Company: Olof Nilsson holds 100 warrants¹⁾ in Sleep Cycle. Olof Nilsson does not hold any shares in the Company.



ÖDÖGÄRD ANDERSSON

BORN 1972
BOARD MEMBER SINCE 2021

Education: M.Sc. at Chalmers University of Technology. Executive leadership training at Boston University, IMD Lausanne and Stanford Graduate School of Business. Executive program at Singularity University.

Other current assignments: Board member of Volvo Car Technology Fund AB. CEO of ZENSEACT AB.

Previous assignments (last five years): Board member of Opus Group AB (publ).

Shareholding in the Company: Ödögård Andersson holds 100³⁾ warrants in Sleep Cycle. Ödögård Andersson does not hold any shares in the Company.



RASMUS JÄRBORG

BORN 1976
BOARD MEMBER SINCE 2020

Education: M.Sc. in Business & Economics at Stockholm School of Economics.

Other current assignments: Chairman of the board of Shareville AB. Board member of Nordnet Ventures AB.

Previous assignments (last five years): –

Shareholding in the Company: Rasmus Järborg holds 100²⁾ warrants in Sleep Cycle. Rasmus Järborg does not hold any shares in the Company.

1) For more information on the warrants, see section "Share capital and ownership structure – Convertibles, warrants etc. – Incentive programs – Warrant program 2020/2023".

2) For more information on the warrants, see section "Share capital and ownership structure – Convertibles, warrants etc. – Incentive programs – Warrant program 2020/2023".

3) For more information on the warrants, see section "Share capital and ownership structure – Convertibles, warrants etc. – Incentive programs – Warrant program 2020/2023".

Executive management



CARL JOHAN HEDEROTH

BORN 1980
CEO SINCE 2018

Education: B.Sc. in Informatics at Gothenburg School of Economics.

Other current assignments: Board member and CEO of Sleep Cycle Sverige AB. Board member of Carljohan Hederoth AB.

Previous assignments (last five years): –

Shareholding in the Company: Carl Johan Hederoth holds 1,700 warrants¹⁾ in Sleep Cycle. Carl Johan Hederoth does not hold any shares in the Company.



MIKAEL KÅGEBÄCK

BORN 1981
CTO SINCE 2020

Education: PhD in Computer Science and Engineering and M.Sc. in Engineering Physics from Chalmers University of Technology.

Other current assignments: Board member of Kågebäck Consulting AB.

Previous assignments (last five years): Board member of Compiled AB, Compiled DE AB and Compiled EP AB.

Shareholding in the Company: Mikael Kågebäck holds 400 warrants⁴⁾ in Sleep Cycle. Mikael Kågebäck does not hold any shares in the Company.



PER ANDERSSON

BORN 1983
CFO SINCE 2021

Education: M.Sc. in Financial Economics from University of Gothenburg, School of Business, Economics and Law.

Other current assignments: Board member of B-One Advisory AB.

Previous assignments (last five years): –

Shareholding in the Company: Per Andersson holds 255 warrants²⁾ in Sleep Cycle. Per Andersson does not hold any shares in the Company.



SANDRA HANSSON

BORN 1987
CPO SINCE 2021

Education: M.Sc. Eng. in Software Engineering, M.Sc. in Industrial Ecology and B.Sc. in Information Technology from Chalmers University of Technology.

Other current assignments: –

Previous assignments (last five years): –

Shareholding in the Company: Sandra Hansson holds 190 warrants⁵⁾ in Sleep Cycle. Sandra Hansson does not hold any shares in the Company.



SAMUEL CYPRIAN

BORN 1983
CHIEF COMMERCIAL OFFICER (CCO)
SINCE 2021 (FORMER HEAD OF GROWTH FROM
JANUARY 2019 TO DECEMBER 2020)

Education: M.Sc. in Information Technology from Uppsala university.

Other current assignments: Board member and CEO of Cyprian Invest AB. Deputy board member of Sleep Cycle Sverige AB.

Previous assignments (last five years): –

Shareholding in the Company: Samuel Cyprian holds 550 warrants³⁾ in Sleep Cycle. Samuel Cyprian does not hold any shares in the Company.

- 1) Of the warrants, 1,600 are within the Warrant program 2019/2022 and the remaining are within Warrant program 2020/2023. For more information on the warrants, see section "Share capital and ownership structure – Convertibles, warrants etc. – Incentive programs".
- 2) For more information on the warrants, see section "Share capital and ownership structure – Convertibles, warrants etc. – Convertibles, warrants, etc. – Incentive programs – Warrant program 2020/2023".
- 3) For more information on the warrants, see section "Share capital and ownership structure – Convertibles, warrants etc. – Incentive programs – Warrant program 2019/2022".
- 4) For more information on the warrants, see section "Share capital and ownership structure – Convertibles, warrants etc. – Incentive programs – Warrant program 2019/2022".
- 5) For more information on the warrants, see section "Share capital and ownership structure – Convertibles, warrants etc. – Convertibles, warrants, etc. – Incentive programs – Warrant program 2020/2023".

Other information about the Board of Directors and executive management

There are no family ties between any of the members of the Board of Directors or executive management.

There are no conflicts of interest or potential conflicts of interest between the obligations of members of the Board of Directors and executive management of the Company and their private interests and/or other undertakings.

Until 16 July 2019, Olof Nilsson was a board member of Yanzi Networks Holding AB, whose bankruptcy proceedings were initiated on 16 July 2020. Until 17 July 2019, Olof Nilsson was a board member of Yanzi Networks AB, whose bankruptcy proceedings were initiated on 8 July 2020. The bankruptcies of Yanzi Networks Holding AB and Yanzi Networks AB, respectively, are ongoing as of the date of the Offering Circular.

In 2019, Samuel Cyprian paid a penalty fee to the Swedish Tax Agency due to incomplete tax information during the income tax year 2017.

In 2016, Carl Johan Hederöth's wholly owned Company paid a penalty fee to the Swedish Tax Agency due to a late filing of a VAT declaration.

Other than what is stated above, none of the members of the Board of Directors or the members of the executive management have, during the last five years, (i) been sentenced for fraud-related offences, (ii) represented a company which has been declared bankrupt or filed for liquidation, or been subject to administration under bankruptcy, (iii) incriminated and/or sanctioned for a crime by statutory or regulatory authorities (including designated professional bodies) or (iv) been prohibited by a court of law from being a member of any issuer's administrative, management or supervisory body or from holding a senior or overarching position of any issuer's.

All members of the Board of Directors and the members of the executive management are available at the Company's main office at Kungsgatan 46, SE-411 15, Gothenburg, Sweden.

Auditor

The Company's annual general meeting 2021 elected two auditors, Mazars AB, with Samuel Bjälkemo (born 1979) as auditor in charge, and Anders Persson (born 1976). Both auditors were elected for the time period until the end of the annual general meeting in 2022. Mazars AB has been the Company's auditor since 2014 and Anders Persson has been the Company's auditor since 2021. Both Samuel Bjälkemo and Anders Persson operate at Mazars AB and are authorized public accountants and members of FAR (professional institute for authorized public accountants). Mazars AB's office address is Box 1317, SE-111 83, Sweden. Anders Persson's address is Syllstengatan 9, SE-263 64 Viken, Sweden.

Corporate governance

Sleep Cycle is a Swedish public limited liability company. Prior to the listing on Nasdaq Stockholm, corporate governance in the Company was based on Swedish law and internal rules and instructions. Once the Company has been listed on Nasdaq Stockholm, the Company will also comply with Nasdaq Nordic Main Market Rulebook for Issuers of Shares and apply the Swedish Corporate Governance Code (the "**Code**"). The Code applies to all Swedish companies with shares listed on a regulated market in Sweden and shall be fully applied in connection with the listing of a company. The Company is not obliged to comply with every rule in the Code as the Code itself provides for the possibility to deviate from the rules, provided that any such deviations and the chosen alternative solutions are described and the reasons therefore are explained in the corporate governance report (according to the so-called "comply or explain principle").

The Company will apply the Code from the time of the listing of the shares on Nasdaq Stockholm. Any deviation from the Code will be reported in the Company's corporate governance report, which will be prepared for the first time for the 2021 financial year. However, in the first corporate governance report, the Company is not required to explain non-compliance with such rules that have not been relevant during the period covered by the corporate governance report. Currently, the Company does not expect to report any deviations from the Code in the corporate governance report.

Shareholders' meeting

According to the Swedish Companies Act (2005:551) (Sw. *aktiebolagslagen*), the shareholders' meeting is the Company's ultimate decision-making body. At the shareholders' meeting, the shareholders exercise their voting rights in key issues, such as the adoption of income statements and balance sheets, appropriation of the Company's results, discharge from liability of members of the Board of Directors and the CEO, election of members of the Board of Directors and auditors and remuneration to the Board of Directors and the auditors.

The general meeting must be held within six months from the end of the financial year. In addition to the annual general meeting, extraordinary shareholders' meetings may be convened. According to the articles of association, shareholders' meetings are convened by

publication of the convening notice in the Swedish National Gazette (Sw. *Post- och Inrikes Tidningar*) and on the Company's website. At the time of the notice convening the meeting, information regarding the notice shall be published in Svenska Dagbladet.

RIGHT TO PARTICIPATE IN SHAREHOLDERS' MEETINGS

Shareholders who wish to participate in a shareholders' meeting must be included in the shareholders' register maintained by Euroclear Sweden on the day falling six banking days prior to the meeting, and notify the Company of their participation no later than on the date stipulated in the notice convening the meeting. Shareholders may attend shareholders' meetings in person or by proxy and may be accompanied by a maximum of two assistants. Typically, it is possible for a shareholder to register for the shareholders' meeting in several different ways as indicated in the notice of the meeting. A shareholder may vote for all Company shares owned or represented by the shareholder.

SHAREHOLDER INITIATIVES

Shareholders who wish to have a matter brought before the shareholders' meeting must submit a written request to the Board of Directors. Such request must normally be received by the Board of Directors no later than seven weeks prior to the shareholders' meeting.

Nomination committee

Companies applying the Code shall have a nomination committee. According to the Code, the shareholders' meeting shall appoint the members of the nomination committee or resolve on procedures for appointing the members. The nomination committee shall, pursuant to the Code, consist of at least three members of which a majority shall be independent in relation to the Company and the Group Management. In addition, at least one member of the nomination committee shall be independent in relation to the largest shareholder in terms of voting rights or group of shareholders who cooperates in terms of the Company's management.

At the annual shareholders' meeting held on 19 May 2021 it was resolved to adopt the following principles for the nomination committee.

The company shall have a nomination committee consisting of a member appointed by each of the three shareholders representing the shareholders with the largest number of votes or ownership group, together with the chairman of the board. The nomination committee shall be constituted based on shareholder statistics from Euroclear Sweden AB as of 30 September each year and other reliable ownership information available by the company at such time and the board's chairman who will also convene the first meeting of the nomination committee.

The board member representing the largest shareholder shall be appointed chairman of the nomination committee, unless the nomination committee unanimously appoints another member of the nomination committee as chairman. In the event that, before the date falling three months prior to the annual general meeting, one or more of the shareholders having appointed representatives of the nomination committee no longer being among the three largest shareholders, representatives appointed by these shareholders shall resign and the shareholders who then are among the three largest shareholders may appoint their representatives in accordance with these instructions. Should a member resign from the nomination committee before its work has been completed and the nomination committee considers it necessary to replace such member, such substitute member is to represent the same shareholder, or, if the shareholder is no longer one of the largest shareholders, the largest shareholder in turn. Shareholders who have appointed a representative to be a member of the nomination committee shall have the right to dismiss such member and appoint a new representative of the nomination committee. Changes to the composition of the nomination committee must be publicly announced immediately.

The nomination committee shall prepare the following proposals to be passed on for resolution at the annual general meeting:

- chairman of the general meeting;
- number of board members;
- board members;
- chairman of the board;
- board remuneration divided between the chairman and other board member as well as remuneration for committee work;
- auditors;
- remuneration to the company's auditors; and
- to the extent deemed necessary, changes in the current instruction for the nomination committee.

In performing its duties, the nomination committee shall act in accordance with the requirements stipulated in the Swedish Companies Act and the Swedish Code of Corporate Governance.

The composition of the nomination committee for the annual general meeting shall normally be announced no later than six months before the annual general meeting. Remuneration shall not be paid to the members of the nomination committee. The company is to pay any necessary expenses that the nomination committee may incur as part of conducting its work, for example, costs for external consultants deemed necessary by the nomination committee in order for the nomination committee to fulfil its duties. The term of office for the nomination committee ends when the composition of the following nomination committee has been announced.

Board of Directors

The Board of Directors is the second-highest decision-making body of the Company after the shareholders' meeting. According to the Swedish Companies Act, the Board of Directors is responsible for the organization of the company and the management of the company's affairs, which means that the Board of Directors is responsible for, among other things, setting targets and strategies, securing routines and systems for evaluation of set targets, continuously assessing the financial position and profits as well as evaluating the operating management. The Board of Directors is also responsible for ensuring that annual reports and interim reports are prepared in a timely manner. Moreover, the Board of Directors appoints the CEO.

Members of the Board of Directors are normally appointed by the annual general meeting for the period until the end of the next annual general meeting. According to the Company's articles of association, the members of the Board of Directors elected by the shareholders' meeting shall be not less than three and not more than ten members with no deputy members.

According to the Code, the chairman of the Board of Directors is to be elected by the shareholders' meeting and have a special responsibility for leading the work of the Board of Directors and for ensuring that the work of the Board of Directors is efficiently organized.

The Board of Directors applies written rules of procedure, which are revised annually and adopted by the inaugural board meeting every year. Among other things, the rules of procedure govern the practice of the Board of Directors, functions and the division of work between the members of the Board of Directors and the

CEO. At the inaugural board meeting, the Board of Directors also adopts instructions for the CEO, including instructions for financial reporting. The Board of Directors is responsible for the establishment of any committees and as the date of the Offering Circular, the Board of Directors has appointed an audit committee and a remuneration committee, and the work of each respective committee is described in section "*- Audit committee*" and "*- Remuneration committee*" below. Furthermore, the Board of Directors adopts each respective committees' rules of procedure which governs the work of the committees. Furthermore, the Board of Directors is responsible to prepare and adopt policies as well as the follow-up of the compliance of the policies.

The Board of Directors meets according to an annual predetermined schedule. In addition to these meetings, additional board meetings can be convened to handle issues which cannot be postponed until the next ordinary board meeting. In addition to the board meetings, the chairman of the Board of Directors and the CEO continuously discuss the management of the Company.

Currently, the Company's Board of Directors consists of five ordinary members elected by the shareholders' meeting, who are presented in section "*Board of Directors, executive management and auditor*". All members of the Board of Directors are independent of the Company and executive management and all members, except Lars Berg, are independent of the major shareholders.

AUDIT COMMITTEE

Sleep Cycle has an audit committee consisting of two members: Anne Broeng (chairman) and Olof Nilsson. The audit committee shall, without it affecting the responsibilities and tasks of the Board of Directors, monitor the Company's financial reporting, monitor the efficiency of the Company's internal controls, internal auditing and risk management, keep informed of the auditing of the annual report and the consolidated accounts, review and monitor the impartiality and independence of the auditors and pay close attention to whether the auditors are providing other services besides audit services for the Company, and assist in the preparation of proposals for the shareholders' meeting's decision on election of auditors. All members of the audit committee are independent of the Company and executive management as well as of the major shareholders.

REMUNERATION COMMITTEE

Sleep Cycle has a remuneration committee consisting of two members: Lars Berg (chairman) and Rasmus Järborg. The remuneration committee shall prepare the Board of Directors' decisions on issues concerning remuneration principles, remunerations and other terms of employment for the executive management remuneration guidelines as well as the remuneration report, monitor and evaluate programs for variable remuneration, both ongoing and such that have ended during the year, for the executive management and monitor and evaluate the application of the guidelines for remuneration to the executive management established by the annual general meeting, as well as the current remuneration structures and remuneration levels in the Company.

The remuneration committee shall on a continuous basis, and always after its meetings, report its decisions, proposals, findings, conclusions etc. in writing to the Board of Directors.

The CEO and other executive management

The CEO is subordinated to the Board of Directors and is responsible for the everyday management and operations of the Company. The division of work between the Board of Directors and the CEO is set out in the rules of procedure for the Board of Directors and the CEO's instructions. The CEO is also responsible for the preparation of reports and compiling information for the board meetings and for presenting such materials at the board meetings.

According to the instructions for the financial reporting, the CEO is responsible for the financial reporting in the Company and consequently must ensure that the Board of Directors receives adequate information for the Board of Directors to be able to evaluate the Company's financial position.

The CEO must continuously keep the Board of Directors informed of developments in the Company's operations, the development of sales, the Company's result and financial position, liquidity and credit status, important business events and all other events, circumstances or conditions which can be assumed to be of significance to the Company's shareholders.

The CEO and executive management are presented in section "*Board of Directors, executive management and auditor*".

Remuneration to the members of the Board of Directors, CEO and executive management

GUIDELINES FOR REMUNERATION TO THE BOARD OF DIRECTORS, CEO AND OTHER EXECUTIVE MANAGERS

REMUNERATION TO THE BOARD OF DIRECTORS DURING THE FINANCIAL YEAR 2020

During 2020, no remuneration was paid to the members of the Company's Board of Directors. On the annual shareholders' meeting held on 19 May 2021, it was resolved that fees to the members of the Board of Directors shall be paid with SEK 500,000 to the chairman of the board of directors and SEK 250,000 to each of the other members, SEK 50,000 to the chairman of the audit committee and SEK 25,000 to the other members of the audit committee as well as SEK 50,000 to the chairman of the remuneration committee and SEK 25,000 to the other members of the remuneration committee.

GUIDELINES FOR REMUNERATION TO THE CEO AND OTHER MEMBERS OF THE EXECUTIVE MANAGEMENT

On the annual shareholders' meeting held on 19 May 2021, the following guidelines for remuneration to the CEO and other members of the executive management was adopted.

GENERAL INFORMATION

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

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

In short, Sleep Cycle's business strategy is to empower people to sleep better to improve global health. Sleep Cycle develops a sleep health solution and sleep tracking application. Sleep Cycle's vision is to become the leading sleep health solution globally. For more information regarding the Company's business strategy, please see www.sleepcycle.com.

It is a prerequisite for the successful implementation of the Company's business strategy and safeguarding of its long-term interests, including its sustainability, that the

Company is able to recruit and retain qualified personnel and senior executives. To this end, it is necessary that the Company offers competitive remuneration. These Guidelines enable the Company to offer the senior executives a competitive total remuneration, while at the same time promoting the Company's business strategy and long-term interests, including its sustainability.

Long-term share and share price related incentive plans have been implemented in the Company. Such plans have been resolved by the general meeting and are therefore excluded from these guidelines.

The board of directors assesses that the possibility of a well-balanced fixed remuneration together with the possibility for variable remuneration as well as participation in possible share-related incentive plans resolved by the general meeting will facilitate Sleep Cycle being a competitive employer.

FORMS OF COMPENSATION

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

FIXED SALARY

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

VARIABLE REMUNERATION

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

Further variable cash remuneration may be awarded in extraordinary circumstances, either for the purpose of recruiting or retaining senior executives or as remuneration for extraordinary performance beyond the individual's ordinary tasks, provided that such extraordinary circumstances are limited in time and only made on an individual basis. The total variable cash remuneration may amount to not more than 100 percent of the senior executive's fixed annual cash salary.

To which extent the criteria for awarding variable cash remuneration have been satisfied shall be determined and evaluated when the measurement period has ended and, for financial objectives, be based on the latest financial information made public by the Company. The remuneration committee evaluates variable cash remuneration to the CEO and the CEO evaluates variable cash remuneration to other executives.

PENSION AND OTHER CUSTOMARY BENEFITS

Pension benefits shall be premium defined and are secured by premium payments to insurance companies. Variable cash remuneration shall not qualify for pension benefits. Other possible benefits shall be customary and facilitate the senior executive's ability to perform its tasks, such as occupational health care, health insurance (Sw. *sjukvårdsförsäkring*) and company cars. The size of the pension premiums and other customary benefits may amount to not more than 30 percent of the fixed annual cash salary. Sleep Cycle may instead choose to provide exchange pension for salary (Sw. *löneväxling*), upon request by a senior executive, provided that the total cost for the Company remains largely the same.

For any member of the group management not resident in Sweden, appropriate adjustments for compliance with mandatory rules or established local practice may be made, taking into account, to the extent possible, the overall purpose of these Guidelines.

TERMINATION OF EMPLOYMENT

Upon termination of an employment, the notice period may not exceed twelve months. Fixed cash salary during the notice period and severance pay may not together exceed an amount corresponding to the fixed cash salary for one year. When termination is made by the executive, the notice period may not exceed twelve months without right to severance pay.

Additionally, remuneration may be paid for non-compete undertakings. Such remuneration shall compensate for any loss of income and shall only be paid in so far as the previously employed executive is not entitled to severance pay. The remuneration shall amount to not more than 60 percent of the average monthly remuneration (both fixed and variable) paid by the Company during the 12 months preceding the time of termination of the employment and be paid during the time the non-compete undertaking applies, however not for more

than 12 months following termination of employment for the senior executives.

SALARY AND EMPLOYMENT CONDITIONS FOR EMPLOYEES

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

DEROGATION FROM THE GUIDELINES

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

THE DECISION-MAKING PROCESS TO DETERMINE, REVIEW AND IMPLEMENT THE GUIDELINES

The board of directors has established the remuneration committee. The remuneration committee's tasks include preparing the board of directors' decision to propose guidelines for executive remuneration. The board of directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the general meeting. The Guidelines shall be in force until new guidelines are adopted by the general meeting.

The remuneration committee shall also prepare resolutions on remuneration related matters, including resolutions to derogate from the Guidelines, monitor and evaluate programs for variable remuneration for the executive management, the application of the Guidelines for executive remuneration as well as the current remuneration structures and compensation levels in the Company.

CURRENT EMPLOYMENT AGREEMENTS FOR THE CEO AND OTHER EXECUTIVE MANAGEMENT

Decisions as to the current remuneration levels and other conditions for employment for the CEO and the other members of the executive management have been resolved by the Board of Directors. The table below presents an overview of remuneration to the CEO and other members of executive management for the financial year 2020.

(TSEK) Name	Basic salary (TSEK)	Variable remuneration (TSEK)	Other benefits	Pension costs	Total
Carl Johan Hederoth, CEO	1,046	180	16	0	1,242
Other members of the executive management (two persons) ¹⁾	2,660	0	22	0	2,682
Total	3,706	180	38	0	3,924

1) The number of executive management has since been expanded to include a total of five people, including the CEO

Members of the executive management domiciled in Sweden and their employers are entitled to a mutual period of notice of three to six months. The CEO shall however observe a notice period of twelve months upon his own resignation. The CEO is entitled to severance pay in the amount of six months' salary on top of the salary set out above during the period of notice when notice is given by the Company.

For all members of the executive management except one member, Sleep Cycle does not pay any pension premiums. Instead, Sleep Cycle allows the members to exchange pension for salary (*Sw. löneväxling*).

The Company and its CEO have entered into an employment agreement whereby Carl Johan Hederoth will receive an additional one-time bonus of SEK 1.3 million as a result of the intensive work due to the listing process. Vacation pay (*Sw. Semesterlön*) of 14.4 percent shall be paid on the bonus amount and the Company decides unilaterally whether the Company's CEO has fulfilled the conditions for the payment of the additional one-time bonus. In addition, Carl Johan Hederoth has made a unilateral undertaking to the Company to acquire shares corresponding to an amount of SEK 2 million during the first day of trading. Carl Johan Hederoth's undertaking may be fulfilled by a company wholly owned by him. In addition, the Company's CFO has been granted a special IPO bonus amounting to not more than three monthly salaries. The IPO bonus is to be paid at the discretion of the Company.

Incentive programs

For a description of the Company's incentive programs, see section "*Share capital and ownership structure – Convertibles, warrants etc. – Incentive programs*".

Internal Control

Internal control comprises the control of the Company's and the Group's organization, procedures and support measures. The objective is to ensure that reliable and accurate financial reporting takes place, that the Company's and the Group's financial reporting is

prepared in accordance with law and applicable accounting standards, that the Company's assets are protected and that other requirements are fulfilled. The system for internal control is also intended to monitor compliance with the Company's and the Group's policies, principles and instructions. Internal control also comprises risk analysis and follow-up of incorporating information and business systems. The Group identifies, assesses and manages risks based on the Group's vision and goals. Risk assessment of strategic, compliance, operational and financial risks shall be performed annually by the CFO and presented to the audit committee and the Board of Directors.

The Board of Directors and the board's audit committee are responsible for internal control. Processes managing the business and delivering value shall be defined within the business management system. The CEO is responsible for the process structure within the Group. The Company applies the components and principles of the internal control framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company monitors the internal control through determined self-assessment process, outlined in an annual wheel. The annual wheel describes responsible, timing, testing, reporting and follow-up on the self-assessment. The self-assessment should according to the annual wheel, as of minimum, annually be conducted for each key process. The results should be reported to the audit committee and the board of directors.

For each key process, a process owner shall be appointed. The CEO appoints relevant process owners. The process owner is responsible for reducing significant risks in the process through appropriately designed and documented controls, which are followed up. For this purpose, the process owner is responsible for the existence of process flow charts, documented risk analyses and current risk- and control matrices. The process owner also appoints the person(s) responsible for conducting the self-assessments within the process and that they are independent in relation to the controls that are evaluated.

In addition to controls over key processes, a risk assessment over financial reporting is conducted annually to address specific risks over financial reporting. The scope of the assessment is the Company's income statement and balance sheet. The purpose of the assessment is to assess key risks and financial process to design and improve key controls over the financial reporting.

Auditing

The auditor shall review the Company's annual reports and accounting, as well as the management of the Board of Directors and the CEO. Following each financial year, the auditor shall submit an audit report and a consolidated audit report to the annual general meeting.

Pursuant to the Company's articles of association, the Company shall have not less than one and not more than two auditors and not more than two deputy auditors.

The Company's auditor is Mazars AB, with Samuel Bjälkemo as auditor in charge and Anders Persson.

The Company's auditors are presented in more detail in section "*Board of Directors, executive management and auditor*".

In 2020, the total remuneration of the Company's auditor amounted SEK 1.281 million.

SLEEP CYCLE
EMPOWERS
PEOPLE TO
SLEEP BETTER
TO IMPROVE
GLOBAL HEALTH

Share capital and ownership structure

General information

Pursuant to the Company's articles of association, the Company's share capital may not be less than SEK 500,000 and not more than SEK 2,000,000, and the number of shares may not be less than 18,000,000 and not more than 72,000,000. As of the date of this Offering Circular, the Company has issued a total of 18,000,000 shares. The shares are denominated in SEK and the quota value of each share is approximately SEK 0.02778 and as of 31 March 2021 the quota value of each share was SEK 1.

All shares in the Company have been issued pursuant to Swedish law. All issued shares have been fully paid and are freely transferrable. With exception of the undertakings not to transfer shares in the Company during a certain period of time from the first day of trading of the Company's shares on Nasdaq Stockholm from, among others, the Principal Owners, the shares in the Company are freely transferable in accordance with applicable law. See further in section "*Share capital and ownership structure – Lock-up arrangements*".

The offered shares are not subject to a mandatory offering, redemption rights or sell-out obligation. No public takeover offer has been made for the offered shares during the current or preceding financial year. The Principal Owners have undertaken the commitments which are stated in section "*Legal considerations and supplementary information – Cornerstone investors*" in relation to the Cornerstone Investors.

Certain rights associated with the shares

The offered shares are all of the same class. The rights associated with the shares issued by the Company, including those pursuant to the articles of association, can only be amended in accordance with the procedures set out in the Swedish Companies Act.

VOTING RIGHTS

Each share in the Company entitles the holder to one vote at shareholders' meetings and each shareholder is entitled to cast votes equal in number to the number of shares held by the shareholder in the Company.

PREFERENTIAL RIGHTS TO NEW SHARES ETC.

If the Company issues new shares, warrants or convertibles in a cash issue or a set-off issue, shareholders shall, as a general rule, have preferential rights to subscribe for such securities proportionally to the number of shares held prior to the issue.

RIGHTS TO DIVIDENDS AND BALANCES IN CASE OF LIQUIDATION

All shares give equal rights to dividends and the Company's assets and possible surpluses in the event of liquidation.

Resolutions regarding dividend are passed by shareholders' meetings. All shareholders registered as shareholders in the share register maintained by Euroclear Sweden on the record date adopted by the shareholders' meeting shall be entitled to receive dividends. Dividends are normally distributed to shareholders as a cash payment per share through Euroclear Sweden, but may also be paid out in a manner other than cash (in-kind dividend). If shareholders cannot be reached through Euroclear Sweden, such shareholder still retains its claim on the Company to the dividend amount, subject to a statutory limitation of ten years. Upon the expiry of the period of limitations, the dividend amount shall pass to the Company.

There are no restrictions on the right to dividends for shareholders domiciled outside Sweden. Shareholders not resident in Sweden for tax purposes must normally pay Swedish withholding tax, see also section "*Legal considerations and supplementary information – Important information on taxation*".

Information regarding mandatory bids and redemption of minority shares

Pursuant to the Swedish Takeovers Act (2006:451) any person who (i) does not hold any shares or holds shares representing less than three tenths of the voting rights in a Swedish limited liability company whose shares are admitted to trading on a regulated market (the "**Target Company**"), and (ii) who through the acquisition of shares in the Target Company, alone or together with a closely related party, holds shares representing three

SHARE CAPITAL AND OWNERSHIP STRUCTURE

tenths or more of the voting rights for all of the shares in the Target Company is obliged to immediately disclose the size of his holding in the Target Company and, within four weeks thereafter, make an offer to acquire the remaining shares in the Target Company (mandatory offer requirement). A shareholder who personally, or through a subsidiary, holds more than 90 percent of the shares in a Swedish limited liability company has the right to redeem the rest of the shares in the company. The owners of the rest of the shares have a corresponding right to have their shares redeemed by the majority shareholder. The formal procedure for the redemption of minority shares is regulated in the Swedish Companies Act.

Dividend

For the financial year 2018, a dividend of SEK 43,333,076 was distributed, corresponding to SEK 288.89 per share at the time of the dividend and corresponding to SEK 2.407 per share, based on the number of shares in the Company as of the date of this Offering Circular.

For the financial year 2019, a dividend of SEK 51,435,000 was distributed, corresponding to SEK 342.90 per share at the time of the dividend and corresponding to SEK 2.858 per share, based on the number of shares in the Company as of the date of this Offering Circular.

At the annual general meeting on 19 May 2021, it was resolved that no dividends were to be distributed for the financial year 2020, and as of the date of the Offering Circular no dividends have been distributed for the financial year 2020.

Central securities register

The Company's shares are registered in a CSD register in accordance with the Swedish Central Securities Depositories and Financial Instruments Accounts Act (1998:1479). This register is managed by Euroclear Sweden AB, Box 191, SE-101 23 Stockholm. No share certificates have been issued for the Company's shares. The ISIN code for the shares is SE0015961404.

Share capital development

The below table shows historic changes in the Company's share capital since 2018, and the changes in the number of shares and the share capital which will be made in connection with the listing of the Company's shares on Nasdaq Stockholm.

Time	Event	Change in number of shares and votes	Number of shares and votes after the transaction	Share capital (SEK)	
				Change	Total
2019-06-19	Share split (10:1)	148,500	150,000	–	150 000
2021-04-07	New issue ¹⁾	350,000	500,000	350,000	500,000
2021-04-07	Reduction of share capital with retirement of shares ²⁾	-350,000	150,000	-350,000	150,000
2021-04-07	Bonus issue	–	150,000	350,000	500,000
2021-05-03	Share split (120:1)	17,850,000	18,000,000	–	500,000
2021-06-07	New issue in the Offering ³⁾	1,428,571	19,428,571	39,682.5277780	539,682.5277780

1) Paid in cash. The subscription price amounted to SEK 1 per share, which, adjusted for the split which was completed on 3 May 2021, corresponds to SEK 0.0083 per share.

2) The purpose of the reduction was to enable the bonus issue resolved on the same day.

3) Assuming that the Offering is fully subscribed.

New share issue in connection with the Offering and dilution

On 7 June 2021, an extraordinary shareholders' meeting intends to, in connection with the contemplated listing of the Company's shares on Nasdaq Stockholm, resolve on an issue of shares to a maximum of 1,428,571 shares, of which the Company's share capital will increase with a maximum of approximately SEK 39,682.5.

The Offering includes 4,870,171 shares, of which 1,428,571 are newly issued shares offered by the Company. Under the assumption that none of the existing shareholders subscribes in the Offering, it corresponds to a dilution of 7.4 percent based on the number of shares following the Offering. The net asset value¹⁾ per share as of 31 March 2021 amounted to SEK 30.67 per share, corresponding to SEK 0.26 per share calculated on the number of shares in the Company as of the date of the Offering Circular. The Offering Price has been set to SEK 70 per share.

1) The net asset value has been calculated as the sum of equity attributable to the parent company's shareholders divided by the number of shares as of 31 March 2021 and the number of shares as of the date of the Offering Circular.

Convertibles, warrants, etc.

The Company has two outstanding incentive programs and intends to resolve on two additional incentive programs after the date of the Offering Circular. All incentive programs consist of warrants. The two outstanding incentive programs entail that in total a maximum of 1,000,076 shares are issued (subject to any further recalculation), corresponding to a dilution of not more than 5.3 percent of the number of shares as of the date of the Offering Circular and not more than 4.8 percent of the number of shares after the completion of the Offering, assuming that the Offering is fully subscribed and that the incentive programs intended to be resolved upon are issued, fully subscribed and exercised.

The two incentive programs intended to be resolved upon will entail that in total a maximum of 568,182 shares will be issued (subject to any further recalculation), corresponding to a dilution of not more than 2.7 percent of the number of shares after the completion of the Offering, assuming that the Offering is fully subscribed and that the incentive programs intended to be resolved upon are issued, fully subscribed and exercised.

In the event that all warrants in the incentive programs resolved upon and intended to be resolved upon, a maximum of 1,568,258 shares will be issued (subject to any further recalculation), corresponding to a dilution of not more than 7.5 percent of the number of shares after the completion of the Offering, assuming that the Offering is fully subscribed and that the incentive programs intended to be resolved upon are issued, fully subscribed and exercised. The Company's incentive programs are described below and other than what is stated in the section "*– Convertibles, warrants etc. – Incentive programs*", there are no outstanding warrants, convertibles or other share-related instruments in the Company.

INCENTIVE PROGRAMS

WARRANT PROGRAM 2019/2022

At the extraordinary shareholders' meeting held on 19 June 2019, the shareholders' meeting resolved to adopt a warrant program for key employees in the Company (the "**warrant program 2019**"). A total of 6,624 warrants are outstanding in the program. The warrants in the warrant program 2019 can be exercised during the period 22 June 2022 – 20 September 2022. As of

the date of the Offering Circular, each warrant entitles the holder to subscribe for 128.17 new shares in the Company at a subscription price of approximately SEK 19.79 per share.¹⁾ The warrants have, at the time of issuance, been valued at market value calculated in accordance with the Black & Scholes valuation model.

WARRANT PROGRAM 2020/2023

At the extraordinary shareholders' meeting held on 14 December 2020, the shareholders' meeting adopted a warrant program for the Company's board members, key employees and other employees in the Company (the "**warrant program 2020**"). A total of 1,259 warrants are outstanding in the program. The warrants in the warrant program 2020 can be exercised during the period 1 December 2023 – 31 December 2023. As of the date of the Offering Circular, each warrant entitles the holder to subscribe for 120 new shares in the Company at a subscription price of approximately SEK 88.89 per share.²⁾

WARRANT PROGRAM 2021/2024

At the extraordinary shareholders' meeting which will be held prior to the first day of trading of the Company's shares on Nasdaq Stockholm, it is expected to be resolved upon issuing of warrants as part of an incentive program for current and future employees in the Group (the "**warrant program 2021**").

The warrant program 2021 comprises two series, Series 1 and Series 2, which both consist of warrants which are subscribed for by employees. Not more than 102,273 warrants will be issued within Series 1 and not more than 11,363 warrants will be issued within Series 2.

Each warrant of Series 1 shall, during a period commencing on 8 June 2024 up to and including 7 August 2024, entitle the holder to subscribe for one new share in the Company at an exercise price of SEK 94.50 per share. Each warrant of Series 2 shall, during a period commencing on 5 December 2024 up to and including 5 February 2025, entitle the holder to subscribe for one new share in the Company at an exercise price of SEK 94.50 per share. If the Company's volume weighted average share price ten trading days prior to the commencement of the exercise period of Series 1 and Series 2, respectively, exceeds SEK 241.17 per share a lower number of shares which each warrant entitles to shall be applied.

1) The number of shares which each warrant entitles the holder to subscribe for have been recalculated by the Company in accordance with the terms and conditions of the warrants due to corporate actions carried out.

2) The number of shares which each warrant entitles the holder to subscribe for have been recalculated by the Company in accordance with the terms and conditions of the warrants due to corporate actions carried out.

SHARE CAPITAL AND OWNERSHIP STRUCTURE

WARRANT PROGRAM FOR THE CEO 2021/2026

At the extraordinary shareholders' meeting which will be held prior to the first day of trading of the Company's shares on Nasdaq Stockholm, it is expected to be resolved upon issuing of warrants as part of an incentive program for the CEO (the "CEO LTI 2021"). CEO LTI 2021

comprises not more than 340,909 warrants. Each warrant in the CEO LTI 2021 shall, during the period commencing on 8 April 2026 up to and including 7 June 2026 entitle the holder to subscribe for one new share in the Company at an exercise price of SEK 241.17 per share.

Ownership structure

The table below sets forth Sleep Cycle's ownership structure immediately before the Offering and directly after completion of the Offering.

Shareholder	Shareholding before the Offering		After the Offering (assuming that the Overallotment Option is not exercised)		After the Offering (assuming that the Overallotment Option is exercised in full)	
	Number	Percent	Number	Percent	Number	Percent
<i>Shareholders with holdings corresponding to or exceeding five percent of the shares</i>						
GLA Invest S A ¹⁾	6,000,000	33.3	4,852,800	25.0	4,609,292	23.7
h265 AB ²⁾	5,550,000	30.8	4,488,840	23.1	4,263,595	21.9
MCGA AB ³⁾	5,550,000	30.8	4,488,840	23.1	4,263,595	21.9
Petter Wallin ⁴⁾	900,000	5.0	727,920	3.7	691,394	3.6
<i>Cornerstone Investors</i>						
Handelsbanken Fonder Aktiefbolag	-	-	857,143	4.4	857,143	4.4
Skandia Fonder AB	-	-	714,286	3.7	714,286	3.7
E. Öhman J:or AB	-	-	571,429	2.9	571,429	2.9
Total	18,000,000	100.0	16,701,257	86.0	15,970,732	82.2
Other new shareholders	-	-	2,727,314	14.0	3,457,839	17.8
Total	18,000,000	100.0	19,428,571	100.0	19,428,571	100.0

1) GLA Invest S A, Reg. No. B143 528, 51-53 rue de Merl, L-2146 Luxembourg and LEI code 549300K2XCLZ1DGKHH54.

2) h265 AB, Reg. No. 556866-9278, Söve Flygplatsväg 30, SE-423 73 Söve, Sweden and LEI code 549300DQRE863WKSGA58.

3) MCGA AB, Reg. No. 559283-9483, Söve Flygplatsväg 30, SE-423 73 Söve, Sweden and LEI code 549300NP8X8V53572O32.

4) Petter Wallin, business address Brantstigen 41, SE-141 71 Segeltorp, Sweden.

As of the date of this Offering Circular and as far as the Company is aware, the Company is not directly or indirectly controlled by any other than Maciej Drejak through h265 AB and MCGA AB and Pierre Siri through GLA Invest S A. Assuming that the Offering is fully subscribed and that the Overallotment Option is exercised in full, GLA Invest S A will own approximately 23.7 percent of the shares and votes in the Company, h265 AB 21.9 percent of the shares and votes in the Company and MCGA AB 21.9 percent of the shares and votes in the

Company. While the Company will be an independent listed entity, and these will not have different voting rights than other shareholders, these will retain a material interest in the Company following completion of the Offering, see also section "Risk factors – Risks related to the securities – The Principal Owners will continue to have substantial influence over Sleep Cycle after the Offering and could delay or prevent a change in control over the Company".

SHAREHOLDERS' AGREEMENT

As of the date of the Offering Circular, there is one shareholders' agreement. In conjunction with the listing of the Company's shares on Nasdaq Stockholm, the shareholders' agreement will be terminated.

Other than above-mentioned agreement, the Company is not aware of any shareholders' agreement, other agreements or the like which could cause a change of the control of the Company.

ORDERLY MARKET ARRANGEMENT

The Company's shareholders as of the date of this Offering Circular have entered into an agreement to regulate possible sales of shares in the Company after the Lock-up period for these shareholders has lapsed (the "**Orderly market arrangement**"). The Orderly market arrangement regulates, with certain exceptions, the sale of such shareholders' holding within for a period of eighteen (18) months starting on the first day of trading of the Company's shares on Nasdaq Stockholm. During this time period, these shareholders have to agree to co-ordinate all their sale of shares in the Company. The size and the date of such sales will be agreed between these shareholders, taking into consideration among other things market conditions at the time for the sell.

Lock-up arrangements

Under the placing agreement which is expected to be entered into on or around 7 June 2021, the Principal Owners, shareholding members of the Board of Directors and certain shareholding employees within the Group,

including executive management, will undertake, with certain exceptions, not to sell their respective holdings for a certain period after trading on Nasdaq Stockholm has commenced (the "**Lock-up period**"). The Lock-up period for the Principal Owners will be 180 days, and the Lock-up period for the shareholdings of members of the Board of Directors and certain shareholding employees within the Group, including executive management, will be 360 days. At the end of the respective Lock-up periods, the shares may be offered for sale, which may affect the market price of the share. Managers may make exceptions from these undertakings. Any exception from the lock-up arrangements will be considered on a case-by-case basis and may be provided for on both personal and commercial reasons. Pursuant to the agreement, the Company will undertake, with certain exceptions, towards the Managers not to, for example resolve upon or propose to the shareholders' meeting an increase of the share capital through issuance of shares or other financial instruments for a period of 180 days from the first day of trading of the Company's shares on Nasdaq Stockholm without a written consent from the Managers. See section "*Legal considerations and supplementary information – Placing agreement*".

Articles of association

Articles of association for Sleep Cycle AB (publ), registration number 556614-7368, adopted by the extraordinary shareholders' meeting on 3 May 2021.

1 § COMPANY NAME

The company's name is Sleep Cycle AB (publ).

2 § REGISTERED OFFICE

The company's registered office shall be situated in Gothenburg.

3 § OBJECT OF THE COMPANY'S BUSINESS

The company's main business is to develop sleep and health-related apps for smartphones and tablets as well as websites. Manage international distribution of products and services in the software industry.

4 § SHARE CAPITAL AND SHARES

The share capital shall be not less than SEK 500,000 and not more than SEK 2,000,000. The number of shares shall be not less than 18,000,000 and not more than 72,000,000.

5 § FINANCIAL YEAR

The company's financial year shall be the calendar year.

6 § BOARD OF DIRECTORS

The board of directors elected by the shareholders' meeting shall consist of not less than three (3) members and not more than ten (10) members.

7 § AUDITOR

The company shall have not less than one (1) and not more than two (2) auditors and not more than two (2) deputy auditors. As auditor and, when applicable, deputy auditor, shall an authorised public accountant or a registered public accounting firm be elected.

8 § NOTICE OF SHAREHOLDERS' MEETINGS

Notice of general shareholders' meetings shall be made through announcement in Post- och Inrikes Tidningar and on the company's website. It shall be announced in Svenska Dagbladet that a notice of a shareholders' general meeting has been issued.

9 § PARTICIPATION IN SHAREHOLDERS' MEETINGS

In order to participate at a shareholders' meeting, a shareholder must notify the company of the intention to attend no later than on the day stipulated in the notice of the shareholders' meeting. Such a day must not be a Sunday, any other public holiday, Saturday, Midsummer's Eve, Christmas Eve or New Year's Eve and must not be more than the fifth weekday prior to the shareholders' meeting.

A shareholder may be accompanied by assistants at a shareholders' meeting only where the shareholder has given the

company notice of the number of assistants (not more than two) as specified in the previous paragraph.

10 § BUSINESS AT ANNUAL SHAREHOLDERS' MEETINGS

The following business shall be addressed at annual shareholders' meetings:

1. election of a chairperson of the meeting;
2. preparation and approval of the voting list;
3. approval of the agenda;
4. election of one or two persons who shall approve the minutes of the meeting;
5. determination of whether the meeting was duly convened;
6. submission of the annual report and the auditors' report and, where applicable, the consolidated financial statements and the auditors' report for the group;
7. resolutions regarding the adoption of the income statement and the balance sheet and, when applicable, the consolidated income statement and the consolidated balance sheet;
8. resolutions regarding allocation of the company's profit or loss in accordance with the adopted balance sheet;
9. resolutions regarding discharge of the members of the board of directors and the managing director from liability;
10. determination of the number of members of the board of directors, and the number of auditors and deputy auditors;
11. determination of fees for members of the board of directors and auditors;
12. election of the members of the board of directors, and auditors and deputy auditors;
13. other matters which are set out in the Swedish Companies Act or the company's articles of association.

11 § COLLECTING THE POWERS OF ATTORNEYS AND VOTE BY POST

The board of directors may collect powers of attorney in accordance with the procedure described in Chapter 7, section 4, second paragraph of the Companies Act (2005:551). The board of directors has the right before a shareholders' meeting to decide that the shareholders shall be able to exercise their right to vote by post before the shareholders' meeting.

12 § PLACE FOR GENERAL MEETINGS

General meetings shall be held in Gothenburg or Stockholm.

13 § EUROCLEAR COMPANY

The company's shares shall be registered in a central securities depository register in accordance with the Swedish Financial Instruments Accounts Act (1998:1479).

Legal considerations and supplementary information

Approval from the SFSA

The Swedish Offering Circular has been approved by the SFSA as competent authority under Regulation (EU) 2017/1129. The SFSA only approves the Swedish Offering Circular as meeting the standards of completeness, comprehensibility and consistency imposed by Regulation (EU) 2017/1129. Such approval should not be considered as an endorsement of the issuer or the quality of the securities that are the subject of the Swedish Offering Circular. Investors should make their own assessment as to the suitability of investing in the securities.

The Swedish Offering Circular was approved by the SFSA on 28 May 2021. The validity period for the Swedish Offering Circular will expire on 28 May 2022, provided that the Swedish Offering Circular is completed with supplements when required pursuant to Regulation (EU) 2017/1129, or when the Offering and admission to trading of the shares on Nasdaq Stockholm is completed. The obligation to supplement the Swedish Offering Circular in the event of significant new circumstances, factual errors or material inaccuracies does not apply when the Swedish Offering Circular is no longer valid.

Legal group structure

The Company's business is conducted in accordance with the Swedish Companies Act. The parent company Sleep Cycle AB (publ) (registration number 556614-7368) is a Swedish public limited liability company which was founded on 31 July 2001 and registered with the Swedish Companies Registration Office on 5 September 2001. The Company's LEI code is 54930016C77EO26G2U47 and the Company is situated in Gothenburg, Sweden. The Company is currently the parent company of one subsidiary, Sleep Cycle Sverige AB (registration number 559278-9688) situated in Gothenburg, Sweden. No material operation is conducted in Sleep Cycle Sverige AB.

The Company is currently the parent company of one subsidiary, which registered office is situated in Sweden.

Material agreements

The following agreements (excluding agreements entered into in the ordinary course of business) have been entered into by a company within the Group within two years immediately prior to the date of this Offering Circular and are, or may become, material or have been entered into by a company within the Group at any time and contain conditions under which a company within the Group has an obligation or right that is, or may become, material to the Group as of the date of this Offering Circular.

DISTRIBUTION AGREEMENTS

The Company's mobile application is distributed through third party application stores such as Google Play, Apple's App Store and certain Samsung devices. In order for the Company to provide its mobile application through these platforms, the Company has entered into agreements with the respective platform provider. The agreements are generally very favorable to the platform providers and include for example far-reaching obligations for the Company and limited or no liability for the platform providers (as further described below).

APPLE DEVELOPER AGREEMENT

The Apple Developer Agreement stipulates that Apple will act as agent or commissionaire, depending on country, for the marketing and delivery of the mobile application to end-users. The Company acknowledges that Apple will market and make the mobile application available for download by end-users through one or more App Stores on the Company's behalf. The agreement further stipulates, among other things, that Apple will provide hosting services in order to allow for storage of, and end-user access to, the mobile application, and also make copies, format, and otherwise prepare the mobile application for acquisition and download by the end-user. The Company is fully responsible for all claims and liabilities involving or relating to the mobile application. The agreement contains extensive undertakings by the Company in relation to the mobile application and includes for example specific requirements regarding the delivery of the mobile application to Apple and end-user, and terms to be included in the end-user license

terms. The agreement is terminated upon the expiration of the applicable Apple Developer Program License agreement which the Company has entered into. The term of the Apple Developer Program License agreement is one year from the original activation date of the program account, thereafter it will automatically be renewed for consecutive one-year periods, subject to the Company's payment. The agreement may be terminated by either party for its convenience giving the other party 30 days written notice.

GOOGLE PLAY DISTRIBUTION AGREEMENT

The agreement governs the Company's use of Google Play for the distribution of the mobile application and the Company appoints Google as agent with the right to market and deliver the mobile application to end-users. Google is given a non-exclusive, global, royalty free right to reproduce, show, analyze and use the mobile application for the purposes of for example market and distribute the mobile application and improving Google Play, Play Console and the Android platform. The Company undertakes to comply with Google's terms relating to Google Play, which includes for example to safeguard the integrity and privacy of the end-users' data. The agreement shall continue in effect until terminated by either party. The Company may terminate the agreement immediately by removing its mobile application and other products from the platform and cease its using of the Play Console. Google has the right to immediately terminate the agreement by providing the Company with written notice if for example the Company has breached the agreement or Google decides to cease providing Google Play. Google may also terminate the agreement for its convenience by providing the Company with 30 days written notice.

APP ENGINE SERVICE LEVEL AGREEMENT

The App Engine Service Level Agreement is a schedule to the Google cloud platform agreement whereas Google undertakes to provide a certain uptime to the Company in relating to the app engine services. If Google does not meet the service level objectives, and if the Company meets its obligation under the agreement such as notifying Google within a certain period of time, the Company will be eligible to receive certain financial credits. The agreement states the Company's sole and exclusive remedies for any failure by Google to meet the service level objectives. The agreement will automatically be terminated upon expiration of the Google cloud platform agreement, which may for example be terminated immediately on written notice if the other party is in material breach of the Agreement and fails to cure that breach within 30 days after receipt of written notice of

the breach. The Company may terminate the Google cloud platform agreement for its convenience at any time on prior written notice and Google may also terminate the agreement for convenience by providing the company 30 days written notice.

DATASTORE SERVICE LEVEL AGREEMENT

The Datastore Service Level Agreement is a schedule to the Google cloud platform agreement whereas Google undertakes to provide a certain uptime to the Company in relating to the Datastore services. If Google does not meet the service level objectives, and if the Company meets its obligation under the agreement such as notifying Google within a certain period of time, the Company will be eligible to receive certain financial credits. The agreement stipulates the Company's sole and exclusive remedies for any failure by Google to meet the service level objectives. See above under Section "*App Engine Service Level Agreement*" for term and termination.

SAMSUNG HEALTH COOPERATION AGREEMENT

The Company has entered into an agreement with Samsung which enables Samsung Health users to access a limited version of the Company's software application. In accordance with the cooperation agreement, there is an initial exclusivity period of one year from the commercial launch, and the exclusivity period may be renewed for additional one-year periods unless the cooperation agreement is terminated by either party at least 45 days prior to the end of each exclusivity period. The cooperation agreement is one year and renews every year thereafter unless terminated by Samsung with 90 days written notice or if, for example, the software application does not meet Samsung's standards. Notwithstanding the termination of the cooperation agreement, Samsung may pre-load the limited software on Samsung devices which have been launched for sale prior to the effective date of termination, and the Company shall continue providing Samsung with relevant maintenance services during such wind down period and shall be for no less than one year from the termination of the agreement.

According to the cooperation agreement, the Company shall not, during such exclusivity period, make the limited software and related services available to any third parties for use in smart phones, smart watches and/or tablet computers. However, the Company may distribute its applications through application stores such as Apple's App Store and Google Play. For the purposes of enabling Samsung to test, integrate and promote the Company's software application, the Company, in accordance with the cooperation agreement, grants Samsung and its affiliates a worldwide, non-exclusive,

royalty-free right during the term to access and use the Company's software application and certain trademarks, and the Company shall also provide Samsung and its affiliates with access to, *inter alia*, the Company's software in object code form and other material designated as necessary by Samsung. Upon Samsung's request, the Company shall provide relevant source code in escrow, of which Samsung may access upon certain events. Samsung's access to the source code is, however, partly limited. According to the cooperation agreement, the Company has wide and unlimited indemnity obligations in relation to any third-party claims arising from the distribution and use of the Company's software application and related services.

Intellectual property rights

The Company is the registered holder of three trademarks registered in the United States: the word mark SLEEP CYCLE and two logotypes. According to the Company, Sleep Cycle holds, *inter alia*, the following domain names: sleepcycle.com, sleepcycle.uk, lifecycle.app and sleepcycle.app. The Company is the holder of two patent families valid in, for example, the United States, the United Kingdom, Germany and Finland for *a method and an apparatus for measuring and analysing movements of a human or an animal using sound signals and an arrangement and method to wake up a sleeping subject at an advantageous time instant associated with natural arousal*.

Disputes

The Group has not been part to any administrative procedures, legal proceedings or arbitration proceedings (including not yet settled cases and cases that the Company is aware of that might arise) that recently had or could have material effects on the Company's financial position or profitability during the last twelve months.

Insurance

The Company believes that the Group's insurance coverage is appropriate for the operations of the Group. There is, however, no guarantee that the Group will not incur any losses or become the subject of claims that exceed the scope of the relevant insurance coverage.

Regulatory environment and GDPR

The Company's processing of personal data is subject to the data protection rules according to Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with

regard to the processing of personal data and on the free flow of such data ("GDPR"). It follows from GDPR that specific categories of personal data, including health data, enjoys stronger protection than that of other categories of personal data, meaning that the Company must take more far-reaching measures and obtain explicit consent from persons concerned if information processed by the Company constitutes health data.

Together with external legal expertise during 2021, the Company has examined if the data processed by the Company comprises health data. The outcome of the examination is that the Company predominantly processes personal data which does not comprise health data, for example email addresses, gender, birth year and similar. However, the examination also shows that certain personal data processed by the Company may comprise health data, and in combination may be considered as health data of the person concerned.

As a result of the above-mentioned examination, the Company has together with the external legal expertise decided that the data should be treated as health data for the purpose of protecting users' privacy and trust. Therefore, the Company has together with the external legal expertise prepared an action list of measures that need to be taken in order for the Company's processing of health data to be carried out in accordance with GDPR. These measures include, *inter alia*, necessary updates of the Company's privacy policy, obtaining users' consent to the processing of health data and that users are made aware of the changes to the privacy policy as well as that their consent henceforth will be required for access to certain services in the Sleep Cycle application which requires processing of the users' health data.

Placing agreement

According to the terms of an agreement on placing of shares which is intended to be signed on or around 7 June 2021 between the Company, the Principal Owners and the Managers (the "**Placing agreement**"), the Company undertakes to issue a maximum of 1,428,571 new shares and the Principal Owners undertake to sell a maximum of 3,441,600 existing shares to the subscribers referred to by the Managers, or if the Managers fail to indicated subscribers, they have undertaken to themselves acquire the shares comprised by the Offering.

The Principal Owners also intend to provide an Overallotment Option, which entails an undertaking, at the request of the Managers, not later than 30 days from the first day of trading in the Company's shares, to sell an

additional maximum 730,525 shares, corresponding to a maximum of 15 percent of the total number of shares comprised in the Offering. The Overallotment Option may only be exercised in order to cover any overallotment under the framework of the Offering.

Through the Placing agreement, the Company makes customary representations and warranties to the Managers, primarily in relation to the information in the Offering Circular being correct, the Offering Circular and the Offering fulfilling requirements in laws and regulation and that there are no legal, or other, hindrances for the Company to enter into the agreement or for the completion of the Offering. Pursuant to the Placing agreement, the Managers' commitment to indicate purchasers to or, if the Managers fail to do so, themselves acquire the shares comprised by the Offering is conditional upon, among other things, the representations and warranties that the Company and the Principal Owners are correct. Under the Placing agreement, the Company will, subject to customary qualifications, undertake to indemnify the Managers against certain claims under certain conditions.

Through the Placing agreement, the Principal Owners undertake, with customary conditions, not to sell its shares during the Lock-up period (see further in section "*Share capital and ownership structure – Lock-up arrangements*"). Under the Placing agreement, the Company also undertakes, not to (i) issue, offer, pledge, sell, undertake to sell or otherwise transfer or divest, directly or indirectly, any shares in the Company or any other securities which are convertible to or can be exercised or exchanged for such shares, or (ii) purchase or sell options or other instruments or enter into swap agreements or other arrangements which wholly or partly assign financial risk associated with ownership of the Company to another party prior to 180 days at the earliest after the date when trading starts on Nasdaq Stockholm. The Managers may, however, grant exemptions from these limitations.

Stabilization

In connection with the Offering, SEB may effect transactions aimed at supporting the market price of the shares at levels above those which might otherwise prevail in the open market. Such stabilization transactions may be effected on Nasdaq Stockholm, in the over-the-counter market or otherwise, at any time during the period starting on the date of commencement of trading in the shares on Nasdaq Stockholm and ending not later than 30 calendar days thereafter. SEB is, however, not

required to undertake any stabilization and there is no assurance that stabilization will be undertaken.

The Overallotment Option may be utilized to overallot shares in order to facilitate any stabilization transaction. Also, if stabilization does commence, it may be suspended at any time without notice. Under no circumstances will transactions be carried out at a price higher than the one set in the Offering. Not later than by the end of the seventh day of trading after stabilization transactions have been carried out, SEB will disclose that the stabilization measures have been carried out in accordance with article 5(4) of the EU Market Abuse Regulation 596/2014. Within one week of the end of the stabilization period, SEB will disclose whether or not stabilization measures were carried out, the date on which stabilization started, the date on which stabilization was last carried out as well as the price range within which stabilization was carried out for each date on which stabilization transactions were carried out.

Cornerstone Investors

Handelsbanken Fonder Aktiefbolag, Skandia Fonder AB and E. Öhman J:or AB have undertaken vis-à-vis the Managers, the Principal Owners and the Company to acquire shares in the Offering, corresponding to approximately SEK 150 million. Following completion of the Offering, the Cornerstone Investors will hold approximately 11 percent of the number of shares and votes in the Company. The Cornerstone Investors will not receive any compensation for their respective undertakings and the Cornerstone Investors' investments are made on the same terms and conditions as those applicable for other investors in the Offering. The Managers, the Principal Owners and the Board of Directors of the Company are of the opinion that the Cornerstone Investors' creditworthiness are sound and thus that they will be able to meet their respective undertakings. The Cornerstone Investors' undertakings are however not secured through any bank guarantee, blocked funds or pledge of collateral or similar arrangements. The Cornerstone Investors' undertakings are accompanied by certain conditions relating to *inter alia* a distribution of the Company's shares being achieved in conjunction with the Offering as well as the Offering being completed within a certain time.

Cornerstone Investors	Commitment (amount in SEK)	Address
Handelsbanken Fonder Aktiefbolag	60 million	SE-106 70 Stockholm, Sweden
Skandia Fonder AB	50 million	SE-106 55 Stockholm, Sweden
E. Öhman J:or AB	40 million	Box 7837, SE-103 98 Stockholm, Sweden

Related party transactions

For information regarding related party transactions, please see note 29 in the section "*Historical financial information – Financial information for the financial years 2018–2020 – Notes*". Transactions with related parties are also described in note 11, section "*Historical financial information – Financial information for the financial years 2018–2020 – Notes*" as regards employees, employee expenses, pensions and remuneration to the Board of Directors of the Company.

Since 31 March 2021 up to and including the date of the Offering Circular, there have been no related party transactions that, separately or jointly, can be considered significant to the Group.

Interests of advisors

The Managers provide financial advice and other services to the Company in connection with the Offering, for which they will receive customary remuneration. The Managers have in the ordinary course of business, from time to time, provided, and may in the future provide, various banking, financial, investment, commercial and other services to the Company.

Advokatfirman Vinge KB has been legal counsel to the Company in connection with the Offering and may provide additional legal services to the Company.

Costs related to the Offering

In consideration of the Managers' assistance in the Offering and the listing on Nasdaq Stockholm, the Managers will, subject to certain reservations, be reimbursed by the Company for external expenses incurred by them.

Sleep Cycle's transaction costs relating to the full Offering are expected to amount to approximately SEK 26.8 million¹⁾. Such costs primarily relate to costs for auditors, attorneys, other advisors, printing of the Offering Circular, costs related to management presentations, etc.

The new share issue is expected to generate proceeds of approximately SEK 100 million before offering expenses for Sleep Cycle.

1) Of the SEK 26.8 million, 21.8 million is expected to affect the income statement. 8.7 million is included in the Company's accounting up until 31 March 2021.

Documents available for inspection

Articles of association and registration certificate as well as annual reports for the financial years 2018, 2019 and 2020, including auditors' reports, for the Company and its subsidiaries are available for inspection during the validity period during office hours at the Company's head office at Kungsgatan 46, SE-411 15 Gothenburg, Sweden. These documents, with the exemption of the annual reports for the subsidiaries, are also available in electronic form on Sleep Cycle's website, www.sleepcycle.com. The information on the Company's website is not included in the Offering Circular unless that information is incorporated by reference.

Important information on taxation

The tax legislation in the investor's home country and in Sweden may affect any income received from shares in Sleep Cycle. The taxation of any dividend as well as capital gains taxation and rules concerning capital losses in connection with disposal of securities, depends on the shareholder's particular circumstances. Special tax rules apply to certain categories of tax payer and certain type of investment forms. Each holder of share should therefore consult a tax advisor for information on the specific implications that may arise in an individual case, including the application and effect of foreign tax rules and tax treaties.

U.S. Federal Income Tax Considerations

The following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of the shares by U.S. Holders (as defined below) and does not address the effects of any U.S. federal tax laws other than U.S. federal income tax laws (such as estate and gift tax laws) or any state, local or non-U.S. tax laws. This summary is based upon the laws of the United States, including the Internal Revenue Code of 1986, as amended, (the "**Code**"), the U.S. Treasury Regulations promulgated thereunder, and judicial and administrative interpretations thereof, each as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. There can be no assurance that the United States Internal Revenue Service (the "**IRS**") or U.S. courts will agree with the tax consequences described in this summary.

This summary does not address all of the U.S. federal income tax consequences that may be relevant to an investor in light of such investor's particular circumstances or to investors subject to special treatment under U.S. federal income tax laws, including the impact of the unearned income Medicare contribution tax or the alternative minimum tax, or to holders subject to special rules, such as certain financial institutions, U.S. expatriates, insurance companies, individual retirement accounts, dealers in securities or currencies, traders in securities, U.S. Holders whose functional currency is not the U.S. dollar, tax-exempt entities, regulated investment companies, real estate investment trusts, partnerships or other pass through entities and investors in such entities, U.S. Holders that directly, indirectly or constructively own 10 percent or more of the Company's voting stock (by vote or value), U.S. Holders that are resident in or have a permanent establishment in a jurisdiction outside the United States and persons holding the shares as part of a "straddle", "hedge", "conversion transaction" or other integrated transaction. Further, this summary does not address the tax consequences of owning options or warrants or similar instruments on the shares. Except as expressly described herein, this summary does not address the U.S. federal income tax consequences that may apply to U.S. Holders under the Income Tax Convention between the United States of America and Sweden (the "**Treaty**"). U.S. Holders should consult their tax advisors concerning the application of the Treaty to the acquisition, ownership and disposition of the shares.

In addition, this summary is limited to U.S. Holders that acquire the shares pursuant to the Offering and who hold the shares as capital assets within the meaning of Section 1221 of the Code. For purposes of this discussion, a "**U.S. Holder**" is a beneficial owner of the shares that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation or any entity taxable as a corporation created

or organized in or under the laws of the United States, any state thereof or the District of Columbia, (iii) any estate the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or if a valid election is in place to treat the trust as a U.S. person.

If any entity treated as a partnership for U.S. federal income tax purposes holds the shares, the U.S. tax treatment of the partnership and a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. A partnership considering an investment in the shares, and partners in such a partnership, should consult their tax advisors regarding the U.S. federal income tax consequences of the purchase, ownership and disposition of the shares.

Prospective purchasers of the shares should consult their tax advisors concerning the tax consequences of holding shares in light of their particular circumstances, including the application of the Treaty, the U.S. federal income tax considerations discussed below, as well as the application of other federal, state, local, non-U.S. or other tax laws.

Distributions

Subject to the discussion below under "*Passive Foreign Investment Company Considerations*," the gross amount of any distribution of cash or property with respect to the shares generally will be included in a U.S. Holder's gross income as dividend income to the extent such distributions are paid out of the Company's current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Distributions in excess of the Company's current and accumulated earnings and profits will be treated first as a non-taxable return of capital, thereby reducing the U.S. Holder's adjusted tax basis in the shares (but not below zero), and thereafter as either long-term or short-term capital gain depending upon whether the U.S. Holder held the Company's shares for more than one year as of the time such distribution is actually or constructively received. Because the Company does not maintain calculations of its earnings and profits under U.S. federal income tax principles, U.S. Holders should assume that any distribution will be treated as a dividend for U.S. federal income tax purposes. The amount of a dividend will be treated as including any amounts withheld in respect of foreign taxes. A dividend will be included in a U.S. Holder's income as ordinary income on the date such U.S. Holder actually or constructively receives it, and as discussed below, it will be treated as foreign source dividend income. The dividends will not be eligible for the

dividends received deduction generally allowed to corporate U.S. Holders with respect to dividends received from certain other corporations.

Subject to certain holding period requirements and other conditions, the U.S. dollar amount of dividends paid to individuals and certain other non corporate U.S. Holders may be eligible for preferential rates of taxation if the dividends give rise to "qualified dividend income" for U.S. federal income tax purposes. Dividends received with respect to the shares may give rise to qualified dividend income if certain requirements are satisfied, including that the Company: (i) is eligible for the benefits of a comprehensive income tax treaty with the United States that the IRS has approved for purposes of the qualified dividend rules; (ii) was not a PFIC (as defined below) during the taxable year in which the dividend is paid or in the prior taxable year; and (iii) certain minimum holding period and other requirements are met. The Treaty has been approved by the IRS for purposes of the qualified dividend rules and the Company expects to be eligible for the benefits of the Treaty. In addition, as discussed below under "*Passive Foreign Investment Company Considerations*," the Company does not expect to be a PFIC for the current taxable year or in the foreseeable future. U.S. Holders should consult their tax advisors regarding the application of the relevant rules to their particular circumstances.

FOREIGN CURRENCY DIVIDENDS

The gross amount of any dividend income paid in a currency other than the U.S. dollar will be the U.S. dollar amount calculated by reference to the spot rate of exchange in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars on that date. If the dividend is converted into U.S. dollars on the date of receipt, a U.S. Holder should not be required to recognize foreign currency gain or loss in respect of the dividend income. U.S. Holders will have a tax basis in the foreign currency received equal to its U.S. dollar value on the date of receipt. A U.S. Holder may have foreign currency gain or loss if the dividend is converted into U.S. dollars after the date of receipt, which gain or loss will be U.S. source ordinary income or loss.

FOREIGN TAX CREDIT

The amount of a dividend will be treated as foreign-source dividend income. Accordingly, a U.S. Holder generally will be entitled, subject to certain limitations, to a credit against its U.S. federal income tax liability, or to a deduction, if elected, in computing its U.S. federal taxable income, for non refundable foreign income taxes withheld from dividends. For purposes of the foreign tax credit limitation, dividends paid by the Company generally will constitute foreign source income in the "passive category income" basket. U.S. Holders will not be entitled to a foreign tax credit for the amount of any foreign taxes withheld in excess of the applicable rate or for any foreign taxes which are refundable. The foreign tax credit rules are complex and U.S. Holders should consult their tax advisors concerning the availability of the U.S. foreign tax credit in their particular circumstances.

Sale, Exchange or Other Taxable Disposition

Subject to the discussion below under "*Passive Foreign Investment Company Considerations*," a U.S. Holder generally will recognize gain or loss for U.S. federal income tax purposes on the sale, exchange or other taxable disposition of the shares in an amount equal to the difference between the U.S. dollar value of the amount realized on such sale, exchange or other taxable disposition and the U.S. Holder's adjusted tax basis (determined in U.S. dollars) in such shares. Such gain or loss generally will be capital gain or loss and will be long term capital gain or loss if the U.S. Holder's holding period for the shares exceeds one year. For certain non-corporate U.S. Holders, including individuals, the maximum United States income tax rate applicable to net long-term capital gain is currently 20 percent. The deductibility of capital losses is subject to limitations. Any gain or loss gener-

ally will be U.S. source gain or loss for foreign tax credit purposes.

A U.S. Holder's initial tax basis in its shares generally will be the U.S. dollar value of the foreign currency denominated purchase price of the shares on the date of purchase. If the shares are treated as traded on an "established securities market," a cash basis U.S. Holder or, if it elects, an accrual basis U.S. Holder, will determine the U.S. dollar value of the cost of such shares by translating the amount paid at the exchange rate on the settlement date of the purchase. Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS. Accrual-basis U.S. Holders that do not elect to be treated as cash-basis taxpayers for this purpose may have a foreign currency gain or loss for U.S. federal income tax purposes as described below. The amount realized generally will be the U.S. dollar value of the payment received, determined at the spot rate of exchange on the date of such sale, exchange or other taxable disposition. If the shares are treated as traded on an established securities market, a cash basis taxpayer or, if it elects, an accrual basis taxpayer, will determine the U.S. dollar value of the amount realized by translating the amount received at the spot rate of exchange on the settlement date of the sale, exchange or other taxable disposition.

On the settlement date, the U.S. Holder will recognize U.S. source foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference (if any) between the U.S. dollar value of the amount received based on the exchange rates in effect on the date of the sale, exchange or other taxable disposition and the settlement date. However, as discussed above, in the case of shares traded on an established securities market that are sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), the amount realized will be based on the exchange rate in effect on the settlement date for the sale, exchange or other taxable disposition, and no exchange gain or loss will be recognized at that time. A U.S. Holder will have a tax basis in the foreign currency received equal to the U.S. dollar value of the foreign currency on the settlement date. Any gain or loss recognized on a subsequent conversion or other disposition of the foreign currency generally will be treated as U.S. source ordinary income or loss, and is in addition to the gain or loss, if any, recognized on the sale, exchange or other taxable disposition of the shares. A U.S. Holder should consult its own tax advisors regarding the treatment of any foreign currency gain or loss realized with respect to any currency received in a sale or other disposition of the shares.

Passive Foreign Investment Company Considerations

In general, a corporation organized outside the United States will be treated as a PFIC for U.S. federal income tax purposes in any taxable year in which (a) 75 percent or more of its gross income is passive income (the **"income test"**) or (b) 50 percent or more of its assets by value (generally determined on the basis of a quarterly average) either produce passive income or are held for the production of passive income (the **"asset test"**). **"Gross income"** generally includes all sales revenues less the cost of goods sold, plus income from investments and from incidental or outside operations or sources, and **"passive income"** generally includes, for example, dividends, interest, certain rents and royalties, certain gains from the sale of stock and securities, and certain gains from commodities transactions. For purposes of the income test and asset test described above, if the Company owns, directly or indirectly, 25 percent or more of the total value of the outstanding shares of another corporation, the Company will be treated as if it (a) held a proportionate share of the assets of such other corporation and (b) received directly a proportionate share of the income of such other corporation.

Based on the current and projected income, assets and activities of the Company (and its subsidiary), the Company does not expect to be a PFIC for its current taxable year or in the foreseeable future. However, because a determination of whether a company is a PFIC must be made annually after the end of each taxable year and the Company's PFIC status for each taxable year will depend on facts, including the composition of Company's income and assets and the value of Company's assets (which may be determined in part by reference to the market value of the shares) at such time, there can be no assurance that the Company will not be a PFIC for the current or any future taxable year. If the Company is a PFIC for any taxable year during which a U.S. Holder holds the shares and any non-U.S. subsidiary of the Company is also a PFIC, such U.S. Holder will be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules. U.S. Holders are urged to consult their tax advisors about the application of the PFIC rules to any subsidiary of the Company.

Generally, if the Company is a PFIC for any taxable year during which a U.S. Holder holds the shares, the U.S. Holder may be subject to adverse tax consequences. Generally, gain recognized by a U.S. Holder upon a disposition (including, under certain circumstances,

a pledge) of the shares by the U.S. Holder would be allocated ratably over the U.S. Holder's holding period for such shares. The amounts allocated to the taxable year of disposition and to years before the Company became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for that taxable year for individuals or corporations, as appropriate, and an interest charge would be imposed on the tax attributable to the allocated amount. Further, to the extent that any distribution received by a U.S. Holder on the shares exceeds 125 percent of the average of the annual distributions on such shares received during the preceding three years or the U.S. Holder's holding period, whichever is shorter, that distribution would be subject to taxation in the same manner as gain, described immediately above. Certain elections may be available that would result in alternative treatments (such as mark-to-market treatment) of the shares if the Company was a PFIC.

If the Company was a PFIC for any year during which a U.S. Holder owned shares, the Company would generally continue to be treated as a PFIC with respect to such U.S. Holder for all succeeding years during which such U.S. Holder held the shares, even if the Company ceased to meet the threshold requirements for PFIC status.

If a U.S. Holder owns the shares during any year in which the Company is a PFIC, the U.S. Holder generally will be required to file an IRS Form 8621 annually with respect to the Company, generally with the U.S. Holder's U.S. federal income tax return for that year unless specified exceptions apply.

U.S. Holders should consult their tax advisors regarding the Company's PFIC status for any taxable year and the potential application of the PFIC rules.

Information Reporting and Backup Withholding

In general, payments of dividends and the proceeds from the sale, exchange or other taxable disposition of the shares that are made within the United States, by a U.S. payor, or through certain U.S.-related financial intermediaries will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the U.S. Holder fails to furnish a correct taxpayer identification number or any other required certification, or fails to report in full dividend or interest income from its shares or other securities it holds. U.S. Holders generally must provide a duly completed IRS Form W-9 (Request for

U.S. FEDERAL INCOME TAX CONSIDERATIONS

Taxpayer Identification Number and Certification) to avoid the imposition of backup withholding. Certain U.S. Holders (such as a corporation) are not subject to backup withholding but may be required to provide certification of their exempt status.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a U.S. Holder's U.S. federal income tax liability. A U.S. Holder may obtain a refund of any excess amounts withheld under the backup withholding rules by timely filing the appropriate claim for refund with the IRS and furnishing any required information.

Tax Return Disclosure Requirements

A U.S. Holder may be required to report a sale or other taxable disposition of its shares on IRS Form 8886 (Reportable Transaction Disclosure Statement) if it recognizes foreign currency loss that exceeds USD 50,000 in a single taxable year from a single transaction in its shares. U.S. Holders are urged to consult their tax advisors in this regard.

Foreign Financial Asset Reporting

Certain U.S. Holders who are individuals (or certain specified entities) that own "specified foreign financial assets" with an aggregate value in excess of USD 50,000 (and in some circumstances, a higher threshold) may be required to report information relating to an interest in the Company's shares by attaching a complete IRS Form 8938, Statement of Specified Foreign Financial Assets (which requires U.S. Holders to report "foreign financial assets", which generally include financial accounts held at a non-U.S. financial institution, interests in non-U.S. entities, as well as stock and other securities issued by a non-U.S. person), to their tax return for each taxable year in which they hold the Company's shares, subject to certain exceptions (including an exception for the Company's shares held in accounts maintained by U.S. financial institutions). U.S. Holders should consult their tax advisors regarding their reporting obligations with respect to their ownership and disposition of the shares.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT ABOVE IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS CONCERNING THE TAX CONSEQUENCES OF ACQUIRING, OWNING, OR DISPOSING OF THE SHARES IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES, INCLUDING THE APPLICABILITY AND EFFECT OF OTHER FEDERAL, STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS, INCLUDING THE TREATY, AND POSSIBLE CHANGES IN TAX LAW.

Selling restrictions and transfer restrictions

Selling restrictions

UNITED STATES

The shares in the Offering have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States for offer or sale as part of their distribution and may not be offered or sold except: (i) in the United States to QIBs in reliance on Rule 144A or pursuant to another available exemption from the registration requirements of the Securities Act; or (ii) outside the United States to certain persons in compliance with Regulation S under the Securities Act, and in accordance with any applicable securities laws of any state or territory of the United States or any other jurisdiction. The Placing Agreement provides that the Managers may directly or through their respective United States broker-dealer affiliates arrange for the offer and resale of shares within the United States only to QIBs in reliance on Rule 144A or another exemption from, or transaction not subject to, the registration requirements of the Securities Act.

Any offer or sale of shares in the Offering in the United States will be made by broker-dealers who are registered as such under the United States Securities Exchange Act of 1934, as amended. In addition, until 40 days after the commencement of the Offering, an offer or sale of shares in the Offering within the United States by a dealer, whether or not participating in the Offering, may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another exemption from the registration requirements of the Securities Act and in connection with any applicable state securities laws. The terms used above have the meanings given to them by Regulation S and Rule 144A.

EUROPEAN ECONOMIC AREA

In relation to each Member State of the European Economic Area (with the exception of Sweden) (each a "**Relevant State**"), no shares in the Offering have been offered or will be offered to the public in that Relevant State, except that offers of the shares in the Offering may be made under the following exemptions under the Prospectus Regulation:

- to any legal entity that is a qualified investor as defined in the Prospectus Regulation;
- to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), as permitted under the Prospectus Regulation, subject to obtaining the prior consent of the Managers for any such offer; or
- in any other circumstances falling within Article 1(4) of the Prospectus Regulation;

provided that no such offer of shares in the Offering shall result in a requirement for the publication by the Company, the Principal Owners, or any Manager of a prospectus pursuant to Article 3 of the Prospectus Regulation or of a supplement to a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression "offered to the public" in relation to any shares in the Offering in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the Offering and the shares in the Offering so as to enable an investor to decide to purchase or subscribe for any shares in the Offering.

Each person in a Relevant State who receives any communication in respect of, or who acquires any shares under, the Offering contemplated hereby will be deemed to have represented, warranted and agreed to and with each of the Company and the Managers that it is a qualified investor within the meaning of Article 2(e) of the Prospectus Regulation.

The Company, Principal Owners, the Managers and their respective affiliates and its and their respective directors, employees, agents, advisers, subsidiaries and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement.

UNITED KINGDOM

Each Manager severally and not jointly or jointly and severally, represents, warrants and agrees that it has not made and will not make an offer of shares which are the subject of the Offering contemplated by the Offering Circular to the public in the United Kingdom, except that

SELLING RESTRICTIONS AND TRANSFER RESTRICTIONS

offers of the shares in the Offering may be made under the following exemptions:

- (a) to any legal entity which is a qualified investor as defined under Article 2 of the UK Prospectus Regulation;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined under Article 2 of the UK Prospectus Regulation), subject to obtaining the prior consent of the Managers for any such offer; or
- (c) in any other circumstances falling within Section 86 of the FSMA,

provided that no such offer of the shares shall require the Issuer or any Manager to publish a prospectus pursuant to Section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression an "offer to the public" in relation to the shares in the United Kingdom means the communication in any form and by any means of sufficient information on the terms of the offer and any shares to be offered so as to enable an investor to decide to purchase or subscribe for any shares and the expression "UK Prospectus Regulation" means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018.

Each Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) in connection with the issue or sale of any shares in the Offering in circumstances in which Section 21(1) of the FSMA does not apply to the Company; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares in the Offering in, from or otherwise involving the United Kingdom.

GENERAL

No action has been or will be taken in any country or jurisdiction other than Sweden that would, or is intended to, permit a public offering of the shares in the Offering, or the possession or distribution of this Offering Circular or any other offering material, in any country or jurisdiction where action for that purpose is required.

Persons into whose hands this Offering Circular comes are required by the Company and the Managers to comply with all applicable laws and regulations in each coun-

try or jurisdiction in or from which they purchase, offer, sell or deliver shares in the Offering or have in their possession or distribute such offering material, in all cases at their own expense. None of the Company or the Managers accept any legal responsibility for any violation by any person, whether or not a prospective subscriber or purchaser of any of the shares in the Offering, of any such restrictions.

Transfer restrictions

No action has been or will be taken in any country or jurisdiction other than Sweden by it that would, or is intended to, permit a public offering of the shares in the Offering, or the possession or distribution of this Offering Circular or any other offering material, in any country or jurisdiction where action for that purpose is required.

Persons into whose hands this Offering Circular comes are required by the Company and the Managers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver shares in the Offering or have in their possession or distribute such offering material, in all cases at their own expense.

The shares in the Offering have not been and will not be registered under the Securities Act and the shares in the Offering may not be offered or sold, directly or indirectly, within or into the United States or to, or for the account or benefit of, United States persons except in certain transactions exempt from, or in a transaction not subject to the registration requirements of, the Securities Act.

Each purchaser of the shares in the Offering in the United States purchasing pursuant to Rule 144A or another exemption from the registration requirements of the Securities Act will be deemed to have acknowledged, represented and agreed that it has received a copy of this Offering Circular and such other information as it deems necessary to make an informed investment decision and that:

- (a) the purchaser is authorized to consummate the purchase of the shares in the Offering in compliance with all applicable laws and regulations;
- (b) the purchaser acknowledges that the shares in the Offering have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States, are subject to significant restrictions on transfer and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act;

- (c) the purchaser (i) is a QIB, (ii) is aware that the sale to it is being made in reliance on Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, and (iii) is acquiring such shares in the Offering for its own account or for the account of a QIB, in each case for investment and not with a view to any resale or distribution to the shares, as the case may be;
 - (d) the purchaser is aware that the shares in the Offering are being offered in the United States in a transaction not involving any public offering in the United States within the meaning of the Securities Act;
 - (e) if, in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such shares in the Offering, or any economic interest therein, as the case may be, such shares in the Offering or any economic interest therein may be offered, sold, pledged or otherwise transferred only (i) to a person whom the beneficial owner and/or any person acting on its behalf reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, (ii) outside the United States in accordance with Regulation S, (iii) in accordance with Rule 144 under the Securities Act (if available), (iv) pursuant to any other exemption from the registration requirements of the Securities Act, subject to receipt by the Company of an opinion of counsel or such other evidence that the Company may reasonably require that such sale or transfer is in compliance with the Securities Act, or (v) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any state or territory of the United States and any other jurisdiction;
 - (f) the purchaser is not an affiliate of the Company or a person acting on behalf of such affiliate, and is not in the business of buying and selling securities or, if it is in such business, it did not acquire the shares from the Company or an affiliate thereof in the initial distribution of such shares;
 - (g) the shares in the Offering are "restricted securities" within the meaning of Rule 144(a)(3) and no representation is made as to the availability of the exemption provided by Rule 144 under the Securities Act for resale of any shares in the Offering;
 - (h) the purchaser will not deposit or cause to be deposited any shares in the Offering into any depository receipt facility established or maintained by a depository bank other than a Rule 144A restricted depository receipt facility, so long as such shares in the Offering are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act;
 - (i) if the purchaser is acquiring any of the shares in the Offering as a fiduciary or agent for one or more accounts, the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account;
 - (j) the Company will not recognize any offer, sale, pledge or other transfer of the shares in the Offering made other than in compliance with the above stated restrictions; and
 - (k) the purchaser acknowledges that these representations and undertakings are required in connection with the securities laws of the United States and the Company, the Mangers and their respective affiliates and advisers will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.
- Each purchaser of the shares in the Offering in compliance with Regulation S will be deemed to have acknowledged, represented and agreed that it has received a copy of this Offering Circular and such other information as it deems necessary to make an informed investment decision and that:
- (a) the purchaser is authorized to consummate the purchase of the shares in the Offering in compliance with all applicable laws and regulations;
 - (b) the purchaser acknowledges that the shares of the Company have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state of the United States, are subject to significant restrictions on transfer and, subject to certain exceptions, may not be offered or sold within the United States;
 - (c) the purchaser is, and the person, if any, for whose account or benefit the purchaser acquired the shares in the Offering, was located outside the United States at the time the buy order for the shares in the Offering was originated and continues to be located outside the United States and has not purchased the shares for the account or benefit of any person in the United States or entered into any arrangement for the transfer of the shares or any economic interest therein to any person in the United States;

SELLING RESTRICTIONS AND TRANSFER RESTRICTIONS

- (d) the purchaser is not an affiliate of the Company or a person acting on behalf of such affiliate, and is not in the business of buying and selling securities or, if it is in such business, it did not acquire the shares in the Offering from the Company or an affiliate thereof in the initial distribution of such shares;
- (e) the purchaser is aware of the restrictions on the offer and sale of the shares in the Offering pursuant to Regulation S described in this Offering Circular;
- (f) the shares in the Offering have not been offered to it by means of any "directed selling efforts" as defined under Regulation S and the purchaser agrees that neither the purchaser, nor any of its affiliates, nor any person acting on behalf of the purchaser or any of its affiliates, will make any "directed selling efforts" as defined under Regulation S in the United States with respect to the shares in the Offering;
- (g) the Company will not recognize any offer, sale, pledge or other transfer of the shares in the Offering made other than in compliance with the above stated restrictions;
- (h) if the purchaser is acquiring any of the shares in the Offering as a fiduciary or agent for one or more accounts, the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account; and
- (i) the purchaser acknowledges that these representations and undertakings are required in connection with the securities laws of the United States and that the Company, the Mangers and their respective affiliates and advisers will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Definitions

The terms defined below are used in the Offering Circular:

Active user	A user who has logged a sleep session with Sleep Cycle during the period for a minimum of 20 minutes (to include users who use the application for shorter naps).
Blended SAC	The historical cost of acquiring new subscribers, including new subscribers added outside channels for conversion marketing. Calculated as marketing costs for a certain period divided by the total number of new subscribers for the corresponding period.
CAGR	Compound Annual Growth Rate.
Carnegie	Carnegie Investment Bank AB (publ).
CDC	The United States Centers for Disease Control and Prevention.
Code	The Swedish Code of Corporate Governance.
Cornerstone Investors	Handelsbanken Fonder Aktiebolag, Skandia Fonder AB and E. Öhman J:or AB.
EUR	Euro.
Euroclear Sweden	Euroclear Sweden AB.
GDPR	Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data.
Joint Global Coordinators and Managers	SEB and Carnegie.
LTV	Lifetime value of a subscriber.
mHealth	Mobile health.
Nasdaq Stockholm	The regulated market operated by Nasdaq Stockholm Aktiebolag.
Non-paid channels	Non-paid channels are defined as channels in which Sleep Cycle does not pay for new users, for example users discovering the application through Apple App Store or Google Play or through referrals.
Offering or the IPO	The offer of shares as set out in the Offering Circular.
Offering Circular	This Offering Circular.
Offering Price	The Offering Price amounts to SEK 70 per share.
Placing agreement	The agreement regarding placing of shares described in section " <i>Legal considerations and supplementary information – Placing agreement</i> ".
Principal Owners	Refers to, depending on the context, GLA Invest S A, h265 AB, MCGA AB and Petter Wallin.
Renewal rate	Renewal rate calculated as share of subscriptions renewing their annual subscription, divided by total number of subscriptions with a subscription ending during the respective period.
SAC	Subscriber acquisition cost.
SAM	Serviceable Addressable Market.
SEB	Skandinaviska Enskilda Banken AB (publ).
SEK	Swedish krona.
SEKbn	Billion Swedish kronor.
SEKm	Million Swedish kronor.
Sleep Cycle, the Company or the Group	Sleep Cycle AB (publ), the Group in which Sleep Cycle AB (publ) is the parent company or a subsidiary of the Group, as the context may require.
Sleep Study	Continuous study conducted by the Company based on voluntarily submitted user sleep data.
USD	U.S. Dollar.



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Interim report Jan – Mar 2021

CONSOLIDATED INCOME STATEMENT

TSEK	Note	Jan – Mar		Jan – Dec
		2021	2020	2020
OPERATING INCOME				
Net revenue	4	42,010	38,113	159,448
Other income		-	44	159
OPERATING EXPENSES				
Capitalized work on own account		619	-	-
Platform fees		-10,304	-9,508	-40,144
Other external expenses		-19,399	-4,907	-42,047
Staff costs		-8,026	-5,193	-20,510
Depreciation and amortization of tangible and intangible assets		-143	-179	-631
Other operating expenses		-72	-	-32
Operating profit		4,685	18,370	56,243
FINANCIAL ITEMS				
Financial income		1	-	-
Financial expenses		-8	-12	-150
Profit before tax		4,679	18,358	56,093
Tax on profit for the period		-972	-3,932	-12,050
Profit for the period attributable to owners of the parent		3,706	14,426	44,043
Other comprehensive income		-	-	-
Comprehensive income for the period attributable to owners of the parent		3,706	14,426	44,043
Earnings per share, SEK		25	96	294
Earnings per share diluted, SEK		24	94	285
Average number of shares outstanding for the period, basic		150,000	150,000	150,000
Average number of shares outstanding for the period, diluted		155,049	153,733	154,526

CONSOLIDATED BALANCE SHEET

TSEK	2021-03-31	2020-03-31	2020-12-31
ASSETS			
Intangible assets			
Capitalized work on own account	847	-	-
Patents	-	24	-
Total intangible assets	847	24	-
Tangible assets			
Right-of-use assets	871	1,368	995
Equipment and computers	189	263	208
Total tangible assets	1,060	1,631	1,203
Deferred tax asset	11	13,270	113
Total non-current assets	1,917	14,925	1,316
Current assets			
Accounts receivables	30,772	28	113
Other current receivables	686	341	2,005
Current tax assets	15,000	-	9,557
Prepaid expenses and accrued income	25,548	47,127	38,617
Cash and cash equivalents	44,660	9,130	53,136
Total current assets	116,666	56,626	103,428
TOTAL ASSETS	118,583	71,551	104,744
EQUITY AND LIABILITIES			
Equity			
Share capital	150	150	150
Other capital contributions	2,763	1,431	2,020
Retained earnings, including profit for the year	1,663	-31,660	-2,043
Total equity attributable to shareholders of the parent company	4,576	-30,079	127
Non-current liabilities			
Lease liabilities	266	789	415
Total non-current liabilities	266	789	415
Current liabilities			
Lease liabilities	519	497	497
Accounts payables	13,266	2,231	6,775
Current tax liabilities	-	5,519	-
Other current liabilities	623	353	525
Accrued expenses and prepaid income	99,333	92,241	96,405
Total current liabilities	113,741	100,841	104,202
TOTAL EQUITY AND LIABILITIES	118,583	71,551	104,744

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

TSEK	Attributable to shareholders of the parent company		
	2021-03-31	2020-03-31	2020-12-31
Opening balance	127	6,930	6,930
Profit for the period	3,706	14,426	44,043
Proceeds from issued warrants	743	-	589
Dividend paid	-	-51,435	-51,435
Closing balance	4,576	-30,079	127

CONSOLIDATED CASH FLOW STATEMENT

TSEK	Note	Jan - Mar	Jan - Dec	
		2021	2020	2020
Cash flow from operating activities				
Operating profit		4,685	18,370	56,243
Adjustments for non-cash items:		-	-	-
Depreciation, amortization and impairment		143	179	631
Gain/loss on sale of Group company		-	-	10
Interest received		1	-	-
Interest paid		-8	-12	-150
Income tax paid		-6,312	-12,340	-22,372
Change in working capital				
Change in current receivables		-16,271	-12,759	-5,998
Change in current liabilities		9,517	8,903	17,784
Cash flow from operating activities		-8,245	2,341	46,148
Investing activities				
Sale of Group company (net impact on liquidity)		-	-	-16
Investments in intangible assets		-847	-	-
Investments in tangible assets		-	-	-
Cash flow from investing activities		-847	-	-16
Financing activities				
Dividend paid		-	-51,435	-51,435
Repayment of leasing debt		-127	-123	-497
Proceeds from issued warrants		743	-	589
Cash flow from financing activities		616	-51,558	-51,343
Cash flow for the period		-8,476	-49,217	-5,211
Cash and cash equivalents at beginning of period		53,136	58,347	58,347
Cash and cash equivalents at end of period		44,660	9,130	53,136

PARENT COMPANY INCOME STATEMENT

TSEK	Note	Jan – Mar		Jan – Dec
		2021	2020	2020
OPERATING INCOME				
Net revenue		42,010	38,113	159,448
Other income		-	44	159
Capitalized work on own account		619	-	-
OPERATING EXPENSES				
Platform fees		-10,304	-9,508	-40,144
Other external expenses		-19,530	-5,041	-42,552
Staff costs		-8,026	-5,193	-20,510
Depreciation and amortization of tangible and intangible assets		-19	-54	-134
Other operating expenses		-72	-	-22
Operating profit		4,678	18,361	56,245
PROFIT FROM FINANCIAL ITEMS				
Profit/loss from holdings in Group companies		-	-	-2
Interest income and similar income items		1	-	-
Interest expenses and similar expense items		-	-	-107
Profit before tax		4,680	18,361	56,136
Tax on profit for the period		-972	-3,932	-12,051
Profit for the period		3,708	14,429	44,085

Since the parent company has no items recognized as other comprehensive income, total comprehensive income for the period is equal to profit for the period.

PARENT COMPANY BALANCE SHEET

TSEK	Note	2021-03-31	2020-03-31	2020-12-31
ASSETS				
Non-current assets				
Intangible assets				
Capitalized work on own account		847	-	-
Patents		-	24	-
Total intangible assets		847	24	-
Tangible assets				
Equipment and computers		189	263	208
Total tangible assets		189	263	208
Non-current financial assets				
Holdings in group companies		150	50	50
Deferred tax asset		-	13,258	102
Total non-current financial assets		150	13,308	152
Total non-current assets		1,186	13,595	360
Current assets				
Accounts receivables		30,772	29	113
Other current receivables		686	340	2,005
Current tax assets		15,000	-	9,557
Prepaid expenses and accrued income		25,683	47,262	38,751
Total current receivables		72,141	47,631	50,426
Cash and bank balances		44,621	9,057	53,091
Total current assets		116,761	56,688	103,517
TOTAL ASSETS		117,947	70,283	103,877
EQUITY AND LIABILITIES				
Equity				
Restricted equity				
Share capital		150	150	150
Development expenditure reserve		847	-	-
Total restricted equity		997	150	150
Non-restricted equity				
Share premium reserve		2,763	1,431	2,020
Retained earnings		-2,826	-46,065	-46,065
Profit for the year		3,708	14,429	44,085
Total non-restricted equity		3,644	-30,205	40
Total equity		4,641	-30,055	190
Current liabilities				
Accounts payables		13,263	2,231	6,775
Liabilities to Group companies		100	-	-
Current tax liabilities		-	5,513	-
Other current liabilities		623	353	525
Accrued expenses and prepaid income		99,320	92,241	96,387
Total current liabilities		113,306	100,338	103,687
TOTAL EQUITY AND LIABILITIES		117,947	70,283	103,877

NOTES

Note 1 General information

Sleep Cycle AB, corporate identity number 556614-7368, is a limited liability company registered in Sweden with its registered office in Gothenburg. The address of the head office is Kungsgatan 46, SE-411 15 Gothenburg, Sweden. Sleep Cycle drives the development of one of the world's most-used sleep platforms. Sleep Cycle's sleep solutions help users to fall asleep more easily, analyze their sleep habits and improve their sleep, while also using its large sleep database to improve sleep habits and enhance sleep awareness all over the world. In all essential respects, operations are conducted in the parent company. The parent company's holdings of shares in Group companies as of March 31, 2021 consist of the wholly owned subsidiary Sleep Cycle Sverige AB (559278-9688).

Sleep Cycle's interim report for January-March 2021 has been approved for publication on April 28 pursuant to a decision of the Board of Directors on April 28, 2021.

Note 2 Accounting policies

The consolidated financial statements of Sleep Cycle AB have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, the Swedish Annual Accounts Act (ÅRL) and the Swedish Financial Reporting Board's RFR 1 "Supplementary Accounting Rules for Groups". The parent company's financial statements are prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 "Accounting for Legal Entities."

This interim report has been prepared in accordance with IAS 34 "Interim Financial Reporting." Disclosures according to IAS 34 Interim Financial Reporting are provided both in notes and elsewhere in the interim report.

The accounting policies and calculation methods applied are consistent with those described in the 2020 Annual Report. New standards and interpretations effective up to and including January 1, 2021, have not had any impact on the interim financial statements of the Group or the parent company.

Note 5 Financial instruments

TSEK	2021-03-31	2020-03-31	2020-12-31
Financial assets are measured at amortized cost			
Accounts receivables	30,772	29	113
Other current receivables	686	340	2,005
Accrued income	-	26,059	16,123
Cash and cash equivalents	44,660	9,130	53,136
Total financial assets	76,118	35,558	71,377
Financial liabilities are measured at amortized cost			
Accounts payables	13,266	2,231	6,775
Accrued expenses	3,360	6,287	10,350
Total financial liabilities	16,626	8,518	17,125

Sleep Cycle does not have any financial instruments that are measured and recognized at fair value. For all financial assets and liabilities, the carrying amount shown above is considered to be a reasonable approximation of fair value.

Note 3 Segment information

Sleep Cycle's CEO, as chief operating decision-maker, monitors and analyzes the results and financial position of the Group as a whole. The CEO does not track earnings at a level lower than the Group as a whole. Thus the CEO also decides on the allocation of resources and makes strategic decisions based on the group as a whole. Based on the above analysis, with reference to IFRS 8, it can be concluded that the Sleep Cycle Group consists of only one reporting segment.

Note 4 Distribution of net revenue

TSEK	Jan - Mar		Jan -Dec
	2021	2020	2020
Subscription income	41,983	38,068	159,290
Other income	27	45	158
Total	42,010	38,113	159,448

AUDITOR'S REPORT ON THE INTERIM REPORT JAN – MAR 2021

AUDITORS' REVIEW REPORT

To the Board of Directors of Sleep Cycle AB (publ), Reg. No. 5566147368

We have reviewed the condensed interim financial information (interim report) of Sleep Cycle AB (publ) as of 31 March 2021 and the three months period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm, 28 April 2021
Mazars AB

Samuel Bjälkemo
Authorized Public Accountant

Anders Persson
Authorized Public Accountant

Financial information for the financial years 2018–2020

CONSOLIDATED INCOME STATEMENT

TSEK	Note	Jan – Dec		
		2020	2019	2018
OPERATING INCOME				
Net revenue	6	159,448	122,676	93,297
Other income	7	159	6,467	240
OPERATING EXPENSES				
Platform fees		-40,144	-30,493	-25,156
Other external expenses	8,9,10	-42,047	-27,387	-17,947
Staff costs	11	-20,510	-18,336	-13,508
Depreciation and amortization of tangible and intangible assets		-631	-789	-805
Other operating expenses		-32	-156	-20
Operating profit	12	56,243	51,982	36,101
FINANCIAL ITEMS				
Financial income	14	-	76	-
Financial expenses	15	-150	-102	-96
Profit before tax		56,093	51,956	36,005
Tax expense	16	-12,050	-10,313	-9,321
Profit for the year		44,043	41,643	26,684
Other comprehensive income		-	-	-
Comprehensive income for the year		44,043	41,643	26,684

CONSOLIDATED BALANCE SHEET

TSEK	Note	2020-12-31	2019-12-31	2018-12-31	2018-01-01
ASSETS					
Intangible assets					
Patents	17	-	59	202	345
Total intangible assets		-	59	202	345
Tangible assets					
Right-of-use assets	18	995	1,493	2,059	2,675
Equipment and computers	19	208	282	300	58
Total tangible assets		1,203	1,775	2,359	2,733
Deferred tax asset	16	113	12,163	8,647	5,701
Total non-current assets		1,316	13,997	11,208	8,779
Current assets					
Accounts receivables	21	113	15	167	25
Other current receivables	22	2,005	487	874	728
Current tax assets		9,557	-	-	-
Prepaid expenses and accrued income	23	38,617	34,235	22,373	25,129
Cash and cash equivalents	24	53,136	58,347	49,652	20,516
Total current assets		103,428	93,084	73,066	46,398
TOTALASSETS		104,744	107,081	84,274	55,177
EQUITY AND LIABILITIES					
Equity					
Share capital	25	150	150	150	150
Other capital contributions		2,020	1,431	-	-
Retained earnings, including profit for the year		-2,043	5,349	7,039	2,981
Total equity attributable to owners of the parent company		127	6,930	7,189	3,131
Non-current liabilities					
Lease liabilities		415	929	1,409	1,956
Total non-current liabilities		415	929	1,409	1,956
Current liabilities					
Lease liabilities		497	480	550	585
Accounts payables		6,775	1,301	3,152	1,549
Current tax liabilities		-	12,821	11,207	4,742
Other current liabilities		525	373	289	106
Accrued expenses and prepaid income	27	96,405	84,247	60,478	43,108
Total current liabilities		104,202	99,222	75,676	50,090
TOTAL EQUITY AND LIABILITIES		104,744	107,081	84,274	55,177

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

TSEK	Attributable to owners of the parent company			
	Share capital	Other capital contributions	Retained earnings incl. profit for the year	Total equity
Equity January 1, 2018	150	-	2,981	3,131
Profit for the year			26,684	26,684
Other comprehensive income			-	-
Comprehensive income for the year			26,684	26,684
Other changes in equity				
Dividend paid			-22,626	-22,626
Equity, December 31, 2018	150	-	7,039	7,189
Equity, January 1, 2019, opening balance	150	-	7,039	7,189
Profit for the year			41,643	41,643
Other comprehensive income			-	-
Comprehensive income for the year			41,643	41,643
Other changes in equity				
Proceeds from issued warrants		1,431		1,431
Dividend paid			-43,333	-43,333
Equity, December 31, 2019	150	1,431	5,349	6,930
Opening equity, January 1, 2020	150	1,431	5,349	6,930
Profit for the year			44,043	44,043
Other comprehensive income			-	-
Comprehensive income for the year			44,043	44,043
Other changes in equity				
Proceeds from issued warrants		589		589
Dividend paid			-51,435	-51,435
Equity, December 31, 2020	150	2,020	-2,043	127

CONSOLIDATED CASH FLOW STATEMENT

TSEK	Note	Jan – Dec		
		2020	2019	2018
Operating profit		56,243	51,982	36,101
Adjustments for non-cash items:				
Depreciation, amortization and impairment		631	789	805
Gain/loss on sale of Group company		10	-6,405	-
Interest received		-	76	-
Interest paid		-150	-102	-96
Income tax paid		-22,372	-12,215	-5,803
Cash flow before change in working capital		34,362	34,125	31,007
Change in current receivables		-5,998	-11,656	2,467
Change in current liabilities		17,784	25,267	19,157
Cash flow from operating activities		46,148	47,736	52,631
Investing activities				
Sale of Group company (net impact on liquidity)		-16	3,493	-
Acquisition of tangible assets		-	-82	-287
Cash flow from investing activities		-16	3,411	-287
Financing activities	26			
Dividend paid		-51,435	-43,333	-22,626
Amortization of lease liabilities		-497	-550	-582
Proceeds from issued warrants		589	1,431	-
Cash flow from financing activities		-51,343	-42,452	-23,208
Cash flow for the year		-5,211	8,695	29,136
Cash and cash equivalents, beginning of year		58,347	49,652	20,516
Cash and cash equivalents, end of year		53,136	58,347	49,652

PARENT COMPANY INCOME STATEMENT

TSEK	Note	Jan – Dec		
		2020	2019	2018
OPERATING INCOME				
Net revenue	6	159,448	122,609	92,873
Other income	7	159	71	240
OPERATING EXPENSES				
Platform fees		-40,144	-30,493	-25,156
Other external expenses	8,9,10	-42,552	-26,623	-15,478
Staff costs	11	-20,510	-17,234	-11,507
Depreciation and amortization of tangible and intangible assets		-134	-221	-182
Other operating expenses		-22	-154	-20
Operating profit	12	56,245	47,955	40,770
PROFIT FROM FINANCIAL ITEMS				
Profit/loss from holdings in group companies	13	-2	-578	302
Interest income and similar income items	14	-	76	-
Interest expenses and similar expense items	15	-107	-40	-18
Profit before tax		56,136	47,413	41,054
Tax expense	16	-12,051	-10,311	-9,243
Profit for the year		44,085	37,102	31,811

Since the parent company has no items recognized as other comprehensive income, total comprehensive income is equal to profit for the year.

PARENT COMPANY BALANCE SHEET

TSEK	Note	2020-12-31	2019-12-31	2018-12-31	2018-01-01
ASSETS					
Non-current assets					
Intangible assets					
Patents	17	-	59	202	345
Total intangible assets		-	59	202	345
Tangible assets					
Equipment and computers	19	208	282	277	29
Total tangible assets		208	282	277	29
Non-current financial assets					
Holdings in group companies	20	50	50	4,996	196
Deferred tax assets	16	102	12,153	8,640	5,700
Total non-current financial assets		152	12,203	13,636	5,896
Total non-current assets		360	12,544	14,115	6,270
Current assets					
Current receivables					
Accounts receivables	21	113	15	167	25
Receivables from Group companies		-	-	302	408
Other current receivables	22	2,005	487	664	372
Current tax assets		9,557	-	-	-
Prepaid expenses and accrued income	23	38,751	34,370	22,279	25,072
Total current receivables		50,426	34,872	23,412	25,877
Cash and bank balances	24	53,091	58,272	48,908	19,273
Total current assets		103,517	93,144	72,320	45,150
TOTAL ASSETS		103,877	105,688	86,435	51,420
EQUITY AND LIABILITIES					
Equity					
Restricted equity					
Share capital		150	150	150	150
		150	150	150	150
Non-restricted equity					
Share premium reserve		2,020	1,431	-	-
Retained earnings		-46,065	-31,732	-20,210	11
Profit for the year		44,085	37,102	31,811	2,405
		40	6,801	11,601	2,416
Total equity		190	6,951	11,751	2,566
Current liabilities					
Accounts payables		6,775	1,300	2,805	1,140
Liabilities to Group companies		-	-	500	-
Current tax liabilities		-	12,815	10,974	4,619
Other current liabilities		525	373	215	71
Accrued expenses and prepaid income	27	96,387	84,249	60,190	43,024
Total current liabilities		103,687	98,737	74,684	48,854
TOTAL EQUITY AND LIABILITIES		103,877	105,688	86,435	51,420

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

TSEK	Restricted equity		Non-restricted equity		Total equity
	Share capital	Share premium reserve	Retained earnings	Profit for the year	
Opening equity, January 1, 2018 after transition to RFR 2, see note 30.	150	-	11	2,405	2,566
Appropriation of previous year's profit/loss			2,405	-2,405	-
Profit for the year				31,811	31,811
Other comprehensive income			-	-	-
Comprehensive income for the year			-	31,811	31,811
Other changes in equity					
Dividend paid			-22,626		-22,626
Equity, December 31, 2018	150	-	-20,210	31,811	11,751
Equity, January 1, 2019, opening balance	150	-	-20,210	31,811	11,751
Appropriation of previous year's profit/loss			31,811	-31,811	0
Profit for the year				37,102	37,102
Other comprehensive income			-	-	-
Comprehensive income for the year			-	37,102	37,102
Other changes in equity					
Proceeds from issued warrants		1,431			1,431
Dividend paid			-43,333		-43,333
Equity, December 31, 2019	150	1,431	-31,732	37,102	6,951
Opening equity, January 1, 2020	150	1,431	-31,732	37,102	6,951
Appropriation of previous year's profit/loss			37,102	-37,102	0
Profit for the year				44,085	44,085
Other comprehensive income				-	-
Comprehensive income for the year				44,085	44,085
Other changes in equity					
Proceeds from issued warrants		589			589
Dividend paid			-51,435		-51,435
Equity, December 31, 2020	150	2,020	-46,065	44,085	190

PARENT COMPANY CASH FLOW STATEMENT

TSEK	Note	Jan – Dec		
		2020	2019	2018
Operating profit		56,245	47,955	40,770
Adjustments for non-cash items:				
Depreciation, amortization and impairment		134	221	182
Dividend received		-	302	-
Interest received		-	76	-
Interest paid		-107	-40	-18
Income tax paid		-22,372	-11,983	-5,828
Cash flow before change in working capital		33,900	36,531	35,106
Change in current receivables		-5,997	-11,762	2,767
Change in current liabilities		17,764	22,212	19,475
Cash flow from operating activities		45,667	46,981	57,348
Investing activities				
Proceeds received on sale of Group company		48	4,368	-
Formation of Group company		-50	-	-
Shareholder contribution paid		-	-	-4,800
Acquisition of tangible assets		-	-83	-287
Cash flow from investing activities		-2	4,285	-5,087
Financing activities				
Dividend paid		-51,435	-43,333	-22,626
Proceeds from issued warrants		589	1,431	-
Cash flow from financing activities		-50,846	-41,902	-22,626
Cash flow for the year		-5,181	9,364	29,635
Cash and cash equivalents, beginning of year		58,272	48,908	19,273
Cash and cash equivalents, end of year		53,091	58,272	48,908

Note 1 General information

Sleep Cycle AB, corporate identity number 556614-7368, is a limited liability company registered in Sweden with its registered office in Gothenburg. The address of the head office is Kungsgatan 46, SE-411 15 Gothenburg, Sweden. Sleep Cycle drives the development of the world's most used sleep platforms. Sleep Cycle's sleep solutions help users fall asleep more easily, analyze their sleep habits and improve their sleep, while also using its large sleep database to improve sleep habits and enhance sleep awareness all over the world. Regarding business essentials, operations are conducted in the parent company. The parent company's holdings of shares in Group companies as of December 31, 2020 consists of the wholly owned subsidiary Sleep Cycle Sverige AB (559278-9688).

Note 2 Significant accounting policies

This is Sleep Cycle AB's first consolidated annual report. It was prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations from the IFRS Interpretations Committee as adopted by the EU (IFRIC). In addition, the Group is applying the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Groups. Previously, the Group applied the Swedish Accounting Standards Board General Recommendation BFNAR 2016:10 Annual Report for Small Limited Companies ("K2"). The transition date to IFRS was set to January 1, 2018. The transition to IFRS has had no effect on the Group's financial statements since the parent company did not previously prepare any consolidated accounts in accordance with the exemption rules for small groups in Chapter 7, section 3 of the Annual Accounts Act.

New, amended standards and improvements that entered into force in 2020 have not had any significant effect on the Group's financial reports for the financial year.

The consolidated accounts are presented in Swedish kronor (SEK), rounded off to the nearest thousand (TSEK), and refer to the period January 1 – December 31 for income statement-related items and December 31 for balance sheet-related items. Rounding differences may occur. Assets and liabilities are recognized at cost unless otherwise stated. The essential accounting policies applied when preparing the financial statements are described below. Differences between the accounting policies of the parent company and the accounting policies of the Group are presented at the end of this section.

Preparing financial reports in accordance with IFRS requires that management makes judgements and estimates as well as assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual outcomes may differ from these judgements and estimates. Estimates and assumptions are reviewed periodically. Changes to estimates are recognized in the period when the change is made if the change only affected that period. If the change affects current and future periods, it is recognized in the period when the change is made and in future periods. Judgments made by management in the application of IFRS that have a significant effect on the financial statements, and estimates with a significant risk of material adjustment in the next year, are further discussed below in note 3.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS NOT YET IN FORCE

The new and amended standards and interpretations that have been issued, but which enter into force for financial years beginning after January 1, 2020, have not yet been adopted by the Group. Management has made the assessment that when these new and amended standards are applied for the first time, they will not have any material effect on the Group's financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include the parent company, Sleep Cycle AB, and those companies over which the parent company directly or indirectly has control (subsidiaries). There is a controlling influence if Sleep Cycle AB has power over the investment object, is exposed to or has a right to variable returns from its involvement, and can use its influence over the investment to impact the return. In determining whether a controlling influence exists, potential shares with voting rights are taken into account, as well as whether de facto control exists.

Subsidiaries are consolidated from the acquisition date until the date when control ceases.

The Group did not complete any business combinations during the presented financial years.

Consolidated profit or loss and components of other comprehensive income are attributable in their entirety to shareholders in the parent company.

All intra-group transactions, balances and unrealized gains attributable to intra-group transactions have been eliminated in full on consolidation. Unrealized losses are eliminated in the same manner as unrealized gains, but only insofar as no impairment is required.

SEGMENT REPORTING

Sleep Cycle's CEO, as chief operating decision-maker, monitors and analyzes the results and financial position of the Group as a whole. The CEO does not track earnings at a disaggregated level lower than consolidation. Thus the CEO also decides on the allocation of resources and makes strategic decisions based on consolidation as a whole. Based on the above analysis, with reference to IFRS 8, it can be concluded that the Sleep Cycle Group consists of only one reporting segment.

REVENUE

The Group recognizes revenue when a performance obligation is met by transferring a promised service/application to a customer. The service is transferred when the customer gains control over the service/application, which can be at a point in time, or over time. The transaction price is the amount of consideration that the Group expects to receive in exchange for the transfer of the service to the customer, after deduction for discounts and value added tax.

The absolute majority of the Group's revenue consists of revenue from subscription services relating to Sleep Cycle Premium. Sleep Cycle Premium consists of two performance obligations:

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

The features included in Freemium can be used completely offline through a software application that Sleep Cycle developed. Sleep Cycle has therefore made the assessment that this is a license for an intellectual property right. When the customer gains access to Freemium, Sleep Cycle gives the customer a license to use Sleep Cycle's intellectual property. When Premium users receive the same license to use Sleep Cycle's intellectual property, and can use it separately from the services included in Premium, the license is assessed to be distinct.

The services included in Sleep Cycle Premium are not dependent on the functionality offered to Freemium users. Consequently, Sleep Cycle considers these services to be distinct. The services provided to Premium users through the application, in addition to the license, are recognized as a simplification and sole performance obligation. Recognizing these services as a single performance obligation has no accounting effect, since these services are delivered to the customer in the same way over the contract period.

The stand-alone selling price for the license is SEK 0 since Freemium users have access to the license free of charge. Consequently, the entire transaction price that Premium users pay is allocated to the performance obligation to provide the services included in Sleep Cycle Premium. The price for Sleep Cycle Premium is fixed and contains no variable components.

The customers simultaneously receive and consume the benefits provided through Sleep Cycle's performance as when the company fulfills its performance obligation in relation to the services included in Sleep Cycle Premium. Thus this performance obligation meets the criteria in IFRS 15 and the revenue is to be recognized over time.

The commissions paid to the platform owners arise when a Premium user signs an agreement through them. The commissions are thus directly related to the agreements that are signed and would not arise if the customer did not subscribe for Sleep Cycle Premium via the platform owners.

The fees to the platform owners are thus an additional expense to obtain the agreement with the customer.

HISTORICAL FINANCIAL INFORMATION

Customers usually pay for the entire term of the agreement in advance. Advance payments are recognized as a contractual liability (prepaid income) in the balance sheet and revenue is recognized on a straight-line basis over the term of the subscription. Sleep Cycle has ascertained that a production method based on elapsed time is the method that best reflects how control over the services related to Sleep Cycle Premium is transferred to the customer.

Paid platform fees are recognized as an asset, prepaid expenses, and are written off so that the expense is recognized for the period during which the revenue is recognized (over the term of the agreement).

The Group has sold gift cards on a very small scale, which can be used for later access to Sleep Cycle Premium. Revenue from the sale of gift cards is entered as a liability in the statement of financial position until the gift card is used, at which point it is recognized as revenue in the same way as other sales of subscription services.

Direct sales in the app account for a very small portion of the Group's revenue. This income is recognized at a given point in time, when the customer gains access to the purchase.

GOVERNMENT GRANTS

Government grants are recognized as other income when the performance required in order to receive the contribution is carried out. If the contribution is received before performance is effected, the contribution is reported as a liability in the balance sheet. Government grants are measured at the fair value of whatever has been or is to be received.

DIVIDENDS AND INTEREST INCOME

Dividend income is reported when the right of shareholders to receive payment has been established.

Interest income is recognized across the term, by the effective interest method. Effective interest is the interest that causes the present value of all future payments and receipts to be equal to the recognized value of the receivable.

LEASING AGREEMENT – THE GROUP AS LESSEE

When an agreement is entered into, the Group assesses whether the agreement is, or contains, a leasing agreement. An agreement is, or contains, a leasing agreement if the agreement transfers the right to determine for a certain period on the use of an identified asset in exchange for compensation.

The Group reports a right-of-use asset and a leasing liability at the start date of the lease. The right-of-use asset is initially valued at acquisition value, which consists of the initial lease liability value with the addition of leasing fees paid at or before the start date plus any initial direct expenses. The right-of-use asset is depreciated on a straight-line basis from the commencement date until the earlier of the end of the asset's useful life and the end of the leasing period, which generally is the end of the leasing period for the Group. In the rarer cases where the acquisition value of the right-of-use asset reflects that the Group will exercise a warrant to purchase the underlying asset, it is depreciated to the end of the useful life.

The lease liability – which is divided into a long-term and a short-term part – is initially valued to the present value of the remaining leasing fees during the assessed leasing period. The leasing period consists of the non-cancellable period with the addition of further periods in the agreement, if it is considered reasonably certain that these will be used at the commencement date.

Leasing fees are normally discounted at the Group's marginal borrowing rate, which in addition to the Group's/Company's credit risk reflects the respective agreement's leasing period, currency and quality of underlying asset as intended security.

The value of the liability increases with the interest expense for each period and is reduced by the lease payments. The interest cost is calculated as the value of the liability times the discount rate.

The lease liability for the Group's premises with rent that is indexed, is calculated on the rent that applies at the end of each reporting period. At this point, the liability is adjusted with the corresponding adjustment of the carrying amount of the right-of-use asset. The value of the liability and

the asset is adjusted accordingly in connection with a reassessment of the leasing period. This happens in connection with that the last termination date within the previously estimated leasing period for premises lease agreements have been passed or when significant events occur, or the circumstances significantly change in ways that are within the Group's control and affect the current assessment of the lease term.

The Group presents right-of-use assets and leasing liabilities as own items in the statement of financial condition.

For leasing agreements that have a leasing period of 12 months or less, or with an underlying asset of low value, less than SEK 50,000, no right-of-use asset and lease liability are reported. Leasing fees for these leasing agreements are reported as an expense on a straight-line basis leasing period.

FOREIGN CURRENCY

The consolidated annual accounts are prepared in SEK, which is the reporting and functional currency of the parent company. Foreign currency transactions are translated into SEK using the exchange rate prevailing on the transaction date. Receivables and liabilities denominated in foreign currencies are translated at the exchange rate prevailing on the balance-sheet date. Exchange gains and losses on operating receivables and liabilities are recognized in operating profit/loss as other income or other operating expenses. Exchange gains and losses on financial receivables and liabilities are reported as financial items.

Exchange rate differences are recognized in profit or loss for the period in which they are incurred.

BORROWING COSTS

Borrowing costs are recognized in profit or loss in the period in which they are incurred as there are no qualifying assets in the Group that are eligible for capitalization of interest.

EMPLOYEE BENEFITS

SHORT-TERM EMPLOYEE BENEFITS

Employee benefits such as salaries, bonus, paid annual leave, paid sick leave, etc., as well as pensions are recognized as they are accrued.

SEVERANCE PAYMENTS

The Group recognizes severance payments when there is an existing legal or informal obligation and when it is likely that an outflow of resources will be required to meet the commitment and the amount can be calculated in a reliable manner.

PENSIONS

The Group has no occupational pension agreements with its employees. However, employees have a "salary exchange" option, where they can allocate a certain portion of their salary for their pension. These occupational pensions are classified as defined contribution pension plans.

A defined contribution pension plan is a pension plan under which the Group pays fixed contributions to a separate legal entity. The Group has no legal or informal obligations to pay additional contributions if the legal entity has insufficient assets to pay all compensation to employees relating to the employee's service during a current or earlier period. The Group's payments into defined contribution pension plans are charged to net profit for the year in the year to which they are attributable.

SHARE-BASED PAYMENTS

The Group has no share-based payments.

TAXES

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

CURRENT TAX

Current tax is based on taxable profit for the period, as well as adjustment for current tax for previous periods. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's current tax liability is calculated using tax rates that have been enacted or announced as of the balance sheet date.

DEFERRED TAX

Deferred tax is recognized on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in computation of the taxable profit.

Deferred tax is recognized according to the balance sheet method.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Deferred tax assets and liabilities are not recognized if the temporary difference refers to goodwill or arises from the initial recognition (other than in a business combination) of assets or liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on the tax rates (and tax laws) that have been enacted or announced as of the balance sheet date.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle the tax assets and liabilities on a net basis.

CURRENT AND DEFERRED TAX FOR THE PERIOD

Current and deferred tax are recognized as an expense or income in the income statement, except when the tax relates to transactions that are recognized in other comprehensive income or directly in equity, in which case the tax is also recognized in other comprehensive income or directly in equity.

TANGIBLE ASSETS

Computers and equipment are recognized at cost less deductions for accumulated amortization and any impairment losses. The cost includes the purchase price plus expenses directly attributable to the asset for bringing the asset to its location and to working condition for its intended use.

Depreciation is recognized so as to write-off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives are as follows:

Computers and equipment 5 years

Estimated useful lives, residual values, and depreciation methods are tested at least at the end of each accounting period; the effect of any changes in estimates is reported in future periods.

Right-of-use assets consist of leases for premises and one car. All right-of-use assets are depreciated over the term of the lease.

The carrying amount of tangible assets is removed from the statement of financial position in connection with retirement or disposal, or when no future economic benefits are expected from the use or the retirement/disposal of the asset. The profit or loss obtained from retirement or disposal of the asset, amounting to the difference between any net income obtained from the disposal and the carrying amount of the asset, is recognized in profit and loss during the period in which the asset is removed from the statement of financial position.

INTANGIBLE ASSETS

Intangible assets with a determinable useful life that are acquired separately or generated internally are recognized at cost less accumulated depreciation and any accumulated impairments. Depreciation takes place on a straight-line basis over the estimated useful life of the asset. Estimated useful life and depreciation methods are tested at least at the end of each financial year the effect of any changes to assessments is recognized prospectively.

INTERNALLY GENERATED INTANGIBLE ASSETS

Work to produce an internally generated intangible asset is broken down into a research phase and a development phase. All costs deriving from the Group's research phase are reported as expenses in the period in which they arise. The costs of developing an asset may be reported as an asset if all of the following conditions are met:

- it is technically possible to finish the intangible asset so it can be used or sold;
- the company intends to finish the intangible asset and to use or sell it;
- the conditions exist to use or sell the intangible asset;
- it is likely that the intangible asset will generate future economic benefits;
- necessary and adequate technical, economic and other resources are in place to complete the development and to use or sell the intangible asset, and
- the costs attributable to the intangible asset during its development can be calculated in a reliable manner.

If all of the above criteria are not satisfied, the development costs are reported as an operating expense when they arise.

If it is not possible to report an internally generated intangible asset, the development costs are reported as an expense during the period in which they are incurred.

The research and development work currently conducted in the Group refers in its entirety to improvements and further development of existing technology and is not considered to meet the criteria for capitalization as above, for which reason all research and development expenses are recognized in the income statement in their entirety.

To the extent that new development will be initiated and investments in new technology are made, new assessments of possible capitalization will be made.

PATENTS

The Group's patents refer to a patent acquired in 2015. The patents are amortized over 5 years. Patent maintenance fees are expensed as incurred.

RETIREMENTS AND DISPOSALS

An intangible asset is removed from the statement of financial position in connection with retirement or disposal, or when no future economic benefits are expected from the use or the retirement/disposal of the asset. The profit or loss arising when an intangible asset is removed from the statement of financial position, amounting to the difference between any net income obtained from the disposal and the carrying amount of the asset, is recognized in profit and loss when the asset is removed from the statement of financial position.

DEPRECIATION AND AMORTIZATION OF TANGIBLE ASSETS AND INTANGIBLE ASSETS

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. In calculating the useful value, the future estimated cash flow is discounted to its net present value using a discount rate before taxes that reflects current market perceptions of the time value of money, as well as the risks associated with the asset.

If the recoverable amount for an asset is calculated at a lower value than the carrying amount, the carrying amount of the asset is written down to the recoverable amount. An impairment loss must be immediately recognized in the profit and loss statement.

Previously recognized impairment losses are reversed if the recoverable amount is considered to exceed the carrying amount. However, the reversal amount is not greater than the carrying amount would have been if an impairment had not been recognized in earlier periods.

FINANCIAL INSTRUMENTS**RECOGNITION AND DERECOGNITION IN THE STATEMENT OF FINANCIAL POSITION**

A financial asset or financial liability is recognized in the statement of financial position when the company becomes a party to the contractual terms of the instrument. A receivable is recognized when the company has performed its contractual obligations and there is a contractual obligation for the counterparty to pay, even if no invoice has been sent. Accounts receivable are recognized in the statement of financial position when an invoice has been sent. A liability is recognized when the counterparty has performed its contractual obligations and there is a contractual obligation to pay, even if no invoice has been received.

Accounts payable are recognized when an invoice has been received. A financial asset is derecognized in the statement of financial position when the entitlements in the contract are realized, mature, or fall outside the control of the company. The same applies to part of a financial asset. A financial liability is derecognized from the statement of financial position when the obligation in the contract is discharged or otherwise extinguished. The same applies to part of a financial liability. No financial assets or liabilities are offset in the statement of financial position, since the terms of offsetting are not met. Acquisition and disposal of financial assets are recognized on the transaction date. The transaction date is the day the company undertakes to acquire or dispose of the asset.

HISTORICAL FINANCIAL INFORMATION

CLASSIFICATION AND MEASUREMENT

Financial assets are classified on the basis of the business model in which the asset is held and its cash flow characteristic. If the financial asset is held within the framework of a business model whose objective is collecting contractual cash flows and the financial assets at identified dates gives rise to cash flows that are solely payments of principal and interest on the principal, the asset is recognized at amortized cost. This business model is categorized as "hold to collect," which means measurement at amortized cost.

Financial assets:

- Amortized cost
- Fair value through other comprehensive income
- Fair value through profit or loss

The Group has no financial assets measured at fair value. Financial assets are measured at amortized cost.

Financial statements are initially recognized at fair value including transaction costs. Following initial recognition, the assets are measured and recognized at amortized cost, see below.

Financial liabilities:

- Amortized cost
- Fair value through profit or loss

The Group has no liabilities measured at fair value.

Financial liabilities that are measured at amortized cost are initially recognized at fair value including transaction costs. Following initial recognition, the liabilities are measured and recognized at amortized cost, see below.

AMORTIZED COST

Amortized cost refers to the amount at which an asset or liability was initially recognized less any amortization, additions or deductions of accumulated accrual in accordance with the effective interest method applied to the initial difference between the amount received/paid and the amount to be received/paid on the maturity date, and any write-downs. The effective interest rate is the interest rate that determines the initial carrying amount of the financial asset or liability upon discounting all future expected cash flow over the expected maturity.

OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and financial liabilities are offset and recognized at a net amount in the balance sheet where there is a legal right to offset the amounts and there is an intention to settle the items at a net amount, or to realize the asset and settle the liability at the same time.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and bank balances. Cash and bank balances are financial assets, which means measurement at amortized cost. Since bank deposits are payable on demand, the amortized cost is equal to the nominal amount.

ACCOUNTS RECEIVABLE AND OTHER CURRENT RECEIVABLES

Loss provisions for accounts receivable are always measured at an amount corresponding to the expected credit loss over the estimated remaining lifetime of the receivable. Impairment losses on accounts receivable are recognized in operating expenses.

LEASE LIABILITIES

The Group's lease liabilities are measured and recognized at amortized cost.

ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

Accounts payable and other current liabilities are financial liabilities, which means measurement at amortized cost. However, the expected maturities of accounts payable and other current liabilities are short, so they are recognized at nominal amounts without discounting.

DERIVATIVES

The Group does not have any derivatives.

PROVISIONS

Provisions are recognized when the Group has an existing (legal or informal) commitment as the result of a past event and it is probable that

an outflow of resources will be required to settle the commitment and a reliable estimate of the amount can be made.

CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company, or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

STATEMENT OF CASH FLOWS

Cash and cash equivalents consist of available cash, bank balances and other liquid investments with an original maturity of three months or less from the acquisition date and that are exposed to insignificant value fluctuation. The statement of cash flows is prepared according to the indirect method. The recognized cash flow only comprises transactions that have resulted in cash inflows and outflows.

ACCOUNTING POLICIES FOR THE PARENT COMPANY

Beginning on January 1, 2018, the parent company applies RFR 2 Accounting for legal entities and the Swedish Annual Accounts Act. Previously, the parent company applied the Swedish Accounting Standards Board General Recommendation BFAR 2016:10 Annual Report for Small Limited Companies ("K2") and the Swedish Annual Accounts Act. The transition date to RFR 2 was set to January 1, 2018, which means that comparative figures for the financial years 2018 and 2019 have been restated in accordance with RFR 2. For more information, see Note 30.

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

CLASSIFICATION AND PRESENTATION

The parent company's income statement and balance sheet are presented according to the structure in the Swedish Annual Accounts Act. The main differences between IAS 1, "Presentation of Financial Statements," and the presentation used in the consolidated financial statements can be seen in recognition of financial income and expenses, non-current assets, and the headings in equity.

SUBSIDIARIES

The parent company recognizes investments in subsidiaries at cost, which means that transaction costs are included in the carrying amount of holdings in subsidiaries. In the consolidated financial statements, transaction costs attributable to subsidiaries are recognized directly in profit and loss when incurred. Shareholder contributions received are reported as an increase in the carrying amount of the shares. Shares in subsidiaries are tested for impairment annually.

FINANCIAL INSTRUMENTS

The parent company does not apply IFRS 9 Financial Instruments: Recognition and Measurement. The parent company applies a cost-based method, pursuant to the Swedish Annual Accounts Act. However, portions of the policies in IFRS 9 are still applicable, such as those regarding impairment, recognition and derecognition, and the effective rate method for interest revenue and interest expenses.

LEASES

The parent company applies the exemption from the application of IFRS 16. Leasing costs are charged to profit and recognized on a straight-line basis over the term of the lease.

APPROVED AMENDMENTS TO RFR 2 THAT HAVE NOT YET ENTERED INTO FORCE

In management's assessment, amendments to RFR 2 that have not yet entered into force are not expected to have any significant effect on the parent company's financial statements on initial application.

PROPOSALS FOR AMENDMENTS TO RFR 2 THAT HAVE NOT YET ENTERED INTO FORCE

In management's assessment, proposals for amendments to RFR 2 that have not yet entered into force are not expected to have any significant effect on the parent company's financial statements on initial application.

Note 3 Significant estimates and judgments

IMPORTANT SOURCES OF UNCERTAINTY IN ESTIMATES

It is management's assessment that there are no significant sources of uncertainty in estimates as of the balance sheet date, that entail a significant risk of material adjustments in carrying amounts for assets and liabilities during the next financial year.

SIGNIFICANT JUDGEMENTS MADE IN APPLYING THE GROUP'S ACCOUNTING POLICIES

It is management's assessment that there is no significant uncertainty when applying the company's accounting policies that have a material effect on the amounts presented in the financial statements.

Note 4 Financial risk management and financial instruments

Through its activities, the Group is exposed to various types of financial risks, such as market, liquidity, and credit risks. Market risk consists of currency and interest rate risks. Risk is managed according to established principles where the Group's general financial policy focuses on the unpredictability of the financial markets with the aim of minimizing potential unfavorable effects on the Group's financial earnings and position. The company's Board of Directors is ultimately responsible for exposure, management and monitoring of the Group's financial risks.

The framework that applies for exposure, risk management, and monitoring of the financial risks is implemented by the Board in a financial policy (adopted Dec. 18, 2020) that is revised on an annual basis. The Board has delegated responsibility for everyday risk management to the company's CFO.

Since essentially all operations are conducted in the parent company, the amounts reported in the tables below are in all material respects the corresponding amounts for the parent company.

MARKET RISK

CURRENCY RISK

Currency risk relates to the risk that the fair value or future cash flows fluctuate due to changes in exchange rates. The exposure for currency risk primarily derives from payment flows in foreign currencies, referred to as transaction exposure.

TRANSACTION EXPOSURE

Transaction exposure is the risk that earnings will be negatively impacted by fluctuations in exchange rates for cash flows that take place in foreign currency. The Group's outflows are mainly denominated in SEK, but to some extent also in EUR and USD, while the Group's inflows are denominated in SEK. The Group is therefore affected to a limited extent by changes in these exchange rates.

The Group has one receivable denominated in EUR totaling SEK 103 thousand; this receivable is deducted from the EUR liabilities below. On the balance sheet date, the carrying amount of the Group's monetary liabilities used in the translation to SEK amounted to:

	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018
EUR	1,135	306	1,420
USD	43	24	44

SENSITIVITY ANALYSIS FOR TRANSACTION EXPOSURE

The sensitivity analysis for currency risk below shows the Group's sensitivity to a 5% increase or decrease respectively in the exchange rate for SEK against the two most significant foreign currencies. For transaction exposure, the table shows how the Group's earnings would have been affected by a change in the exchange rate. This also includes outstanding monetary assets and liabilities denominated in foreign currency on the balance-sheet date.

Currency exposure	2020	2019	2018
USD -/+5%	-/+ 304	-/+ 238	-/+ 127
EUR -/+5%	-/+405	-/+228	-/+167

CURRENCY RISK RELATED TO OPERATIONAL RISKS

The Group primarily uses two platform owners for its sales to customers, Google Play and Apple. All transactions between Sleep Cycle and Google Play and Apple are denominated in SEK, for which reason no dealings in foreign currencies arise relating to the Group's revenue. However, Google Play and Apple also broker the Group's sales in foreign currency since the price of the subscription service is set in the currency of each country where the sale takes place. The currency effect that arises when Google Play and Apple exchange foreign currency into SEK is deducted from the revenue Sleep Cycle receives with a 30-day and 45-day delay, respectively. The effect on profit is recognized in net revenue. Pricing was affected by exchange rate movements during the year. A presentation of this effect can be seen in the Group's alternative performance measure "Currency-adjusted net revenue growth".

INTEREST RATE RISK

Interest rate risk relates to the risk that the fair value or future cash flows fluctuate due to changes in market rates. Since the Group does not have any outstanding loans, this risk is limited. The interest on the lease liabilities for current rental contracts, with application of IFRS 16, is estimated at 3.5% which has been assessed as corresponding to the Group's marginal interest rate on loans.

LIQUIDITY AND FINANCING RISK

Liquidity risk is the risk that the Group will encounter problems meeting its commitments related to the Group's financial liabilities. Financing risk is the risk that the Group is unable to obtain sufficient financing at a reasonable cost. Both liquidity risk and financing risk are limited at this time.

The maturity profile of contractual payment commitments related to the Group's financial liabilities is presented in the tables below. The amounts in these tables are not discounted values and they also include interest payments where relevant, which means these amounts cannot be reconciled with the amounts reported in the balance sheets. Interest payments are established based on the conditions established on the balance-sheet date. Amounts in foreign currency have been translated into SEK at closing day exchange rates.

The table below presents the maturities for the Group's financial liabilities.

HISTORICAL FINANCIAL INFORMATION

Dec. 31, 2020

	Within 3 months	3-12 months	1-2 years	3-5 years	Over 5 years	Total
Lease liabilities	135	404	539	0	0	1,078
Accounts payable	6,775	0	0	0	0	6,775
Other current liabilities	10,350	0	0	0	0	10,350
Total	17,260	404	539	0	0	18,203

Dec. 31, 2019

	Within 3 months	3-12 months	1-2 years	3-5 years	Over 5 years	Total
Lease liabilities	135	404	1,079	0	0	1,618
Accounts payable	1,301	0	0	0	0	1,301
Other current liabilities	5,148	0	0	0	0	5,148
Total	6,584	404	1,079	0	0	8,067

Dec. 31, 2018

	Within 3 months	3-12 months	1-2 years	3-5 years	Over 5 years	Total
Lease liabilities	164	446	1,078	539	0	2,227
Accounts payable	3,152	0	0	0	0	3,152
Other current liabilities	2,293	0	0	0	0	2,293
Total	5,609	446	1,078	539	0	7,672

CREDIT AND COUNTERPARTY RISK

Credit risk is the risk that a counterparty in a transaction will not fulfill its contractual obligations, thereby incurring a loss for the Group. The Group's exposure to credit risk is mainly attributable to its investment of surplus liquidity. Credit risk is limited by investing only in counterparties with a very good rating.

The Group is exposed to a few counterparties in its accounts receivable, accrued income and bank balances. Nevertheless, credit risk is considered to be limited since the creditworthiness (ability to pay) of the counterparties is considered to be good.

The Group's maximum exposure to credit risk is assessed to correspond to the carrying amounts of all financial assets and is shown in the table below.

	Group		
	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018
Accounts receivable	113	15	167
Other current receivables	2,005	487	874
Accrued income	16,123	14,549	8,485
Cash and cash equivalents	53,136	58,347	49,652
Maximum exposure for credit risk	71,377	73,398	59,178

CATEGORIZATION OF FINANCIAL INSTRUMENTS

The table below presents the carrying amount of financial assets and financial liabilities by valuation category, in accordance with IFRS 9.

	Group		
	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018
Financial assets			
Accounts receivable	113	15	167
Other current receivables	2,005	487	874
Accrued income	16,123	14,549	8,485
Cash and cash equivalents	53,136	58,347	49,652
Total financial assets	71,377	73,398	59,178

All financial assets are measured at amortized cost.

	Group		
	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018
Financial liabilities			
Lease liabilities	912	1,409	2,541
Accounts payable	6,775	1,301	3,152
Accrued expenses	10,350	5,148	2,293
Total financial liabilities	18,037	7,858	7,986

All financial liabilities are measured at amortized cost.

No reclassifications between the above valuation categories occurred during the period.

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

Note 5 Capital management

The Group defines capital as equity since the Group currently does not have any loan financing. The Group's goal for asset management is to ensure its ability to conduct business and grow its operations, while generating reasonable returns for shareholders and benefit to other stakeholders.

Changes in the Group's capital can be seen in the consolidated statement of changes in equity.

Note 6 Distribution of net revenue

Distribution of net revenue	Group			Parent company		
	2020	2019	2018	2020	2019	2018
Subscription revenue	159,290	122,250	92,198	159,290	122,250	92,198
Other revenue	158	426	1 099	158	359	675
Total	159,448	122,676	93,297	159,448	122,609	92,873

Income from subscription services is recognized over time for the period of the subscription.

Other income consists of direct purchases in the app. This income is recognized at a given point in time, when the customer gains access to the purchase.

Information about geographic markets	Group			Parent company		
	2020	2019	2018	2020	2019	2018
Sweden	159,448	122,676	93,297	159,448	122,609	92,873
Other countries	-	-	-	-	-	-
Total	159,448	122,676	93,297	159,448	122,609	92,873

Income from external customers is reported by geographic market, based on where the selling company has its registered office. All of the Group's non-current assets are in Sweden.

Information on intra-group purchases and sales	Parent company		
	2020	2019	2018
Sales	0.00%	0.06%	0.15%
Purchases	0.00%	0.00%	0.00%

Note 7 Other income

	Group			Parent company		
	2020	2019	2018	2020	2019	2018
Gain/loss on sale of Group company	0	6,405	0	0	0	0
Grants received	22	62	240	22	0	100
Other income	137	0	0	137	71	140
Total	159	6,467	240	159	71	240

Note 8 Other external expenses

	Group			Parent company		
	2020	2019	2018	2020	2019	2018
Costs for premises	441	454	563	980	905	792
Consumable equipment, software and consumables	2,069	1,347	459	2,069	1,342	313
Marketing expenses	19,584	13,743	5,772	19,584	13,630	5,281
Consultant fee, product development	6,110	6,097	6,106	6,110	5,351	5,191
Server and technology costs	3,536	2,885	1,697	3,536	2,701	1,029
Other foreign services	9,420	1,336	1,905	9,420	1,335	1,870
Other expenses	887	1,525	1,445	853	1,359	1,002
Total	42,047	27,387	17,947	42,552	26,623	15,478

In 2020 the item "other foreign services" was impacted by items affecting comparability of SEK 7,501 thousand related to development of and preparations linked to future strategic initiatives, as well as the transition to IFRS.

Note 9 Remuneration to auditors

Mazars AB	Group			Parent company		
	2020	2019	2018	2020	2019	2018
Audit assignment	1,281	237	143	1,281	187	98
Audit work in addition to the audit assignment	0	0	0	0	0	0
Tax consultation	0	0	80	0	0	80
Other services	0	772	455	0	772	455
Total	1,281	1,009	678	1,281	959	633

The audit assignment amounts are the fees paid to the auditor for the statutory audit. The work involves examining the annual accounts and consolidated financial statements, the accounting records and the administration of the company by the Board of Directors and CEO, as well as fees for audit advisory services provided in connection with the audit assignment.

Note 10 Leases

The Group is a lessee mainly through leases for premises. The Group's significant leases extend to December 2022. For these premises, the Group's assessed incremental borrowing rate of 3.5% was used when discounting the lease liability. In addition to this lease, the Group rents a small office, which is leased on a month-to-month basis and is therefore treated as a short-term lease. In 2018 and 2019 the Group also leased a car, for which the implicit interest of the lease was used to discount the lease liability.

Note 4 presents a maturity analysis of lease liabilities.

Amounts recognized in the income statement	Group		
	2020	2019	2018
Amortization of right-of-use assets	-498	-567	-616
Interest expenses for lease liabilities	-42	-60	-79
Costs attributable to short-term leases	-225	-159	-17
Costs attributable to low-value leases	0	0	0
Total	-765	-786	-712

On December 31, 2020, the Group has commitments for short-term leases of SEK 25 thousand (10).

Cash flow	Group		
	2020	2019	2018
Amortization of lease liabilities	-497	-550	-582
Interest expenses lease liabilities	-42	-60	-79
Short-term leases and low-value leases	-225	-159	-17
Total	-764	-769	-678

See Note 18 for a specification of right-of-use assets. No assets are sublet.

PARENT COMPANY

The parent company applies the exemption from the application of IFRS 16. Leasing costs are charged to profit and recognized on a straight-line basis over the term of the lease.

The total cost of leases for the year amounted to SEK 846 thousand (813, 666).

On the balance sheet date, the parent company had outstanding commitments in the form of minimum lease payments under non-cancellable leases, with due dates as follows:

	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018
Within one year	595	570	634
Between 1–5 years	570	1,140	0
Later than 5 years	0	0	0
Total	1,165	1,710	634

The leases relate to rental of premises, as well as a lease for 1 passenger car in 2018 and 2019. The parent company has received income for subletting the car (to another Group company) amounting to SEK 104 thousand (71, 140).

Note 11 Number of employees, salaries, other remuneration and social security costs

	Group Number of employees			Parent company Number of employees		
	2020	2019	2018	2020	2019	2018
Men	17	20	11	17	16	8
Women	5	4	2	5	4	2
Total	22	24	13	22	20	10

All individuals are employed in Sweden.

	Group Number of employees			Parent company Number of employees		
	2020	2019	2018	2020	2019	2018
Board members and other senior executives						
Women:						
Board members	1	0	0	0	0	0
Other senior executives	0	0	0	0	0	0
Men:						
Board members	3	1	1	1	1	1
Other senior executives	3	3	2	3	3	2
Total	7	4	3	4	4	3

Costs for remuneration to employees	2020	2019	2018
Parent company:			
Salaries and other remuneration	14,904	11,820	8,775
Social security contributions	4,305	4,539	2,213
Pension costs	545	560	394
Subsidiaries:			
Salaries and other remuneration	-	743	1,409
Social security contributions	-	224	418
Pension costs	-	61	132
Total salaries and remuneration in the Group	14,904	12,563	10,184
Total social security contributions in the Group	4,305	4,763	2,631
Total pension costs in the Group	545	621	526
Total Group	19,754	17,947	13,341

All pension costs relate to defined contribution pension plans.

Salaries and other remuneration broken down between senior executives and other employees	2020	2019	2018
Parent company:			
Salaries and other remuneration for senior executives 3 people (for 2019, 3 people and for 2018, 2 people)	3,886	4,845	1,926
of which earnings-related and similar remuneration to senior executives	180	1,646	628
Salaries and other remuneration for other employees	11,018	6,975	6,849
Total salaries and other remuneration in the parent company	14,904	11,820	8,775

No board fees were paid in the parent company in 2018, 2019 and 2020.

Salaries and other remuneration as well as pensions to senior executives	2020	2019	2018
Group			
Salaries and other remuneration for senior executives 3 people (for 2019, 3 people and for 2018, 2 people)	3,886	4,845	1,926
of which earnings-related and similar remuneration to senior executives	180	1,646	628
Pension costs for senior executives	-	-	-
Total salaries and other remuneration as well as pension to senior executives in the Group	3,886	4,845	1,926

No board fees were paid in the Group in 2018, 2019 and 2020.

HISTORICAL FINANCIAL INFORMATION

Remuneration for senior executives 2020	Basic salary/ fee	Variable remuneration	Other benefits	Pensions	Total
Carl Johan Hederoth, Chief Executive Officer	1,046	180	16	0	1,242
Other senior executives (2 people)	2,660	0	22	0	2,682
Total remuneration for senior executives	3,706	180	38	0	3,924

Remuneration for senior executives 2019	Basic salary/ fee	Variable remuneration	Other benefits	Pensions	Total
Carl Johan Hederoth, Chief Executive Officer	1,019	988	0	0	2,007
Other senior executives (2 people)	2,180	658	3	0	2,841
Total remuneration for senior executives	3,199	1,646	3	0	4,848

No board fee was paid in 2019.

Remuneration for senior executives 2018	Basic salary/ fee	Variable remuneration	Other benefits	Pensions	Total
Carl Johan Hederoth, Chief Executive Officer	725	314	5	0	1,044
Other senior executives (2 people)	573	314	3	0	890
Total remuneration for senior executives	1,298	628	8	0	1,934

No board fee was paid in 2018.

Terms of employment for the Chief Executive Officer

The company and the Chief Executive Officer have agreed on a mutual term of notice of 6 months in the event of termination. No severance pay is paid.

Warrants

The Group's warrant program is described in Note 25. The company's Chief Executive Officer has 1,700 warrants and Board members have 400 warrants.

Note 12 Research and development costs

Total expenditure for research and development expensed in the Group and the parent company during the year amounted to SEK 15,214 thousand (12,232, 5,203). Research and development costs refer to all costs associated with development and maintenance of the technology platform, as well as development of algorithms for machine learning, including data analysis and quality assurance of the product.

Note 13 Profit/loss from holdings in group companies

	Parent company		
	2020	2019	2018
Gain/loss on sale of Group company	-2	-578	0
Dividend received	0	0	302
Total	-2	-578	302

Note 14 Finance income

	Group			Parent company		
	2020	2019	2018	2020	2019	2018
Interest income	0	76	0	0	76	0
Total	0	76	0	0	76	0

All interest income is attributable to financial assets measured at amortized cost.

Note 15 Financial expenses

	Group			Parent company		
	2020	2019	2018	2020	2019	2018
Interest expenses	-150	-102	-96	-107	-40	-18
Total	-150	-102	-96	-107	-40	-18

All interest expenses are attributable to financial liabilities measured at amortized cost.

Note 16 Tax expense

	Group			Parent company		
	2020	2019	2018	2020	2019	2018
Current tax						
Current tax expense	0	-13,829	-12,268	0	-13,824	-12,182
Adjustments recognized in the current year relate to current tax for the previous year	0	0	0	0	0	0
Deferred tax						
Deferred tax attributable to temporary differences	-12,152	3,516	2,947	-12,153	3,513	2,939
Deferred tax attributable to tax-loss carryforwards	102	0	0	102	0	0
Total	-12,050	-10,313	-9,321	-12,051	-10,311	-9,243

Income tax in Sweden is calculated at 21.4% (21.4%, 22.0%) on taxable profit for the year. The table below presents a reconciliation between reported profit and reported tax for the year:

Reconciliation of tax expense for the year	2020	2019	2018	2020	2019	2018
Reported profit before tax	56,093	51,956	36,005	56,136	47,413	41,054
Tax at current tax rate 21.4% (21.4%, 22.0%)	-12,004	-11,119	-7,921	-12,013	-10,146	-9,032
Effect of changed tax rate	0	0	-242	0	0	-242
Effect of non-deductible costs	-39	-165	-45	-38	-165	-35
Effect of non-taxable income relating to sale of Group company	0	1,494	0	0	0	0
Effect of other non-taxable income	0	0	0	0	0	66
Loss for which deferred tax asset has not been recognized	-7	-523	-1,113	0	0	0
Total	-12,050	-10,313	-9,321	-12,051	-10,311	-9,243
Adjustments recognized in the current year relate to current tax for the previous year	0	0	0	0	0	0
Recognized tax expense for the year	-12,050	-10,313	-9,321	-12,051	-10,311	-9,243

No taxes are recognized directly in equity or in other comprehensive income.

The Group's and the parent company's deferred tax assets relate to the following items:

	Group			Parent company		
	2020	2019	2018	2020	2019	2018
Deferred tax assets						
Temporary differences subscription liability and prepaid platform fees (net), respectively	0	12,153	8,640	0	12,153	8,640
Tax loss carry-forwards	102	0	0	102	0	0
Temporary differences, right-of-use assets	11	10	7	0	0	0
Total	113	12,163	8,647	102	12,153	8,640

The deferred tax asset relates to the temporary differences in subscription liability and prepaid platform fees, respectively, that arose in conjunction with the transition to RFR 2 and IFRS. As a result of the transition, the Group and the parent company recognize subscription income over time, instead of on a given date, which was the case previously. As of December 31, 2020 there is no longer any deferred tax asset relating to this item since income tax reporting beginning this year is in line with the accounting.

Note 17 Patents

	Group and Parent company		
	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018
Opening cost	714	714	714
Acquisitions for the year	0	0	0
Accumulated cost, closing balance	714	714	714
Depreciation/amortization, opening balance	-655	-512	-369
Depreciation/amortization for the year	-59	-143	-143
Accumulated depreciation/amortization, closing balance	-714	-655	-512
Carrying amount, closing balance	0	59	202

The Group's patents refer to a patent acquired in 2015. The patents are amortized over 5 years. Patent maintenance fees are expensed as incurred.

Note 18 Right-of-use assets

	Group		
	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018
Buildings			
Cost			
Cost, opening balance	2,489	2,489	2,489
Added right-of-use assets	0	0	0
Deducted right-of-use assets	0	0	0
Accumulated cost, closing balance	2,489	2,489	2,489
Accumulated depreciation/amortization			
Depreciation/amortization, opening balance	-996	-498	0
Depreciation/amortization for the year	-498	-498	-498
Accumulated depreciation/amortization, closing balance	-1,494	-996	-498
Carrying amount	995	1,493	1,991

	Group		
	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018
Car			
Cost			
Cost, opening balance	0	188	188
Added right-of-use assets	0	0	0
Deducted right-of-use assets	0	-188	0
Accumulated cost, closing balance	0	0	188
accumulated depreciation/amortization			
Depreciation/amortization, opening balance	-	-118	-
Deducted right-of-use assets	-	188	-
Depreciation/amortization for the year	-	-70	-118
Accumulated depreciation/amortization, closing balance	0	0	-118
Carrying amount	0	0	70

Right-of-use assets are amortized over 5 years.

Note 19 Equipment and computers

	Group		
	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018
Opening cost	618	567	279
Acquisitions for the year	0	82	288
Retired through sale of Group company	-	-31	-
Accumulated cost, closing balance	618	618	567
Depreciation/amortization, opening balance	-336	-267	-221
Retired through sale of Group company	-	11	-
Depreciation/amortization for the year	-74	-80	-46
Accumulated depreciation/amortization, closing balance	-410	-336	-267
Carrying amount, closing balance	208	282	300

	Parent company		
	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018
Opening cost	619	536	248
Acquisitions for the year	0	83	288
Accumulated cost, closing balance	619	619	536
Depreciation/amortization, opening balance	-337	-259	-219
Depreciation/amortization for the year	-74	-78	-40
Accumulated depreciation/amortization, closing balance	-411	-337	-259
Carrying amount, closing balance	208	282	277

Note 20 Holdings in group companies

	Group		
	2020-12-31	2019-12-31	2018-12-31
Opening cost	50	8,196	3,396
Formation of Sleep Cycle Sverige AB	50	-	-
Sale of Everdrone AB	-	-8,146	-
Sale of Mdlabs AB	-50	-	-
Shareholder contributions received	-	-	4,800
Cost, closing balance	50	50	8,196
Impairment, opening balance	-	-3,200	-3,200
Sale of Everdrone AB	-	3,200	0
Accumulated impairment, closing balance	-	0	-3,200
Carrying amount, closing balance	50	50	4,996

The parent company holds shares in the following subsidiaries:

Company corporate identity number	Registered office	Dec. 31, 2020 Share of equity, %	Dec. 31, 2019 Share of equity, %	Dec. 31, 2020 Carrying amount	Dec. 31, 2019 Carrying amount
Sleep Cycle Sverige AB (559278-9688)	Gothenburg	100%	-	50	-
Mdlabs AB (559095-4177)	Gothenburg	-	100%	-	50

Indirect ownership of subsidiaries in the Group:

Company corporate identity number	Registered office	Dec. 31, 2018 Share of equity, %	Dec. 31, 2018 Carrying amount
Everdrone AB (559095-4169)	Gothenburg	91%	4,946
Mdlabs AB (559095-4177)	Gothenburg	100%	50

* Also share of voting rights

Everdrone AB was sold in 2019 since the business in the subsidiary was not in line with the business focus of the Group. In 2020 Mdlabs was sold for the same reason.

Note 21 Accounts receivables

	Group and Parent company		
	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018
Accounts receivable, gross	113	15	167
Reserve for doubtful receivables	0	0	0
Total accounts receivable, net after reserve for doubtful receivables	113	15	167

Management holds the opinion that the carrying amount for accounts receivable is in line with fair value. No accounts receivable are past due and the company's assessment is that payment will be received for accounts receivable since the customers' ability to pay is considered to be good.

Note 22 Other current receivables

	Group		
	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018
Receivable VAT	1,638	484	847
Other items	367	3	27
Total	2,005	487	874

	Parent company		
	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018
Receivable VAT	1,638	484	637
Other items	367	3	27
Total	2,005	487	664

Note 23 Prepaid expenses and accrued income

	Group		
	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018
Prepaid platform fees	20,311	19,310	13,500
Accrued income	16,123	14,549	8,485
Prepaid rent	103	56	109
Other items	2,080	320	279
Total	38,617	34,235	22,373

	Parent company		
	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018
Prepaid platform fees	20,311	19,310	13,500
Accrued income	16,123	14,549	8,485
Prepaid rent	238	191	175
Other items	2,079	320	119
Total	38,751	34,370	22,279

Note 24 Cash and cash equivalents

	Group		
	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018
Bank balances	53,136	58,347	49,652
Total	53,136	58,347	49,652

	Parent company		
	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018
Bank balances	53,091	58,272	48,908
Total	53,091	58,272	48,908

Note 25 Equity

Share capital and Other capital contributions	Number of shares	Share capital (TSEK)	Other paid-in capital (TSEK)
As of January 1, 2018	1,500	150	0
As of December 31, 2018	1,500	150	0
Share split	148,500	0	0
Proceeds from issued warrants	0	0	1,431
As of December 31, 2019	150,000	150	1,431
Proceeds from issued warrants	0	0	589
As of December 31, 2020	150,000	150	2,020

As of December 31, 2020 the registered share capital is 150,000 shares with a quota value of SEK 1/share that are fully paid. No shares are held by the company or its subsidiaries.

On June 19, 2019, the Extraordinary General Meeting resolved to implement an additional incentive plan by issuing warrants to senior executives and employees within the Group. The plan includes a maximum of 7,900 warrants, of which 6,624 warrants have been subscribed for, where each warrant entitles the holder to subscribe for 1 share. The subscription period for the remainder of the warrants ended on September 20, 2019. The fair value of the warrants at the time of allotment was set using the Black-Scholes valuation model and totaled SEK 216/warrant. Subscription for

shares can take place from June 20, 2022 through September 20, 2022. In the event that all warrants in the above plan are exercised, the number of shares in the company will increase by 6,624, corresponding to SEK 6,624 in share capital.

On December 14, 2020, the Extraordinary General Meeting resolved to implement an additional incentive plan by issuing warrants to Board members, key personnel and other employees. The plan includes a maximum of 1,276 warrants where each warrant entitles the holder to subscribe for 1 share. The subscription period for the warrants is from December 15, 2020 through March 31, 2021, though the Board of Directors can extend the subscription period. As of December 31, 2020, 500 warrants were subscribed for.

The warrants are issued against payment corresponding to the fair value of the warrant at the time of allotment. The fair value, which is calculated based on the Black-Scholes valuation model, was SEK 1,474/warrant at the time of allotment of the 500 warrants. Subscription for shares may take place from December 1, 2023 through December 31, 2023.

In the event that all warrants in the above plan are exercised, the number of shares in the company will increase by 1,276, corresponding to SEK 1,276 in share capital.

In all warrant programs the Company has the opportunity to buy back the warrants in the event that the employee or board member terminates his or her position commitment with the Company. Calculation of value is then determined using the Black-Scholes valuation model.

Other capital contributions

Other capital contributions consist in their entirety of proceeds from issued warrants.

Retained earnings

Retained earnings consist of earned profit less dividends to shareholders.

Note 26 Reconciliation of liabilities attributable to financing activities

The table below presents this year's change in the Group's liabilities linked to financing the business. The table includes non-current and current liabilities.

	Group		
	Lease liabilities	Other loan liabilities	Total
Opening balance 2018	2,541	0	2,541
Items that affect cash flow	0	0	0
Amortization of lease liabilities	-582		-582
Items that do not affect cash flow	0	0	0
As of December 31, 2018	1,959	0	1,959
Items that affect cash flow			
Amortization of lease liabilities	-550	0	-550
Items that do not affect cash flow	0	0	0
As of December 31, 2019	1,409	0	1,409
Items that affect cash flow			
Amortization of lease liabilities	-497	0	-497
Items that do not affect cash flow	0	0	0
As of December 31, 2020	912	0	912

Note 27 Accrued expenses and prepaid income

	Group		
	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018
Contractual liability (deferred income)	82,624	76,718	52,997
Accrued platform fees	3,982	3,646	2,079
Accrued salaries	0	0	3,461
Accrued holiday pay	2,269	1,547	1,167
Accrued social security contributions	1,162	834	560
Other items	6,368	1,502	214
Total	96,405	84,247	60,478

	Parent company		
	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018
Contractual liability (deferred income)	82,624	76,718	52,997
Accrued platform fees	3,982	3,646	2,079
Accrued salaries	0	0	3,461
Accrued holiday pay	2,269	1,547	1,023
Accrued social security contributions	1,162	834	514
Other items	6,350	1,504	116
Total	96,387	84,249	60,190

The contractual liability consists in its entirety of prepaid subscription services for Sleep Cycle Premium. The contractual liability is recognized as revenue over time on a straight-line basis over the length of the subscription. In no case does the subscription period exceed 12 months, and therefore an opening contractual liability is recognized as income during the current year in its entirety.

Note 28 Pledged assets and contingent liabilities

	Group and Parent company		
	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018
Pledged assets	None	None	None
Contingent liabilities	None	None	None

Note 29 Related-party transactions

Transactions between the company and its subsidiaries, which are related parties to the company, have been eliminated on consolidation, for which reason no information about these transactions is provided in this note.

In 2019 Sleep Cycle AB sold its subsidiary Everdrone AB to the owners of Sleep Cycle AB. The sales price was SEK 4,368 thousand, which generated a profit in the Group of SEK 6,405 thousand and a loss in the parent company of SEK 578 thousand.

Other than the above transaction, no purchases of goods or services from senior executives or other related parties to the Group occurred in 2020, 2019 and 2018, nor have any corresponding sales been made. There are no issued loans to or deals with related parties.

Disclosures on remuneration for senior executives are presented in Note 11.

Note 30 Effect of transition to IFRS

This is Sleep Cycle AB's first consolidated annual report. It was prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations from the IFRS Interpretations Committee as adopted by the EU (IFRIC). In addition, the Group is applying the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Groups. Previously, the Group applied the Swedish Accounting Standards Board General Recommendation BFNAR 2016:10 Annual Report for Small Limited Companies ("K2"). The transition date to IFRS was set to January 1, 2018. The transition to IFRS has had no

effect on the Group's financial statements since the parent company did not previously prepare any consolidated accounts in accordance with the exemption rules for small groups in Chapter 7, section 3 of the Annual Accounts Act.

Beginning on January 1, 2018, the parent company applies RFR 2 Accounting for legal entities and the Swedish Annual Accounts Act. Previously, the parent company applied the Swedish Accounting Standards Board General Recommendation BFNAR 2016:10 Annual Report for Small Limited Companies ("K2") and the Swedish Annual Accounts Act. The transition date to RFR 2 was set to January 1, 2018, which means that comparative figures for the financial years 2018 and 2019 have been restated in accordance with RFR 2.

Reconciliation of previous accounting policies and RFR 2 regarding parent company

BALANCE SHEET – PARENT COMPANY AS OF DEC. 31, 2018	Ref	Previous accounting policies	Effect of transition to RFR 2	RFR 2
ASSETS				
Intangible assets		345	0	345
Tangible assets		29	0	29
Financial assets	A	196	5,701	5,897
Current assets	A	30,195	14,954	45,149
Total assets		30,765	20,655	51,420
EQUITY AND LIABILITIES				
Restricted equity				
Share capital		150	0	150
Non-restricted equity				
Share premium reserve		0	0	0
Profit or loss brought forward	A	22,627	-20,211	2,416
Total equity		22,777	-20,211	2,566
Current liabilities	A	7,988	40,866	48,854
TOTAL EQUITY AND LIABILITIES		30,765	20,655	51,420

A

The entire effect of the transition to RFR 2 is attributable to implementation of IFRS Revenue from Contracts with Customers. As a result of the transition, under RFR 2 the company recognizes subscription income over the time to which the subscription relates; prior to the transition, subscription income was recognized at a given time of sale.

Non-current financial assets	
Deferred tax asset attributable to temporary differences	5,701
Current assets	5,039
Accrued income	9,915
Prepaid platform fees	-
Current liabilities	
Contractual liability (deferred income)	36,882
Accrued platform fees	3,984
Retained earnings	
Net of the above assets and liabilities	-20,211

HISTORICAL FINANCIAL INFORMATION

	Ref	Previous accounting policies	Effect of transition to RFR 2	RFR 2
OPERATING INCOME				
Net revenue	A, B,D	82,319	10,554	92,873
Other income	A	100	140	240
OPERATING EXPENSES				
Platform fees	B,D	0	-25,155	-25,155
Raw materials and consumables	C	-1,029	1,029	0
Other external expenses	C	-14,450	-1,029	-15,479
Staff costs		-11,507	0	-11,507
Depreciation and amortization of tangible and intangible assets		-182	0	-182
Other operating expenses		-20	0	-20
Operating profit		55,231	-14,461	40,770
PROFIT FROM FINANCIAL ITEMS				
Profit/loss from holdings in Group companies		302	0	302
Interest income and similar income items		0	0	0
Interest expenses and similar expense items		-18	0	-18
Profit before tax		55,515	-14,461	41,054
Tax on profit for the year	D	-12,182	2,939	-9,243
Profit for the year		43,333	-11,522	31,811
Other comprehensive income		0	0	0
Comprehensive income for the year		43,333	-11,522	31,811

A
Reclassification of income for forwarding the invoice for costs related to the leased car to a Group company from net revenue to other income amounts to SEK 140 thousand.

B
Under the previous accounting policies the company recognized net revenue net of platform fees. Following analysis upon implementation of IFRS 15, net revenue is recognized gross of platform fees, for which reason reclassification occurs in the amount of SEK 28,740 thousand.

C
Under the previous accounting policies, certain costs were presented as raw materials and consumables. Under RFR 2 these costs have been reclassified to other external expenses and recognized separately in a note as server and technology costs.

The adjustments described above are only reclassifications, and have not entailed any effect on profit for the year.

D
Effect of accrual of income and platform fees as well as deferred tax.

Change in subscription liability for the year	-16,115
Change in accrued income for the year	-1,931
Change in prepaid platform fees for the year	3,585
Change in deferred tax for the year	2,939
Total effect on profit for the year	-11,522

BALANCE SHEET – PARENT COMPANY AS OF DEC. 31, 2018	Ref	Previous accounting policies	Effect of transition to RFR 2	RFR 2
ASSETS				
Intangible assets		202	0	202
Tangible assets		277	0	277
Financial assets	A	4,996	8,640	13,636
Current assets	B	57,617	14,703	72,320
TOTAL ASSETS		63,092	23,343	86,435
EQUITY AND LIABILITIES				
Restricted equity				
Share capital		150	0	150
Non-restricted equity				
Share premium reserve		0	0	0
Profit or loss brought forward	D	1	-20,211	-20,210
Profit for the year		43,333	-11,522	31,811
Total equity		43,484	-31,733	11,751
Current liabilities	C	19,608	55,076	74,684
TOTAL EQUITY AND LIABILITIES		63,092	23,343	86,435

A

Deferred tax is attributable to temporary differences at transition to IFRS 15	
Effect at transition as of Jan. 1, 2018	5,701
Change in deferred tax for the year	2,939
Deferred tax asset as of Dec. 31, 2018	8,640

B

Effect of accrual of income and platform fees	
Effect at transition as of Jan. 1, 2018	14,954
Change in accrued income for the year	-1,931
Change in prepaid platform fees for the year	3,585
Reclassification of accrued platform fees	-1,905
Closing balance RFR 2 adjustment prepaid expenses and accrued income	14,703

C

Effect of accrual of subscription income	
Effect of transition as of Jan. 1, 2018	40,866
Change in subscription liability for the year	16,115
Reclassification of accrued platform fees	-1,905
Closing balance RFR 2 adjustment accrued expenses and prepaid income	55,076

D

Effect at transition to RFR 2 Jan. 1, 2018	-20,211
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INCOME STATEMENT – PARENT COMPANY 2019	Ref	Previous accounting policies	Effect of transition to RFR 2	RFR 2
OPERATING INCOME				
Net revenue	A,B,D	108,601	14,008	122,609
Other income	A	0	71	71
OPERATING EXPENSES				
Platform fees	B, D	0	-30,493	-30,493
Raw materials and consumables	C	-2,701	2,701	0
Other external expenses	C	-23,921	-2,701	-26,623
Staff costs		-17,234	0	-17,234
Depreciation and amortization of tangible and intangible assets		-221	0	-221
Other operating expenses		-154	0	-154
Operating profit		64,370	-16,414	47,955
PROFIT FROM FINANCIAL ITEMS				
Profit/loss from holdings in Group companies		-578	0	-578
Interest income and similar income items		76	0	76
Interest expenses and similar expense items		-40	0	-40
Profit before tax		63,828	-16,414	47,413
Tax on profit for the year	D	-13,824	3,513	-10,311
Profit for the year		50,004	-12,901	37,102
Other comprehensive income		0	0	0
Comprehensive income for the year		50,004	-12,901	37,102

A

Reclassification of income for forwarding the invoice for costs related to the leased car to a Group company from net revenue to other income amounts to SEK 71 thousand.

B

Under the previous accounting policies the company recognized net revenue of platform fees. Following analysis upon implementation of IFRS 15, net revenue is recognized gross of platform fees, for which reason reclassification occurs in the amount of SEK 36,303 thousand.

C

Under the previous accounting policies, certain costs were presented as raw materials and consumables. Under RFR 2 these costs have been reclassified to other external expenses and recognized separately in a note as server and technology costs.

The adjustments described above are only reclassifications, and have not entailed any effect on profit for the year.

D

Effect of accrual of income and platform fees as well as deferred tax.

Change in subscription liability for the year	-23,721
Change in accrued income for the year	1,497
Change in prepaid platform fees for the year	5,810
Change in deferred tax for the year	3,513
Total effect on profit for the year	-12,901

HISTORICAL FINANCIAL INFORMATION

BALANCE SHEET – PARENT COMPANY AS OF DEC. 31, 2019	Ref	Previous accounting policies	Effect of transition to RFR 2	RFR 2
ASSETS				
Intangible assets		59	0	59
Tangible assets		282	0	282
Financial assets	A	50	12,153	12,203
current assets	B	69,568	23,576	93,144
TOTAL ASSETS		69,959	35,729	105,688
EQUITY AND LIABILITIES				
Restricted equity				
Share capital		150	0	150
Non-restricted equity				
Share premium reserve		1,431	0	1,431
Profit or loss brought forward	D	0	-31,733	-31,733
Profit for the year		50,004	-12,901	37,102
Total equity		51,585	-44,634	6,950
Current liabilities	C	18,374	80,363	98,738
TOTAL EQUITY AND LIABILITIES		69,959	35,729	105,688

A

Deferred tax is attributable to temporary differences at transition to IFRS 15.

Opening balance, RFR 2 Jan. 1, 2019	8,640
Change in deferred tax for the year	3,513
Deferred tax asset as of Dec. 31, 2019	12,153

B

Effect of accrual of income and platform fees

Opening balance, RFR 2 Jan. 1, 2019	14,703
Change in accrued income for the year	1,497
Change in prepaid platform fees for the year	5,810
Reclassification of accrued platform fees	1,566
Closing balance RFR 2 adjustment prepaid expenses and accrued income	23,576

C

Effect of accrual of subscription income

Opening balance, RFR 2 Jan. 1, 2019	55,076
Change in subscription liability for the year	23,721
Reclassification of accrued platform fees	1,566
Closing balance RFR 2 adjustment accrued expenses and prepaid income	80,363

D

Effect at transition to RFR 2 Jan. 1, 2018	-20,211
Effect on income 2018	-11,522
Effect on retained earnings Dec. 31, 2019	-31,733

Since the parent company did not previously prepare a statement of cash flows, the transition to RFR 2 has had no effect on recognition of cash flows.

Note 31 Dividend and allocation of profit

At the Annual General Meeting on 19 May 2021, the following proposal for the allocation of profit will be presented:

The following earnings are at the disposal of the Annual General Meeting (SEK):

Share premium reserve	2,020,384
Retained earnings	-46,064,951
Profit for the year	44,085,223
	40,656

The Board of Directors proposes the following allocation of funds:

To be carried forward	40,656
	40,656

Note 32 Events after the balance sheet date

- Sandra Hansson started as the new CPO on February 1.
- Per Andersson started as the new CFO on February 15.
- Ödgård Andersson was elected to the Board of Directors at the Extraordinary General Meeting on February 16.
- New warrants were issued.

REPORT ON RESTATED FINANCIAL STATEMENTS ON HISTORICAL FINANCIAL INFORMATION

REPORT FROM INDEPENDENT AUDITOR

To the board of directors of Sleep Cycle AB (publ), Reg. No. 556614-7368

Opinions

We have audited the restated financial statements on historical financial information for the period of three years ending 31 December 2020. The restated financial statements on historical financial information of Sleep Cycle AB (publ) are included on pages F9-F36 in this document.

In our opinion, the restated financial statements on historical financial information have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of Sleep Cycle AB (publ) as of 31 December 2018, 31 December 2019 and 31 December 2020 and its financial performance and cashflow for each of the three financial years ending 31 December 2020 in accordance with International Financial Reporting Standards (IFRS) and the Annual Accounts Act.

Basis for opinion

We conducted our audit in accordance with the international Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibility under those standards are further described in the Auditors Responsibilities section. We are independent of Sleep Cycle AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the 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 and the Managing Director are responsible for the preparation of the restated financial statements on historical financial information and that they give a fair presentation in accordance with the Annual Accounts Act and according to IFRS. 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 the restated financial statements on historical financial information that are free from material misstatement, whether due to fraud or error.

In preparing the restated financial statements on historical financial information, 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 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 and the Managing Director intend to liquidate the company, to cease operations or has a no realistic alternative but to do so.

Auditor's responsibility

Our objects are to obtain reasonable assurance about whether the restated financial statements on historical financial information 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 the restated financial statements on historical financial information.

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 restated financial statements on historical financial information, 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 and the group'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 internal control.
- Evaluate the appropriateness 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 preparing the restated financial statements on historical financial information. 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 to in our auditor's report to the related disclosures in the restated financial statements on historical financial information or, if such disclosures are inadequate, to modify our opinion about the restated financial statements on historical financial information. 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 the company and the group to cease to continue as a going concern.
- Evaluate the overall presentation structure and content of the restated financial statements on historical financial information, including the disclosures, and whether the restated financial statements on historical financial information represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the company and the group to express an opinion on the restated financial statements on historical financial information. We are responsible for the direction supervision and performance of the audit. We remain solely responsible for our audit opinion.

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.

Stockholm, 28 May 2021
Mazars AB

Samuel Bjälkemo
Authorized Public Accountant

Anders Persson
Authorized Public Accountant

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