



JANUARY - JUNE
2021

SLEEP CYCLE
INTERIM REPORT



INTERIM REPORT JAN – JUN, 2021 – SLEEP CYCLE AB

CONTINUED INCREASE IN SALES AND SUBSCRIBERS

The number of subscriptions increased during the quarter to 852 thousand, driven by a combination of organic growth, investments in conversion-driven marketing, and contributions from the newly launched growth initiatives. Sales for the quarter totaled SEK 44.1 million, corresponding to an increase of 12.5%, while the figure for currency-adjusted sales was 20.3%. IPO-related costs and marketing expenses had a negative impact on the quarter, resulting in an operating loss of SEK -11.4 million, adjusted for items affecting comparability the result was an operating profit of SEK 4.6 million.

SIGNIFICANT EVENTS

- The extraordinary general meeting in April resolved to increase share capital to 500 SEK thousand through a private placement to one of the Company's owners. The EGM also resolved to register Sleep Cycle as a public company.
- In April, Sleep Cycle and Cura of Sweden announced a partnership for sales. Cura of Sweden is the European market leader in weighted duvets. The partnership aims to jointly fuel sales in each company's channels.
- On June 8, Sleep Cycle's shares were listed on NASDAQ Stockholm. In connection with the listing, the Company raised approximately SEK 100 million before transaction costs through a new share issue. The total number of shares in the Company after the IPO amounts to 19,428,571 shares and the share capital amounts to SEK 540 thousand.
- In June, Alexander Skarsgård was introduced as the person behind the voice of a new sleep story that is part of the Sleep Aid library. Sleep Aid is a function within Sleep Cycle consisting of an extensive audio library with relaxing music, meditations and stories that are intended to help users fall asleep with greater ease.

SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

- In August, Sleep Cycle and Samsung announced a collaboration through which Samsung will integrate some of Sleep Cycle's technology in certain phone models. As a result of the collaboration, Sleep Cycle will receive about SEK 3.5 million in revenue during the third quarter from integration services performed.

THE GROUP'S PERFORMANCE INDICATORS

SEK 000	apr – jun		jan – jun		jan – dec
	2021	2020	2021	2020	2020
Net sales	44,128	39,240	86,138	77,353	159,448
Net sales growth (%)	12.5%	37.1%	11.4%	33.8%	30.0%
Currency-adjusted net sales growth (%)	20.3%	31.7%	17.3%	28.1%	26.9%
Operating profit	-11,414	16,252	-6,729	34,622	56,243
Operating margin (%)	-25.9%	41.4%	-7.8%	44.8%	35.3%
Adjusted operating profit	4,533	16,252	16,352	34,622	63,744
Adjusted operating margin (%)	10.3%	41.4%	19.0%	44.8%	40.0%
Adjusted operating margin excluding marketing expenses (%)	40.3%	53.7%	43.3%	53.1%	52.3%
EBITDA	-11,271	16,418	-6,443	34,967	56,874
Adjusted EBITDA	4,676	16,418	16,637	34,967	64,375
Profit/loss for the period	-11,453	16,135	-6,774	34,493	56,093
Adjusted operating cash flow	16,369	18,730	20,730	33,423	76,161
Adjusted cash conversion (%)	350.1%	114.1%	124.6%	95.6%	118.3%
Operational performance indicators					
Total subscriptions (thousands)	852	744	852	744	788
ARPU (SEK)	211	213	210	212	212
Average number of employees	31	21	28	21	22

For definitions, justifications and derivations see page 16.

SECOND QUARTER APRIL – JUNE 2021

- Net sales increased by 12.5 (37.1)% and totaled SEK 44,128 thousand (39,240). Currency-adjusted net sales growth amounted to 20.3% (31.7). This increase can be explained by growth in the number of subscriptions in all channels, driven in part by investments in conversion marketing.
- The operating result was a loss of SEK 11,414 thousand (profit: 16,252) and the operating margin was -25.9% (41.4). The deteriorating margin can be attributed to high IPO-related costs, investments in marketing and a larger organization which, taken together underlie the negative result.
- Adjusted operating profit totaled SEK 4,533 thousand (16,252) and the operating margin was 10.3% (41.4).
- The total number of paying subscribers at the end of the period was SEK 852 thousand (744), an increase of 14.5% compared with the previous year.
- ARPU for the quarter amounted to SEK 211 (213).
- Basic earnings per share for the quarter amounted to SEK -0.50 (0.70). Diluted earnings per share amounted to SEK -0.50 (0.67).

FIRST HALF JANUARY – JUNE 2021

- Net sales increased by 11.4% (17.3) and totaled SEK 86,138 thousand (77,353). Currency-adjusted net sales growth amounted to 17.3% (28.1). This increase can be explained by growth in the number of subscriptions.
- The operating result was a loss of SEK 6,729 thousand (profit: 34,622) and the operating margin was -7.8% (44.8). The deteriorating margin can mainly be attributed to IPO-related costs and strategic projects.
- Adjusted operating profit totaled SEK 16,352 thousand (34,622) and the operating margin was 19.0% (44.8).
- ARPU for the half year amounted to SEK 210 (212).
- Basic earnings per share for the quarter amounted to SEK -0.30 (1.50). Diluted earnings per share amounted to SEK -0.30 (1.46).

A word from the CEO

Revenue grew during the second quarter, driven by a continued strong increase in the number of subscribers. In addition to growth driven by the traditional channels, several of the initiatives that started at the beginning of the year contributed to the increase, including sales to corporate customers, sales through partnerships and the launch of the Weekly Report function, which had a positive impact on the conversion rate. The biggest event of the quarter otherwise was the listing of Sleep Cycle on the Stockholm Stock Exchange on June 8. Both the general public and professional investors demonstrated strong interest in the listing and the entire offering was oversubscribed many times over.

Nettomsättningen under det andra kvartalet
Net sales in the second quarter of 2021 totaled SEK 44.1 million (39.2), corresponding to an increase of 12.5% (37.1). Adjusted for currency effects, the increase was 20.3% (31.7), where the trend of the SEK mainly against the USD had a negative impact during the second quarter of 2021 compared with the previous year. The increase in net sales can mainly be attributed to a larger user base, where the total number of subscriptions at the end of the period amounted to 852 thousand (744). Investments in conversion-driven marketing rose during the quarter and contributed to the increase in the number of subscriptions. We are focused on the return from investments in conversion-driven marketing and are pleased to see that we managed to increase investments during the quarter while the ratio of SEK spent per new user was efficient.

In April, Apple's iOS operating system update launched an option that allows users to refuse ad tracking. This measure reduces the data made available for marketing purposes, which makes it more difficult to evaluate marketing campaigns. Our assessment is that the measure will make conversion-driven marketing more difficult, but that the impact on Sleep Cycle will be limited since it does not affect all channels. Moreover, analysts expect the market to adapt and find new solutions, as has happened with previous changes. Given Apple's changes and the fact that traditionally, the second quarter is seasonally weaker than the beginning of the year, the increase in users during the quarter can be judged to be strong.

To achieve our long-term goals, we continued to invest in a larger organization during the quarter. In June, we celebrated the opening of a new Stockholm office that not only offers more space, but also a location that is more accessible. During the quarter we welcomed several new employees. At the end of June, we were 31 (21) employees, which means that we are following our plan to increase the number of employees in all of our teams. We are pleased to see strong interest in Sleep Cycle as an employer, including for positions where we know that there is strong competition for talent – especially after the IPO in early June.

Investments in a larger organization and in marketing had an overall negative impact on the operating result, which fell to SEK -11.4 million (16.3). The negative result can be explained

by the substantial IPO-related costs incurred during the quarter. In total non-recurring costs amounted to SEK 15.9 million during the quarter and adjusted for items affecting comparability, operating profit was SEK 4.5 million (16.3). Excluding marketing expenses, the adjusted operating margin was 40.3% (53.7). A major marketing campaign was carried out in June through advertising on TV, in public transportation and on billboards. The response from the campaign was highly encouraging and generated much greater awareness of Sleep Cycle in Sweden and how we help people sleep better.

Sleep Cycles' largest cost item consists of platform fees, primarily to Apple and Google. In the spring, a US game maker filed a lawsuit claiming that Apple takes advantage of its dominant position and charges excessive fees in the App Store. We are closely monitoring developments related to the lawsuit and noted that Google reduced its platform fee from 30% to 15% on an annual basis for sales up to USD 1 million beginning on July 1. We have not yet received all the details about the fee change, but interpret its implications as a cost saving for Sleep Cycle of SEK 150 thousand per year.

For children, the gateway to a good night's sleep is often an exciting fairy tale. For adults, a fairy tale or story can be a great way to relax to fall asleep with greater ease. Sleep Cycle's Sleep Aid library offers stories and audio files that are

adapted to help listeners fall asleep. In June, we launched a new story, "The Lighthouse", written by one of our employees and read by Alexander Skarsgård. The story enables us to help our users fall asleep with greater ease and to do so by listening to a familiar and soothing voice. Methods for falling asleep with greater ease and sleeping better are central to Sleep Cycle's efforts to develop our product experience. Our growth plan is based on being able to offer our users tools to help users better understand their sleep and learn to sleep better. We see growing interest in coaching and education related to sleep and therefore continue to invest in this area, where we offer digital tools, for example to help users relax and fall asleep with greater ease.

In conclusion, I would like to take this opportunity to express how proud I am, along with the entire Sleep Cycle team, of being a listed company. I would also like to take this opportunity to welcome new and old shareholders. I see the stock exchange listing as the starting shot for Sleep Cycle's continued journey where we are now stepping up to the challenge of the great opportunities in the field of sleep, sleep analysis and digital sleep assistance. I hope that our shareholders are as optimistic about the future as I am!



Carl Johan Hederoth
CEO Sleep Cycle AB

Operations

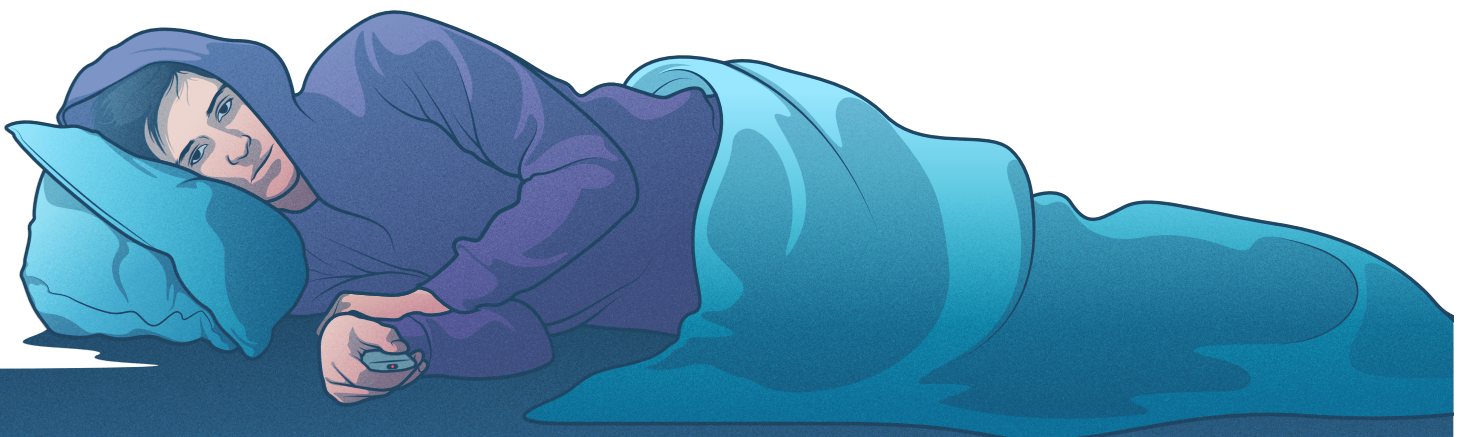
Since its launch in 2009, Sleep Cycle has evolved from an application focused on waking users during a light sleep phase into a comprehensive holistic sleep service.

Since its inception, the Company has focused on strong customer value, which has resulted in high user ratings of 4.5+. The technology has evolved from the use of accelerometers that measure sleep to the launch of a patented sound analysis and implementation of machine learning in the collection and analysis of data. The function creates an even more personalized experience through increased focus on the personal sleep experiences of users. With billions of sleep nights stored, Sleep Cycle has grown into one of the world's most extensive sources of sleep statistics – a significant platform that provides great insight into sleep habits and sleep trends among individual users and the world at large.

Sleep Cycle offers a total solution that begins at the moment that the user wakes up in the morning. That is when an analysis of the previous day and night is presented, preparations for the coming night's sleep are initiated, and the journey to improvement begins. As evening approaches and it is time

to go to bed, Sleep Cycle gathers information about events and activities from the past day. All of this information serves as the basis for the sleep analysis the next morning. The user's sleep database grows with each passing day and night. The increased quantity of personal sleep data is analyzed through Sleep Cycle's AI-based platform, which results in precise and personalized insights about sleep quality and sleep routines. Sleep Cycle is one of the world's most extensive sources of sleep statistics and is requested by and shared, anonymized, with selected media, universities and research projects all over the world.

Sleep data are presented to the user, along with personal insights. To help users to improve their sleep based on the insights, Sleep Cycle offers a number of tools and functions such as Sleep Aid, Smart Alarm and sleep school. Whether Sleep Cycle is used to fall asleep with greater ease, to wake up refreshed in the morning, or to improve sleep, Sleep Cycle offers unique user value.



FINANCIAL OVERVIEW

Since all material activities in the Group are carried out in the parent company, the comments below refer to both the parent company and the Group. For result and cash flow, comparative figures refer to same period last year. For financial position, comparative figures refer to balances as per 31 December 2020.

SECOND QUARTER

APRIL – JUNE 2021

SALES AND INCOME

Consolidated net sales during the first quarter amounted to SEK 44,128 thousand (39,240), an increase of 12.5% (37.1) compared with the previous year. The total currency effect amounts to approximately SEK -4.0 million, where the trend was negative for all six currencies with the most sales compared with the previous year.

The increase in net sales was mainly driven by growth in the number of subscriptions, which at the end of the period totaled 852 thousand, a 14.5% increase. This increase is mainly attributable to the addition of new users through both organic and conversion-driven channels. New sales channels such as partnerships and corporate sales with lower volumes also contributed to growth during the quarter. Average revenue per subscription (ARPU) was essentially unchanged, SEK 211 (213), compared with the previous year. Growth was higher the previous year because of positive currency effects, as well as a positive trend for ARPU and somewhat higher growth in the number of subscriptions.

The operating result was a loss of SEK 11,414 thousand (profit: 16,252) and the operating margin was -25.9% (41.4) in the second quarter. EBITDA was SEK -11,271 thousand (16,418). The substantial decrease in earnings is mainly due

to high costs related to the listing of Sleep Cycle, as well as to strategic projects that were run prior to the IPO, which had a negative impact on other external expenses. In addition, employee benefit expenses were negatively impacted by a charge of SEK 2,572 thousand posted under items affecting comparability related to the listing during the second quarter. Adjusted EBITDA for the second quarter amounted to SEK 4,676 thousand (16,418).

Moreover, during the first half of 2021 Sleep Cycle expanded the organization through the addition of new hires and a Board of Directors which received remuneration, thereby increasing employee benefit expenses. A larger organization is in line with the Company's strategic plan for increased growth over the next few years. The Company also invested more in marketing to increase brand awareness and to drive growth compared with previous years. Marketing expenses for the quarter totaled SEK 13,264 thousand (4,815) and adjusted operating profit excluding marketing expenses totaled SEK 17,796 million (21,067), corresponding to a margin of 40.3% (53.7). Due to differences in the accrual effects of sales revenue and marketing expenses, this performance indicator is presented to give a fair view of underlying profitability.

Net financial items for the period totaled SEK -39 thousand (-117) and taxes on profit for the period were SEK -2,343 thousand (3,480). The result for the period fell to a loss of SEK 9,110 thousand (profit: 12,655). Basic earnings per share amounted to SEK -0.50 (0.70), while diluted earnings per share totaled SEK -0.50 (0.67).

CASH FLOW AND FINANCIAL POSITION

Operating cash flow in the second quarter totaled SEK -1,283 thousand (15,268). The change is fully associated with the decrease in earnings. A large part of costs for the period were invoiced in connection with the stock exchange listing in June, which had a positive impact on working capital at the end of June and for this reason, cash flow from operating activities was not worse, given the financial performance. Cash conversion for the period amounted to 350.1% (114.1). Accounts receivable and accounts payable increased in the period as the Company, since beginning of 2021, applies a self-invoicing method for sales and platform fees that were previously recognized as accrued income and prepaid expenses, respectively, until paid.

Cash flow from investing activities amounted to SEK -1,025 thousand (0), related to capitalized development costs. The Company holds the opinion that beginning in 2021, it meets the IAS 38 criteria for capitalization of development costs related to specific projects. Adjusted for items affecting comparability, adjusted operating cash flow amounts to SEK 15,949 thousand (18,730).

Cash flow from financing activities in the quarter totaled SEK 98,638 thousand (-124), where the issue of new shares in conjunction with the IPO raised SEK 95,350 thousand for the Company after deduction of transaction costs.

In addition, warrant premiums of SEK 3,415 thousand from employees was received.

Cash flow for the quarter totaled SEK 96,330 thousand (15,144). Consolidated cash and cash equivalents at the end of the period was SEK 140,990 thousand (53,136).

The Company's equity amounted to SEK 95,261 thousand as of June 30. The opening balance 1 January was SEK 127 thousand and the change can be attributed to the issue of new shares in conjunction with the IPO, which also resulted in an increase in share capital to SEK 540 thousand, up from SEK 150 thousand as of 31 December 2020. The low level of equity as of June 30, 2020 can be attributed to the dividend that was approved when the Company reported in accordance with K2 accounting policies. Upon subsequent conversion to IFRS accounting policies, sales and thus profits were accrued over the term of the contracts, while the Company built up a liability in the form of accrued expenses and deferred income. Consequently, equity fell after the IFRS conversion, which explains the low level.

The above-mentioned change in accounting policy also explains the significant difference in the Group's deferred tax asset, which on June 30, 2021 was SEK 2,514 thousand (113), where deferred tax has been recognized in accounting differences. These changes have been incorporated as of December 31, 2020 and addressed in the tax calculation for the period.

FIRST HALF

JANUARY – JUNE 2021

SALES AND INCOME

Changes in sales, earnings, cash flow and financial position for the first half of 2021 compared with the previous year are largely attributable to the same reasons as for the second quarter. The trend for the first half of the year is presented below, as well as comments in cases where there are other reasons for the trend than for the second quarter.

Consolidated net sales in the first half of the year totaled SEK 86,138 thousand (77,353), corresponding to an increase of 11.4% (33.8). Currency-adjusted net sales growth amounted to 17.3% (28.1). This increase can be explained by growth in the number of subscriptions of 14.5%, from SEK 744 thousand to SEK 852 thousand. Average revenue per subscription (ARPU) was essentially unchanged, SEK 210 (212), compared with the previous year.

The operating result was a loss of SEK 6,729 thousand (profit: 34,622) and the margin was -7.8% (44.8) in the second quarter. EBITDA was SEK -6,443 thousand (34,967). Adjusted EBITDA for the six-month period amounted to SEK 16,637 thousand (34,967).

At the beginning of 2021, the Company initiated a new strategic plan that entails increased investments in marketing, product development and organization compared with previous years. Consequently, these costs increased beginning in the first quarter, after which the increase accelerated during the second quarter. Marketing expenses for the six-month period totaled SEK 20,961 thousand (6,428) and adjusted operating profit excluding marketing expenses totaled SEK 37,313 thousand (41,050), corresponding to a margin of 43.3% (53.1%).

Net financial items for the period totaled SEK -46 thousand (-129) and taxes on profit for the period were SEK -1,371 thousand (7,411). The result for the period fell to a loss of SEK 5,404 thousand (profit: 27,082). Basic earnings per share amounted to SEK -0.30 (1.50), while diluted earnings per share totaled SEK -0.30 (1.46).

CASH FLOW AND FINANCIAL POSITION

Operating cash flow during the first half of the year totaled SEK -9,528 thousand (17,609). Cash flow from investing activities amounted to SEK -1,871 thousand (0), related to capitalized development costs. The Company holds the opinion that beginning in 2021, it meets the IAS 38 criteria for capitalization of development costs related to specific projects. Adjusted for items affecting comparability, adjusted operating cash flow amounts to SEK 20,310 thousand (33,423).

Cash flow from financing activities during the six-month period totaled SEK 99,253 thousand (-51,682), where the issue of new shares in conjunction with the IPO raised SEK 95,350 thousand for the Company after deduction of transaction costs. In addition, the Company received warrant premium payments of SEK 4,158 during the period. A dividend of SEK 51,435 thousand was paid during the first half of 2020, which explains the negative cash flow for the period. Cash flow for the six-month period totaled SEK 87,854 thousand (-34,073). Consolidated cash and cash equivalents at the end of the period was SEK 140,990 thousand (53,136). The Company's equity amounted to SEK 95,261 thousand as of June 30. The opening balance was SEK 127 thousand and the change can be attributed to the issue of new shares in conjunction with the IPO.

OTHER INFORMATION

PERSONNEL

The average number of employees in the Group for the period January to June 2021 was 31 (21) and for the period April to June 2021 31 (21).

INFORMATION ABOUT RISKS AND UNCERTAINTIES

The Group's overarching risk management approach entails minimizing adverse effects on financial performance and position. Significant risks and uncertainties are described in the 2020 Annual Report. No events of material significance have occurred during the period that affect or alter the description of the Group's risks and their management.

PARENT COMPANY

In all essential respects, the Group's operations are conducted in the parent company; consequently, please see the above information for the Group.

RELATED PARTY TRANSACTIONS

There have been no related party transactions, other than transactions with senior executives in their capacity as such.

FUTURE REPORTING DATES

- Interim report July-September 2021
November 12, 2021
- Year-end report 2021 February 15, 2022

OTHER INFORMATION

This reported has not been reviewed by the Company's auditors.

THE SHARE

The Company's share has been listed on Nasdaq Stockholm since June 8, 2021. Share capital on the balance-sheet date totaled SEK 540 thousand.

OUTSTANDING OPTION PROGRAM

Option program	Number of options	Corresponding number of shares	Percentage of total number of shares	Exercise price	Exercise period
TO 2019	6,624	848,998	4.4%	19.8	2022
TO 2020	1,259	151,080	0.8%	88.9	2023
TO2021	201,446	201,446	1.0%	94.5	2024
VD LTIP	340,909	340,909	1.8%	241.2	2026
Total	550,238	1,542,433	7.9%		

LARGEST SHAREHOLDERS OF SLEEP CYCLE AB (PUBL) AS OF JUNE 30, 2021

Shareholder	Holdings	Votes and capital
Maciek Drejak through company	8,527,190	44%
Pierre Siri through company	4,609,291	24%
Handelsbanken Microcap	1,000,000	5%
Skandia Fonder	714,285	4%
Petter Wallin	691,394	4%
E. Öhman J:OR	571,428	3%
Coeli Fonder	515,000	3%
SEB Fonder	430,000	2%
Lancelot Avalon	300,000	2%
Second AP Fund	170,000	1%
Others	1,899,983	10%
Total	19,428,571	100%

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK 000	Note	apr – jun		jan – jun		jan – dec
		2021	2020	2021	2020	2020
OPERATING INCOME						
Net sales	4	44,128	39,240	86,138	77,353	159,448
Other operating income		114	48	107	93	159
OPERATING EXPENSES						
Capitalized work for own account		843	-	1,462	-	-
Platform fees		-10,900	-9,852	-21,203	-19,360	-40,144
Other external expenses		-33,050	-7,956	-52,449	-12,863	-42,047
Employee benefit expenses		-12,407	-5,062	-20,433	-10,255	-20,510
Depreciation, amortization and impairment of property, plant and equipment and intangible assets		-143	-167	-286	-345	-631
Other operating expenses		-	-	-65	-	-32
Operating profit		-11,414	16,252	-6,729	34,622	56,243
FINANCIAL ITEMS						
Financial income		-	-	-	-	-
Finance expenses		-39	-117	-45	-129	-150
Profit before tax		-11,453	16,135	-6,774	34,493	56,093
Tax on profit for the period		2,343	-3,480	1,371	-7,411	-12,050
Profit/loss for the period attributable to owners of the parent		-9,110	12,655	-5,404	27,082	44,043
Other comprehensive income		-	-	-	-	-
Comprehensive income for the period attributable to owners of the parent		-9,110	12,655	-5,404	27,082	44,043
Basic earnings per share, SEK						
Basic earnings per share, SEK		-0.50	0.70	-0.30	1.50	2.45
Diluted earnings per share, SEK						
Diluted earnings per share, SEK		-0.50	0.67	-0.30	1.46	2.38
Average number of shares outstanding for the period, basic						
Average number of shares outstanding for the period, basic		18,360,806	18,000,000	18,000,000	18,000,000	18,000,000
Average number of shares outstanding for the period, diluted						
Average number of shares outstanding for the period, diluted		19,016,744	18,848,998	18,839,208	18,486,637	18,543,095

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK 000	Note	June 30, 2021	June 30, 2020	Dec. 31, 2020
ASSETS				
Non-current assets				
Intangible assets				
Capitalized expenditure for development projects		1,871	-	-
Total intangible assets		1,871	-	-
Property, plant and equipment				
Right-of-use assets		2,572	1,244	995
Equipment and computers		171	245	208
Total property, plant, and equipment		2,743	1,489	1,203
Deferred tax asset		2,514	12,867	113
Total non-current assets		7,127	14,356	1,316
Current assets				
Accounts receivable		26,246	15	113
Other receivables		2,051	530	2,005
Current tax assets		18,561	-	9,557
Prepaid expenses and accrued income		24,906	43,816	38,617
Cash and cash equivalents		140,990	24,274	53,136
Total current assets		212,754	68,635	103,428
TOTAL ASSETS		219,882	82,991	104,744

EQUITY AND LIABILITIES				
Equity				
Share capital	540	150	150	150
Other capital contributions	102,169	1,431	2,020	2,020
Retained earnings, including profit for the year	-7,448	-19,005	-2,043	-2,043
Total equity attributable to owners of the parent	95,261	-17,424	127	127
Non-current liabilities				
Lease liabilities	753	661	415	415
Total non-current liabilities	753	661	415	415
Current liabilities				
Lease liabilities		1,730	501	497
Accounts payable		18,696	2,706	6,775
Current tax liabilities		-	5,251	-
Other liabilities		3,287	408	525
Accrued expenses and deferred income		100,155	90,888	96,405
Total current liabilities		123,868	99,754	104,202
TOTAL EQUITY AND LIABILITIES		219,882	82,991	104,744

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK 000	Attributable to owners of the parent		
	June 30, 2021	June 30, 2020	Dec. 31, 2020
Opening balance	127	6,930	6930
Profit/loss for the period	-5,404	27,082	44,043
Option premiums received	4,158	-	589
Dividend paid	-	-51,435	-51,435
Share issues after issue expenses	96,380	-	-
Closing balance	95,261	-17,424	127

CONSOLIDATED STATEMENT OF CASH FLOWS

SEK 000	Note	apr - jun		jan - jun		jan - dec
		2021	2020	2021	2020	2020
Cash flow from operating activities						
Operating profit/loss		-11,414	16,252	-6,729	34,622	56,243
Adjustments for non-cash items:		-	-	-	-	-
Depreciation, amortization and impairment		143	166	286	345	631
Gain/loss on sale of Group Company		-	-	-	-	10
Interest paid		-39	-117	-45	-129	-150
Tax paid		-2,692	-3,345	-9,004	-15,685	-22,372
Cash flow from operating activities before working capital changes		-14,001	12,956	-15,492	19,153	34,362
Change in working capital						
Change in operating receivables		3,803	3,135	-12,468	-9,624	-5,998
Change in operating liabilities		8,915	-823	18,432	8,080	17,784
Cash flow from operating activities		-1,283	15,268	-9,528	17,609	46,148
Investing activities						
Sale of Group Company (net impact on liquidity)		-	-	-	-	-16
Acquisition of intangible assets		-1,025	-	1,871	-	-
Cash flow from investing activities		-1,025	-	-1,871	-	-16
Financing activities						
Dividend paid		-	-	-	-51,435	-51,435
Amortization of lease liabilities		-128	-124	-255	-247	-497
Option premiums received		3,415	-	4,158	-	589
New share issue		95,350	-	95,350	-	-
Cash flow from financing activities		98,638	-124	99,253	-51,682	-51,343
Cash flow for the period		96,330	15,144	87,854	-34,073	-5,211
Cash and cash equivalents, beginning of period		44,660	9,130	53,136	58,347	58,347
Cash and cash equivalents, close of period		140,990	24,274	140,990	24,274	53,136

INCOME STATEMENT – PARENT COMPANY

SEK 000	Note	apr – jun		jan – jun		jan – dec
		2021	2020	2021	2020	2020
OPERATING INCOME						
Net sales		44,128	39,240	86,138	77,353	159,448
Other operating income		114	48	107	93	159
Capitalized work for own account		843	-	1,462	-	-
OPERATING EXPENSES						
Platform fees		-10,900	-9,852	-21,203	-19,360	-40,144
Other external expenses		-33,182	-8,080	-52,712	-13,123	-42,552
Employee benefit expenses		-12,407	-5,062	-20,433	-10,255	-20,510
Depreciation, amortization and impairment of property, plant and equipment and intangible assets		-19	-42	-37	-97	-134
Other operating expenses		7	-	-65	-	-22
Operating profit/loss		-11,421	16,251	-6,743	34,611	56,245
PROFIT FROM FINANCIAL ITEMS						
Profit/loss from participations in Group companies		-	-	-	-	-2
Interest expenses and similar expense items		-32	-105	-31	-105	-107
Profit before tax		-11,453	16,146	-6,774	34,506	56,136
Tax on profit for the period		2,344	-3,480	1,372	-7,412	-12,051
Profit/loss for the period		-9,110	12,666	-5,402	27,094	44,085
COMPREHENSIVE INCOME FOR THE PERIOD		-9,110	12,666	-5,402	27,094	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.

BALANCE SHEET – PARENT COMPANY

SEK 000	Note	June 30, 2021	June 30, 2020	Dec. 31, 2020
ASSETS				
Non-current assets				
Intangible assets				
Capitalized expenditure for development project		1,871	-	-
Total intangible assets		1,871	-	-
Property, plant and equipment				
Equipment and computers		171	245	208
Total property, plant, and equipment		171	245	208
Non-current financial assets				
Participations in Group companies		150	50	50
Deferred tax asset		2,504	12,856	102
Total non-current financial assets		2,654	12,906	152
Total non-current assets		4,695	13,151	360
Current assets				
Accounts receivable		26,246	15	113
Other receivables		2,051	529	2,005
Current tax assets		18,561	0	9,557
Prepaid expenses and accrued income		25,041	43,951	38,751
Total current receivables		71,899	44,495	50,426
Cash and bank balances		140,854	24,207	53,091
Total current assets		212,753	68,702	103,517
TOTAL ASSETS		217,449	81,853	103,877
EQUITY AND LIABILITIES				
Equity				
Restricted equity				
Share capital		540	150	150
Development expenditure reserve		1,871	-	-
Total restricted equity		2,411	150	150
Non-restricted equity				
Share premium reserve		102,169	1,431	2,020
Retained earnings		-3,851	-46,065	-46,065
Profit/loss for the period		-5,402	27,094	44,085
Total non-restricted equity		92,916	-17,540	40
Total equity		95,326	-17,390	190
Current liabilities				
Accounts payable		18,693	2,702	6,775
Current tax liabilities		0	5,245	-
Other liabilities		3,287	408	525
Accrued expenses and deferred income		100,142	90,888	96,387
Total current liabilities		122,122	99,243	103,687
TOTAL EQUITY AND LIABILITIES		217,449	81,853	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, 411 15 Gothenburg, Sweden. Sleep Cycle drives the development of one of the world's most-used sleep platforms. Sleep Cycle sleep solutions help users to fall asleep with greater ease, 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 June 30, 2021 consists of the wholly owned subsidiary Sleep Cycle Sverige AB (559278-9688).

Sleep Cycle's interim report for January-June 2021 has been approved for publication on August 13 pursuant to a decision of the Board of Directors on August 12, 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 from January 1, 2021, have not had any impact on the interim financial statements of the Group or the parent company.

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 sales

SEK 000	apr - jun		jan - jun		jan - dec
	2021	2020	2021	2020	2020
Subscription income	44,107	39,203	86,090	77,271	159,290
Other income	22	37	48	82	158
Total	44,128	39,240	86,138	77,353	159,448

Note 5 Financial instruments

SEK 000	June 30, 2021	June 30, 2020	Dec. 31, 2020
Financial assets are measured at amortized cost.			
Accounts receivable	26,246	15	113
Other receivables	2,051	530	2,005
Accrued income	0	23,041	16,123
Cash and cash equivalents	140,990	24,274	53,136
Total financial assets	169,287	47,860	71,377
Financial liabilities are measured at amortized cost			
Accounts payable	18,696	2,706	6,775
Accrued expenses	3,891	6,155	10,350
Total financial liabilities	22,587	8,861	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.

DEFINITIONS OF KEY PERFORMANCE INDICATORS AND CALCULATIONS

Sleep Cycle applies the ESMA guidelines for alternative performance measures. This report presents certain financial performance measures, including alternative performance measures, that are not defined under IFRS. The Company believes that these ratios are an important complement, as they allow a better evaluation of the Company's financial trends. These financial performance measures should not be viewed in isolation

or be considered to replace the performance indicators that have been prepared in accordance with IFRS. In addition, such performance measures as Sleep Cycle has defined them should not be compared with other performance measures with similar names used by other companies. This is because the above-mentioned performance measures are not always defined in the same manner, and other companies may calculate them differently.

Key performance indicator	Definition	Reason for alternative performance indicator
Net sales growth	Change in net sales compared with the same period the previous year.	The measure shows the Company's growth in net sales compared with the same period the previous year.
Currency-adjusted net sales growth	Defined as net sales for the year divided by the previous year's net sales, translated to the average exchange rates for the year for the Company's largest currency exposures (USD, EUR, JPY, GBP, AUD and CAD).	Used to measure the Company's underlying net sales growth adjusted for currency effects.
Operating profit/loss	Earnings before interest and taxes (EBIT)	Operating profit/loss is used to understand the Company's earnings capacity.
Operating margin	Operating profit/loss as a percentage of the Company's net sales.	The operating margin is an indication of the Company's earning capacity in relation to net sales.
EBITDA	Operating profit before depreciation, amortization and impairment. (Earnings Before Interest, Taxes, Depreciation, and Amortization).	EBITDA is an indication of the Company's earnings capacity and is a complement to operating profit excluding depreciation, amortization and impairment of property, plant and equipment, as well as intangible assets.
Items affecting comparability	Non-recurring items that are not part of normal business and are therefore items affecting comparability between different periods.	The measure is used to understand the Company's development and comparison between the years.
Adjusted EBITDA	Operating profit before depreciation, amortization and impairment, adjusted for items affecting comparability.	Adjusted EBITDA is used to understand the Company's earnings capacity, adjusted for items affecting comparability.
Adjusted operating profit	Operating profit adjusted for items affecting comparability.	Adjusted operating profit is used to understand the Company's earnings capacity, adjusted for items affecting comparability.
Adjusted operating margin	Adjusted operating profit as a percentage of the Company's net sales.	Adjusted operating margin is used to understand the Company's earnings capacity, adjusted for items affecting comparability.
Adjusted operating margin excluding marketing expenses	Adjusted operating profit excluding marketing expenses as a percentage of the Company's net sales.	Adjusted operating margin excluding marketing expenses is used to understand the Company's earnings capacity less items affecting comparability and marketing expenses and provides a more accurate picture of the Company's profitability over time. Since marketing expenses are fully expensed in the period in which they are incurred, while revenue is accrued over the life of the contract, the operating profit adjusted for marketing expenses provides a fairer view.
Adjusted operating cash flow	Adjusted EBITDA plus change in net working capital minus investments in property, plant, equipment and intangible assets.	The measure shows the amount of 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 (Closing balance).	The measure indicates how many subscribers the Company has at the end of the period.
ARPU	Average net sales per subscriber during the period.	The measure indicates the Company's net sales per subscription on average during the period.

RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES

The table below shows the calculation of alternative performance measures that are not defined under IFRS or where the calculation is not shown in another table in this report.

Net sales growth and currency-adjusted net sales growth *

SEK 000	apr - jun		jan - jun		jan - dec
	2021	2020	2021	2020	2020
Net sales previous period	39,240	28,630	77,353	57,797	122,676
Net sales current period	44,128	39,240	86,138	77,353	159,448
Net sales growth	12.5%	37.1%	11.4%	33.8%	30.0%
Currency-adjusted net sales growth, previous period	36,695	29,786	73,409	60,370	125,689
Net sales current period	44,128	39,240	86,138	77,353	159,448
Currency-adjusted net sales growth	20.3%	31.7%	17.3%	28.1%	26.9%

Operating margin and EBITDA

SEK 000	apr - jun		jan - jun		jan - dec
	2021	2020	2021	2020	2020
Net sales	44,128	39,240	86,138	77,353	159,448
Other operating income	843	0	1,462	0	159
Capitalized work for own account	107	48	107	93	-
Platform fees	-10,900	-9,852	-21,203	-19,360	-40,144
Other external expenses	-33,050	-7,956	-52,449	-12,863	-42,047
Employee benefit expenses	-12,407	-5,062	-20,433	-10,255	-20,510
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	-143	-167	-286	-345	-631
Other operating expenses	7	-	-65	-	-32
Operating profit/loss	-11,414	16,252	-6,729	34,622	56,243
Operating margin	-25.9%	41.4%	-7.8%	44.8%	35.3%
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	143	167	286	345	631
EBITDA	-11,271	16,418	-6,443	34,967	56,874

Adjusted EBITDA, Adjusted operating profit and Adjusted operating margin

SEK 000	apr - jun		jan - jun		jan - dec
	2021	2020	2021	2020	2020
EBITDA	-11,271	16,418	-6,443	34,967	56,874
Operating profit/loss	-11,414	16,252	-6,729	34,622	56,243

Items affecting comparability

External consultants	-13,194	-	-20,328	-	-7,501
Employee benefit expenses	-2,752	-	-2,752	-	-
Items affecting comparability	-15,947	-	-23,080	-	-7,501

Adjusted EBITDA	4,676	16,418	16,637	34,967	64,375
Adjusted operating profit	4,533	16,252	16,352	34,622	63,744
Adjusted operating margin	10.3%	41.4%	19.0%	44.8%	40.0%

Adjusted operating margin excluding marketing expenses

SEK 000	apr - jun		jan - jun		jan - dec
	2021	2020	2021	2020	2020
Adjusted operating profit	4,533	16,252	16,352	34,622	63,744
Marketing expenses	-13,264	-4,815	-20,961	-6,428	-19,584
Adjusted operating profit excluding marketing expenses	17,796	21,067	37,313	41,050	83,328
Adjusted operating margin excluding marketing expenses	40.3%	53.7%	43.3%	53.1%	52.3%

Adjusted operating cash flow and Adjusted cash conversion

SEK 000	apr - jun		jan - jun		jan - dec
	2021	2020	2021	2020	2020
Adjusted EBITDA	4,676	16,418	16,637	34,967	64,375
Change in working capital	12,718	2,312	5,964	-1,544	11,786
Capitalization of development expenditure	-1,025	0	-1,871	0	0
Adjusted operating cash flow	16,369	18,730	20,730	33,423	76,161
Adjusted cash conversion	350.1%	114.1%	124.6%	95.6%	118.3%

ARPU

SEK 000	apr - jun		jan - jun		jan - dec
	2021	2020	2021	2020	2020
Net sales	44,128	39,240	86,138	77,353	159,448
Number of subscriptions previous period (thousands)	820	732	788	716	716
Number of subscriptions current period (thousands)	852	744	852	744	788
ARPU (SEK)	211	213	210	212	212

SUBMISSION OF INTERIM REPORT JAN – JUN 2021

The Board of Directors and the Chief Executive Officer certify that this interim report provides a fair review of the development of the parent company's and the Group's operations, financial position and results of operations and describes material risks and uncertainties facing the parent company and the companies included in the Group.

Gothenburg, August 12, 2021

Lars Berg
Chairman of the Board

Olof Nilsson
Board member

Rasmus Järborg
Board member

Anne Broeng
Board member

Ödgård Andersson
Board member

Carl Johan Hederöth
Chief Executive Officer

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SLEEP CYCLE AB

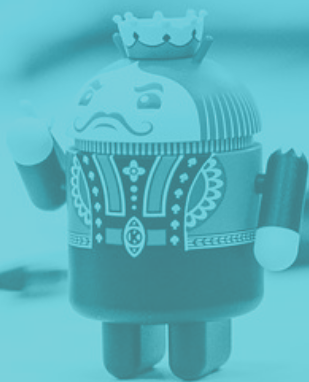
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Why We Sleep