

Q1



JANUARY - MARCH
2021

SLEEP CYCLE
INTERIM REPORT



INTERIM REPORT JAN – MAR 2021

SLEEP CYCLE AB

Strong first quarter with high subscriber growth

During the first quarter, the number of subscribers increased to a total of 820 thousand, corresponding to a growth rate of 12.1%. After being negatively impacted by COVID-19 over the past year, stronger growth than previously was seen at the end of the first quarter, which can be expected to continue. As planned, investments in marketing and several new hires to be able to drive growth initiatives contributed to higher costs.

FIRST QUARTER JANUARY – MARCH 2021

- Net sales increased by 10.2% (30.7)
- and totaled SEK 42,010 thousand (38,113), driven by the increased number of subscriptions. Currency-adjusted net sales growth amounted to 14.4%.
- Operating profit totaled SEK 4,685 thousand (18,370) and the margin was 11.2% (48.2). The margin decrease can be attributed to increased marketing and personnel costs, in addition to high costs for strategic projects.
- Adjusted operating profit totaled SEK 11,819 thousand (18,370) and the margin was 28.1% (48.2).
- The total number of paying subscribers at the end of the period was SEK 820 thousand (732), an increase of 12.1%.
- ARPU for the quarter amounted to SEK 209 (211).
- Basic earnings per share for the quarter amounted to SEK 25 (96). Diluted earnings per share amounted to SEK 24 (94).

THE GROUP'S PERFORMANCE INDICATORS

SEK 000	Jan – Mar		Jan – Dec
	2020	2019	2019
Net sales	42,010	38,113	159,448
Net sales growth (%)	10.2%	30.7%	30.0%
Currency-adjusted net sales growth (%)	14.4%	24.6%	26.9%
EBITDA	4,828	18,549	56,874
Adjusted EBITDA	11,962	18,549	64,375
Operating profit	4,685	18,370	56,243
Operating margin %	11.2%	48.2%	35.3%
Adjusted operating profit	11,819	18,370	63,744
Adjusted operating margin (%)	28.1%	48.2%	40.0%
Adjusted operating margin excluding marketing expenses (%)	46.4%	52.4%	52.3%
Profit for the period	4,679	18,358	56,093
Adjusted operating cash flow	4,361	14,693	76,161
Adjusted cash conversion (%)	36.5%	79.2%	118.3%
Operational performance indicators			
Total subscriptions (thousands)	820	732	788
ARPU (SEK)	209	211	212
Average number of employees	25	20	22

For definitions, justifications and derivations see page 16.

A word from the CEO

To sum up the first quarter of the year, we can report a period of continued growth in the number of subscribers and in revenue. We have also ended a quarter during which we took several important steps to further develop Sleep Cycle to reach our goal of improving global health through better sleep.

Revenue for the period January to March 2021 amounted to SEK 42.0 million (38.1), corresponding to a growth rate of 10.2% (30.7) and driven by an increase in the number of subscriptions, which at the end of the period totaled 820 thousand (732). The continued growth in the number of subscribers in the first quarter comes after a period of slightly lower growth as a result of COVID-19. The latter part of the first quarter in particular saw a sharp increase in the number of new subscriptions compared with the same period during the previous year, which was also affected by COVID-19.

To achieve Sleep Cycle's target of an annual growth rate of at least 30% beginning in 2022, we will invest more in product development and marketing. To this end, we will grow the organization during the year by adding several new hires to our technology, product and growth teams.

During the first quarter, the average number of employees increased from 20 to 25 and at the end of the period we had 27 employees. In order for our organization to effectively grow and evolve, we have, during the first quarter of 2021, invested time and money in strategic projects related to marketing, accounting, procedures

and processes. In total, these initiatives have had a negative impact on operating profit, which in the first quarter of 2021 dropped to SEK 4.7 million (18.4). Adjusted for non-recurring items, operating profit was SEK 11.8 million (18.4), corresponding to a margin of 28.1% (48.2).

In addition, during the period January to March 2021, we also increased investments in marketing and customer acquisition. We see this type of conversion-driven growth in the number of subscriptions as an important complement to organic growth. Excluding marketing expenses, the adjusted operating margin was 46.5% (52.4). As long as we see continued solid growth in new subscriptions as a result of conversion-driven marketing, the strategy is to increase these investments.

The financial performance during the quarter was affected by COVID-19 which, as in previous quarters, has had a negative impact on growth of new subscriptions since the outbreak of the pandemic. During the pandemic, lower engagement with Sleep Cycle's alarm clock was noted in areas with hard lockdowns. A study conducted at Harvard Medical School, using anonymized and aggregated data from Sleep Cycle, shows that sleep time increased by an average of 20 minutes per night in these areas. Our interpretation is that lockdowns, home offices and layoffs have changed sleeping patterns and, in plain language, people have become more flexible about what time they get up in the morning. We therefore believe that a return to business as usual could result in increased engagement among our users.

Sleep Cycle is currently the leader in sleep monitoring, with a database of almost half a billion analyzed nights, which provides us with an invaluable data source that we are dedicated to using to continue developing services that improve people's sleep. During the first quarter of 2021 we took the first step in the long-term plan that the Board of Directors of Sleep Cycle have initiated in order to continue to grow. Growth opportunities can mainly be found by complementing organic growth with sales through partnerships, integration with other products and by developing a corporate offering. Our assessment is that there is great potential in these areas and we are growing the organization to take be able to capture these opportunities.

In addition to new hires in the technology and growth teams, we also welcomed Ödgård Andersson as a new member of the Board of Directors during the quarter. Moreover, the management team was strengthened with the additions of Sandra Hansson as CPO and Per Andersson as CFO. Needless to say, we now have a strong team in place that is fully focused on further developing Sleep Cycle and delivering on the objectives we have set.

Sleep is a subject that everyone can relate to and which is getting more and more attention. Along with nutrition and exercise, sleep is essential for people to feel good and perform at their best. Through Sleep Cycle, we provide people with insights into their sleep and help to improve their lives.

According to a survey conducted by Philips in 2020, 44% of respondents slept worse than they did five years ago, while 47% also state they do not know how to improve their sleep. Sleep Cycle's vision to improve global health by helping people sleep better has probably never been more appropriate for the times. Our product fulfils an important function and I confidently look forward to the future and the journey that lies ahead.



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 creating 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 more easily, 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.

FIRST QUARTER

JANUARY - MARCH 2021

SALES AND INCOME

Consolidated net sales during the first quarter amounted to SEK 42,010 thousand (38,113), an increase of 10.2% (30.7) compared with the previous year. Adjusted for currency effects, growth was 14.4% (24.6). The change in USD/SEK had the largest negative currency effect, where the change between quarters was -5.9%. The increase is largely driven by growth in the number of paying subscribers, while average revenue per subscription (ARPU) was essentially unchanged, SEK 209 (211), compared with the previous year.

EBITDA for the quarter dropped to SEK 4,828 thousand (18,549). Items affecting comparability of SEK 7,134 thousand attributable to strategic projects had a negative impact on other external expenses for the quarter.

Operating profit for the quarter totaled SEK 4,685 thousand (18,370) and the margin was 11.2% (48.2). Excluding items affecting comparability, operating profit was SEK 11,819 thousand (18,370) and the margin was 28.1% (48.2). The decrease in adjusted operating profit can mainly be attributed to higher marketing expenses, as well as increased personnel costs driven by new hires. Compared with the previous year, the costs of fees paid to the Board of Directors have also been added.

Marketing expenses totaled SEK 7,697 thousand (1,613) for the period January to March 2021. Adjusted operating margin excluding marketing expenses amounted to 46.5% (52.4). 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 -7 thousand (-12) and taxes on profit for the period were SEK -972 thousand (-3,932). Profit for the period fell to SEK 3,706 thousand (14,426). Earnings per share for the quarter amounted to SEK 25 (96). Diluted earnings per share amounted to SEK 24 (94).

CASH FLOW AND FINANCIAL POSITION

Operating cash flow totaled SEK -8,245 thousand (2,341). The change is mainly attributable to the change in the underlying performance. In addition, accounts receivables increased due to rising sales in March compared with the previous year. Accounts receivable and accounts payable increased in the first quarter 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 for the quarter amounted of SEK -847 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 4,361 thousand (14,693), where the change compared with the previous year can be explained by a decrease in financial performance, along with negative changes in working capital, as explained in the paragraph above.

Cash flow from financing activities for the quarter amounted to SEK 616 thousand (-51,558). Option premiums received combined with amortization of lease liabilities represent items for 2021, while the cash flow for the previous year can be explained by the paid dividend and amortization of lease liabilities.

Cash flow for the quarter totaled SEK -8,476 thousand (-49,217). Consolidated cash and cash equivalents at the end of the period was SEK 44,660 thousand (9,130).

The Company's equity amounted to SEK 4,576 thousand as of March 31, 2021. The opening balance was SEK 127 thousand and the change can be explained by the profit for the period. The low level of equity as of January 1 2021 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 Company's assessment is that there is no risk of a situation in which equity is less than half of share capital.

The above-mentioned change in accounting policy also explains the significant difference in the Group's deferred tax asset, which on March 31, 2021 was SEK 11 thousand (13,270), 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.

OTHER INFORMATION

SIGNIFICANT EVENTS

The extraordinary general meeting held in February elected Ödgård Andersson to serve on Sleep Cycle's Board of Directors. Ödgård is currently CEO of Zenseact, a software company within Volvo Cars.

Sandra Hansson took over as the new Chief Product Officer (CPO) in February. Most recently, Sandra worked as a product owner at Spotify.

Per Andersson took over as the new Chief Financial Officer (CFO) in the middle of February. Per was previously CFO at Gapwaves AB (publ).

During the first quarter, the Weekly Report was launched as a new function in the product. This function provides users with the option of receiving new insights about their sleep trends, while increasing the relevance of the product over a longer period of time.

A study was presented in collaboration with Harvard Medical School, showing that the time we sleep increased by up to 25 minutes per night during the COVID-19 pandemic. The study is based on anonymized data from Sleep Cycle.

PERSONNEL

The average number of employees in the Group for the period January to March 2021 was 25 (20).

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 descriptions of the Group's risks and their management.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The extraordinary general meeting in April resolved to increase share capital to SEK 500 thousand through a private placement to one of the Company's owners. The EGM also resolved to register Sleep Cycle AB as a public company.

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.

ANNUAL GENERAL MEETING AND FUTURE REPORTING DATES

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on May 19, 2021. Due to the ongoing COVID-19 pandemic, the Board of Directors of Sleep Cycle has decided to hold the Annual General Meeting virtually through electronic connection with shareholders and to enable shareholders to also exercise their voting rights by mail. In so doing, Sleep Cycle will protect the health of its shareholders and best help to reduce the spread of COVID-19. Practical information regarding registration and participation will be provided with the notice convening the Annual General Meeting.

DIVIDEND PROPOSAL

The Board of Directors and CEO propose that no dividend be paid for 2020.

FINANCIAL CALENDAR

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

TSEK	Note	Jan – Mar		Jan – Dec
		2021	2020	2020
OPERATING INCOME				
Net sales	4	42,010	38,113	159,448
Other operating income		-	44	159
OPERATING EXPENSES				
Capitalized work for own account		619	-	-
Platform fees		-10,304	-9,508	-40,144
Other external expenses		-19,399	-4,907	-42,047
Employee benefit expenses		-8,026	-5,193	-20,510
Depreciation, amortization and impairment of property, plant and equipment and intangible assets		-143	-179	-631
Other operating expenses		-72	-	-32
Operating profit		4,685	18,370	56,243
FINANCIAL ITEMS				
Financial income		1	-	-
Finance 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 STATEMENT OF FINANCIAL POSITION

TSEK	2021-03-31	2020-03-31	2020-12-31
ASSETS			
Intangible assets			
Capitalized work for 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 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 liabilities	623	353	525
Accrued expenses and deferred 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 IN SUMMARY

TSEK	Attributable to shareholders of the parent company		
	2021-03-31	2020-12-31	2020-01-01
Opening balance	127	6,930	6930
Profit for the period	3,706	14,426	44,043
Option premiums received	743	-	589
Dividend paid	-	-51,435	-51,435
Closing balance	4,576	-30,079	127

CONSOLIDATED STATEMENT OF CASH FLOWS

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
Tax paid		-6,312	-12,340	-22,372
Change in working capital				
Change in operating receivables		-16,271	-12,759	-5,998
Change in operating 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
Acquisition of intangible assets		-847	-	-
Acquisition of property, plant and equipment		-	-	-
Cash flow from investing activities		-847	-	-16
Financing activities				
Dividend paid		-	-51,435	-51,435
Amortization of lease liabilities		-127	-123	-497
Option premiums received		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, beginning of period		53,136	58,347	58,347
Cash and cash equivalents, close of period		44,660	9,130	53,136

INCOME STATEMENT- PARENT COMPANY

TSEK	Note	Jan – Mar		Jan – Dec
		2021	2020	2020
OPERATING INCOME				
Net sales		42,010	38,113	159,448
Other operating income		-	44	159
Capitalized work for own account		619	-	-
OPERATING EXPENSES				
Platform fees		-10,304	-9,508	-40,144
Other external expenses		-19,530	-5,041	-42,552
Employee benefit expenses		-8,026	-5,193	-20,510
Depreciation, amortization and impairment of property, plant and equipment 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 participations 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.

BALANCE SHEET – PARENT COMPANY

TSEK	Note	2021-03-21	2020-03-31	2020-12-31
ASSETS				
Non-current assets				
Intangible assets				
Capitalized work for 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				
Participations 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 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 liabilities		623	353	525
Accrued expenses and deferred 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, 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 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 consists 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	2020-12-31	2019-12-31
Financial assets are measured at amortized cost			
Accounts receivables	30,772	29	113
Other 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 sales

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

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	Operating profit before interest and tax.	The operating profit is used to understand the company's earnings capacity.
Operating margin	Operating profit 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 and 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).	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

TSEK	Jan - Mar		Jan - Dec
	2021	2020	2020
Net sales previous period	38,113	29,167	122,676
Net sales current period	42,010	38,113	159,448
Net sales growth	10.2%	30.7%	30.0%
Currency-adjusted net sales, previous period	36,734	30,584	125,689
Net sales current period	42,010	38,113	159,448
Currency-adjusted net sales growth	14.4%	24.6%	26.9%

Operating margin and EBITDA

TSEK	Jan - Mar		Jan - Dec
	2021	2020	2020
Net sales	42,010	38,113	159,448
Other operating income	-	44	159
Capitalized work for own account	619	-	-
Platform fees	-10,304	-9,508	-40,144
Other external expenses	-19,399	-4,907	-42,047
Employee benefit expenses	-8,026	-5,193	-20,510
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	-143	-179	-631
Other operating expenses	-72	0	-32
Operating profit	4,685	18,370	56,243
Operating margin	11.2%	48.2%	35.3%
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	143	179	631
EBITDA	4,828	18,549	56,874

Adjusted EBITDA, Adjusted operating profit and Adjusted operating margin

TSEK	Jan - Mar		Jan - Dec
	2021	2020	2020
EBITDA	4 828	18 549	56 874
Operating profit	4 685	18 370	56 243
Items affecting comparability			
External consultants	-7,134	-	-7,501
Items affecting comparability	-7,134	-	-7,501
Adjusted EBITDA	11,962	18,549	64,375
Adjusted operating profit	11,819	18,370	63,744
Adjusted operating margin	28.1%	48.2%	40.0%

Adjusted operating margin excluding marketing expenses

TSEK	Jan – Mar		Jan – Ddec
	2021	2020	2020
Adjusted operating profit	11,819	18,370	63,744
Marketing expenses	-7,697	-1,613	-19,584
Adjusted operating profit excluding marketing expenses	19,516	19,983	83,328
Adjusted operating margin excluding marketing expenses	46.5%	52.4%	52.3%

Adjusted operating cash flow and Adjusted cash conversion

Tkr	Jan – Mar		Jan – Dec
	2021	2020	2020
Adjusted EBITDA	11,962	18,549	64,375
Change in working capital	-6,754	-3,856	11,786
Acquisition of property, plant and equipment	0	0	0
Capitalization of development expenditure	-847	0	0
Adjusted operating cash flow	4,361	14,693	76,161
Adjusted cash conversion	36.5%	79.2%	118.3%

ARPU

TSEK	Jan – Mar		Jan – Dec
	2021	2020	2020
Net sales	42,010	38,113	159,448
Number of subscriptions previous period (thousands)	788	716	716
Number of subscriptions current period (thousands)	820	732	788
ARPU (SEK)	209	211	212

SUBMISSION OF INTERIM REPORT JAN – MAR 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, April 28, 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

AUDITOR'S REVIEW OF THE INTERIM REPORT

To the Board of Directors of Sleep Cycle AB
corp. id no. 556614-7368

We have conducted a review of the interim report for Sleep Cycle AB as at March 31, 2021 and the three-month period ending at that date. The Board of Directors and the CEO are responsible for the preparation and fair presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Focus and scope of the review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of financial interim information conducted by the company's chosen auditor. A review involves making inquiries, primarily to persons responsible for financial matters and accounting issues, conducting an analytical review and performing other review procedures. A review has a different focus and

a significantly smaller scope than the focus and scope of an audit in accordance with ISA and with generally accepted auditing practice. The review measures taken in a review do not allow us to obtain such a full understanding that we become aware of all the important circumstances that could have been identified if an audit was carried out. Therefore, the stated conclusion based on a review does not have the assurance that an expressed conclusion based on an audit has.

Conclusion

Based on our review, no circumstances have arisen which give us reason to believe that the interim report has not been prepared in essence for the Group in accordance with IAS 34 and the Annual Accounts Act, as well as for the parent company in accordance with the Annual Accounts Act.

Stockholm, April 28, 2021
Mazars AB

Samuel Bjälkemo
Chartered Accountant

Anders Persson
Chartered Accountant

Contact

For more information,
please contact:

CARL JOHAN HEDEROTH, CEO

Tel: +46 72-164 62 75

e-mail: cj@sleepcycle.com

PER ANDERSSON, CFO

Tel: +46 70-939 53 27

e-mail: per.andersson@sleepcycle.com

MALIN ERIKSSON, HEAD OF PR

Tel: +46 73-972 64 24

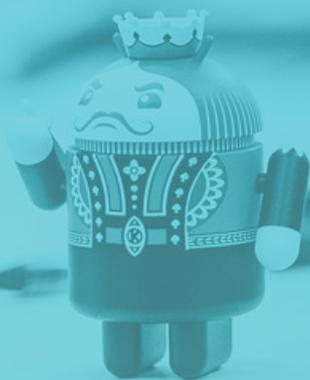
e-mail: malin@sleepcycle.com

SLEEP CYCLE AB (PUBL)

Org. Nr 556614-7368,

Kungsgatan 46, 411 15 Göteborg

www.sleepcycle.com



Why We Sleep