

# Q1



JANUARY - MARCH  
2022

SLEEP CYCLE  
INTERIM REPORT



# INTERIM REPORT JAN – MAR 2022 – SLEEP CYCLE AB

## GREATER EFFICIENCY IN MARKETING AND CONTINUED GROWTH RESULTED IN AN IMPROVED OPERATING MARGIN

Net sales increased by 19.2% to SEK 50.1 million, equivalent to an increase of 21.3% adjusted for currency effects. Sales continued to increase from the previous quarter, mainly as a result of product investments that had a positive effect on the conversion rate and thereby drove new users. Greater efficiency allowed for lower investments in marketing with a sustained effect, which had positive effects on the operating margin during the quarter. The total number of users at the close of the period was 920,000, equivalent to a growth of 12.2%.

### SIGNIFICANT EVENTS

- In January, the Sleep Goals function was launched, which through various suggestions for improvement helps the user reach a predetermined sleep goal.
- Sleep Cycle was included in Google's exhibition at the Mobile World Congress in Barcelona, one of the world's largest events for telecom and mobile electronics. Exhibition features included the Sleep Cycle for Android Wear OS, which is one of the products selected for Google's health investment in smartwatches.
- In March, the Auto Sleep Tracking feature was launched for the Apple Watch. The new function creates fewer pauses in user sleep data and enables daily sleep analysis with smaller deviations. This function is expected to lead to a higher level of engagement among users.

- On March 31, the board of directors for Sleep Cycle convened an annual general meeting. The meeting is scheduled to be held at the West Sweden Chamber of Commerce in Gothenburg on May 10.

### KEY EVENTS AFTER THE END OF THE PERIOD

- A more in-depth collaboration with professor Mike Gradisar was established in April. Mike is a Professor at Flinders University of Australia and a globally recognized and diligently cited sleep researcher. Mike will strengthen Sleep Cycle's team of sleep experts and be involved in product development, sales and the evaluation of new business opportunities. In addition, he will also strengthen Sleep Cycle's network with universities and research facilities.

### GROUP KEY PERFORMANCE INDICATORS

SEK (thousands)	Jan – Mar		Jan – Dec
	2022	2021	2021
Net sales	50,089	42,010	182,937
Net sales growth (%)	19.2%	10.2%	14.7%
Currency-adjusted net sales growth (%)	21.3%	14.4%	21.6%
Operating profit	12,742	4,685	10,325
Operating margin (%)	25.4%	11.2%	5.6%
Adjusted operating profit	12,742	11,819	36,386
Adjusted operating margin (%)	25.4%	28.1%	19.9%
Profit/loss for the period	10,094	3,706	8,110
Adjusted operating cash flow	26,914	4,361	36,791
Adjusted cash conversion (%)	192.5%	36.5%	95.7%
<b>Operational key performance indicators</b>			
Total subscriptions (Thousands)	920	820	901
ARPU (SEK)	219	209	212
Average number of employees (#)	45	25	33

For definitions, justifications, and deductions see page 16.

---

**FIRST QUARTER  
JANUARY – MARCH 2022**

- Net sales increased by 19.2% (10.2%) and totaled tSEK 50,089 (42,010). Currency-adjusted net sales growth totaled 21.3% (14.4%). The increase is explained by having more paying subscribers driven by increased product investments that have had a positive effect on the conversion rate.
  - Operating profit totaled tSEK 12,742 (4,685) and the operating margin was 25.4% (11.2%). The first quarter of 2021 was strongly affected by expenditures related to strategic projects, which explains the improvement in 2022. Compared with the previous year, investments in marketing decreased, but with greater efficiency and with a sustained effect, this has had a positive effect on the operating margin.
  - Adjusted operating profit totaled tSEK 12,742 (11,819) and adjusted operating margin was 25.4% (28.1%). In 2022, no expenses affecting comparability have been posted. The deterioration in margins is explained primarily by a larger organization.
  - The total number of paying subscribers at the end of the period was 920,000 (820,000), an increase of 12.2% compared with the previous year.
  - ARPU in the quarter totaled SEK 219 (209). The improved ARPU is a result of a changed price mix and currency effects.
  - Earnings per share before dilution in the quarter totaled SEK 0.52 (0.21). Earnings per share after dilution totaled SEK 0.51 (0.20).
-

## LETTER FROM THE CEO

**The first quarter of the year developed strongly and the effects from a higher pace of product development starting at the end of 2021 have continued to have a positive impact. Launches of new features and updates had clear effects on conversion and new customer acquisition. The number of subscribers at the end of the period totaled 920,000 and sales increased by 19.2% to SEK 50.1 million.**

Product development is the core of our growth strategy. The first quarter saw the launch of the Sleep Goal function, among other things. This function allows users to set a sleep goal, which they are then helped to achieve through use of a sleep schedule. A tool to improve what many researchers consider the most important component in good sleep hygiene; regularity.

During the quarter, we also released the Auto Sleep Tracker feature, which enables automatic sleep monitoring via the Apple Watch. Launches of new features contributed greatly to the increase in sales during the quarter, and one month after the launch of Auto Sleep Tracker, an increased degree of activation and more conversions directly linked to Apple Watch could already be seen. Auto Sleep Tracker is also expected to increase engagement and retain users longer by automatically starting Sleep Cycle via Apple Watch, creating longer data series with reduced risk of "gaps" in data. Since the launch of Auto Sleep Tracker, the number of subscribers who use Sleep Cycle every day of the week has increased by over 10%.

Developments in Sleep Tech are progressing rapidly. In parallel with ongoing development projects, we are also carrying out more long-term technology and data-oriented development projects. One example is an exciting project where we are using machine learning for deeper

analysis of snoring. The purpose is to be able to position the sound, and to be able to extract more information, such as health markers for asthma or sleep apnea, for example. This type of analysis opens up new commercial opportunities to carry out independently or together with partners.

A better product allows us to create greater value for our users. In the second quarter, we will begin gradual price changes in selected markets. Our analysis shows that Sleep Cycle is relatively low-priced compared to similar products. In order to be able to increase prices with a limited impact on new customer acquisition, we will gradually adjust the prices from USD 29 to USD 39 and USD 49 for twelve-month subscriptions in certain markets.

By actively working with pricing in combination with the launch of new functions that drive more users and retain users longer, a foundation for solid growth is laid. This also makes us less dependent on marketing to drive growth. I am happy to be able to say that we started the year off strong and are following the course we set. The strong operating margin in the first quarter is proof that our strategy is working. It gives us strength and greater opportunities to make bold investments in even higher growth in the future.



Carl Johan Hederoth  
CEO Sleep Cycle AB



# Sleep Cycle product offer

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

## **SLEEP CYCLE MOBILE APPLICATION**

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

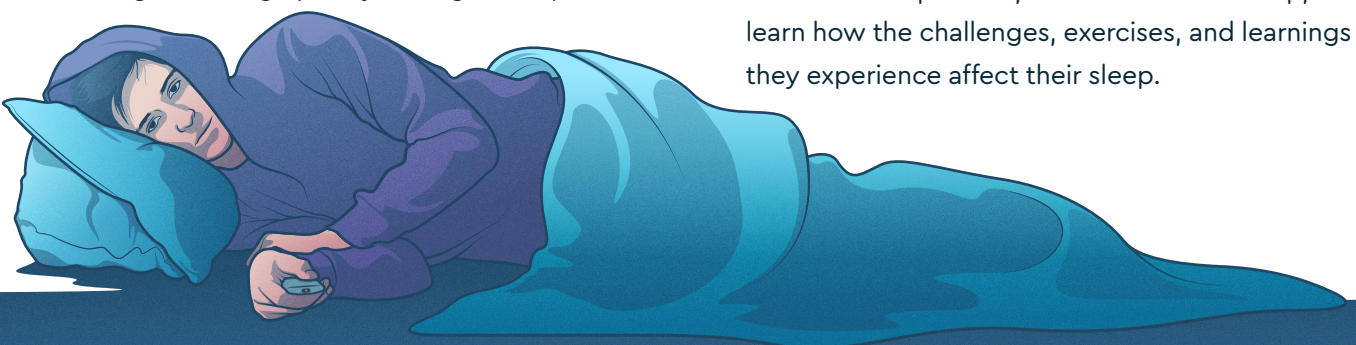
Sleep Cycle offers a large audio library of relaxing music, meditations and stories to help you fall asleep easier. With patented sound analysis, Sleep Cycle detects the body's movement patterns during the night, analyzes sleep and correlates its results with surrounding factors and daily activities. Sleep Cycle wakes you up in a light sleep phase, which gives a feeling of waking up easy feeling rested, without

an alarm. The results from the sleep analysis are presented in the form of insights and graphs which are easy to understand and provide personal guidance on how you can learn more about your sleep and improve it.

## **SLEEP CYCLE BOOT CAMP FOR COMPANIES**

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

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



## FINANCIAL OVERVIEW

As all significant operations in the Group are conducted in the Parent Company, the comments below refer to both the Parent Company and the Group. For earnings and cash flow, comparative figures refer to the corresponding period for prior year. For financial position, comparative figures refer to the balance sheet item as of December 31, 2021.

### FIRST QUARTER

#### JANUARY – MARCH 2022

---

##### NET SALES AND PROFIT

The Group's net sales during the first quarter totaled tSEK 50,089 (42,010), which is an increase of 19.2% (10.2%) compared with prior year. The total currency effect amounts to approximately tSEK 700.

The increase in net sales was driven primarily by growth subscriber base, which as of the end of the period totaled 920,000, an increase of 12.2% from the previous year. The increase is largely explained by launches of new functions, which in turn have contributed to a higher conversion rate. During the first quarter, sales of Sleep Cycle's corporate offering continued to increase from low levels. In addition to subscription income, a small number of Sleep Boot Camps were conducted, which generated income of tSEK 214. Average revenue per subscription (ARPU) increased, amounting to SEK 219 (209), as a result of a positive price mix and some currency effect.

Operating profit totaled tSEK 12,742 (4,685) and the margin to 25.4% (11.2%) in the first quarter. The improved operating profit is explained primarily by the fact that the Company had significant expenses linked to strategic projects during the first quarter of 2021. Adjusted operating profit totaled tSEK 12,742 (11,819) and

the adjusted margin was 25.4% (28.1%). The lower margin is explained by a larger organization, which is in keeping with the Company's strategic plan for increased growth in the coming years. In 2021, the organization grew as planned through new hires, mainly during the second half of 2021, which increased personnel costs compared with prior year. Sleep Cycle has continued to invest in marketing to increase brand awareness and drive growth compared to prior year. Marketing expenses for the quarter totaled tSEK 6,518 (7,697). As a result of previous investments in marketing together with greater efficiency during the quarter, the marketing costs for the period decreased but with a retained effect, which had positive effects on the operating margin and net sales.

EBITDA was tSEK 13,983 (4,828). Adjusted EBITDA for the first quarter totaled tSEK 13,983 (11,962).

Net financial items for the period totaled tSEK -14 (-7) and taxes on the profit for the period totaled tSEK -2,635 (-972). Profit for the period totaled tSEK 10,094 (3,706). Earnings per share before dilution totaled SEK 0.52 (0.21) and after dilution to SEK 0.51 (0.20).

## CASH FLOW AND FINANCIAL POSITION

Cash flow from operating activities in the first quarter totaled tSEK 26,928 (-8,245). In addition to the improved result, the change is explained by a positive working capital development of tSEK 14,013, relating primarily to increased prepaid income as an effect of increased income. In the first quarter of 2021, accounts receivable increased dramatically as a result of the Company's application from 2021 onwards of a method for self-invoicing of sales and platform fees. This was a strong contributing factor to worsened working capital development in 2021.

As a result of the above, cash conversion for the quarter increased by 192.5% (36.5%).

Cash flow from investment activities totaled tSEK -1,082 (-847) related to capitalized development expenses and acquisitions of tangible fixed assets. Adjusted for items affecting comparability, the adjusted operating cash flow totaled tSEK 26,914 (4,361).

Cash flow from financing activities in the quarter totaled tSEK -768 (616) and mainly pertains to amortization of leasing liabilities. The change is explained by option premiums received in 2021.

The quarter's cash flow totaled 25,078 (-8,476) tSEK. The Group's cash and cash equivalents at the end of the period totaled tSEK 190,174 (44,660).

Consolidated equity totaled tSEK 118,981 as of March 31. Opening balance on 1 January was tSEK 108,898.

## OTHER INFORMATION

### EMPLOYEES

The average number of employees in the Group for the period of January to March 2022 was 45 (25).

### INFORMATION ON RISKS AND UNCERTAINTIES

The group's overall risk management aims to minimize negative effects on earnings and position. Significant risks and uncertainties are described in the annual report for 2021. No significant events have occurred during the period that affect or change the descriptions of the Group's risks and their management.

### PARENT COMPANY

The Group's operations are essentially conducted in the parent company, which is why reference is made to the information above for the Group.

### RELATED PARTY TRANSACTIONS

There have been no transactions with related parties aside from transactions with senior executives in their capacity as such.

### UPCOMING REPORTING DATES

- Interim report Apr-Jun 2022 on July 29, 2022
- Interim report Jul-Sep 2022 on October 28, 2022

### ANNUAL GENERAL MEETING 2022

The Annual General Meeting will be held on May 10, 2022 at 10:00 a.m. at the West Sweden Chamber of Commerce, Parkgatan 49, 411 38 Gothenburg, Sweden. The notice contains practical information regarding registration and participation.

### OTHER INFORMATION

This report 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 540,000.

### OUTSTANDING OPTION PROGRAM

Option program	Number of options	Corresponding number of shares	Percentage of total number of shares	Exercise price	Redemption period
TO 2019	6,624	848,998	4.4%	19.8	2022
TO 2020	1,225	147,000	0.8%	88.9	2023
TO 2021 series 1	180,437	180,437	0.9%	94.5	2024
TO 2021 series 2	18,595	18,595	0.1%	94.5	2025
CEO LTIP	340,909	340,909	1.8%	241.2	2026
<b>Total</b>	<b>547,790</b>	<b>1,535,939</b>	<b>7.9%</b>		

### MAIN SHAREHOLDERS IN SLEEP CYCLE AB (PUBL) AS OF 31 MARCH 2022

Owner	Number of shares	Votes and capital
Maciek Drejak through company	8,527,190	44%
Pierre Siri through company	4,609,291	24%
Handelsbanken Microcap	1,250,397	6%
Skandia Fonder	714,285	4%
Petter Wallin	691,394	4%
Nordnet Pensionsförsäkring	585,736	3%
Avanza Pension	460,263	2%
SEB Nanocap	430,000	2%
Lancelot Avalon	305,000	2%
Coeli Fonder	289,782	1%
Others	1,565,233	8%
<b>Total</b>	<b>19,428,571</b>	<b>100%</b>

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK (thousands)	Note	Jan - Mar		Jan - Dec
		2022	2021	2021
<b>OPERATING INCOME</b>				
Net sales	4	50,089	42,010	182,937
Other operating income		190	-	394
<b>OPERATING EXPENSES</b>				
Capitalized work for own account		678	619	2,838
Platform fees		-11,897	-10,304	-43,991
Other external expenses		-11,872	-19,399	-89,094
Personnel expenses		-13,206	-8,026	-40,578
Depreciation and write-downs of tangible and intangible assets		-1,241	-143	-2,047
Other operating expenses		-	-72	-134
<b>Operating profit</b>		<b>12,742</b>	<b>4,685</b>	<b>10,325</b>
<b>FINANCIAL ITEMS</b>				
Financial income		1	1	-
Financial expenses		-15	-8	-78
<b>Profit before tax</b>		<b>12,729</b>	<b>4,679</b>	<b>10,247</b>
Tax on profit for the period		-2,635	-972	-2,137
<b>Profit for the period attributable to the parent company's shareholders</b>		<b>10,094</b>	<b>3,706</b>	<b>8,110</b>
Other comprehensive income		-	-	-
<b>Comprehensive income for the period attributable to the parent company's shareholders</b>		<b>10,094</b>	<b>3,706</b>	<b>8,110</b>
<b>Earnings per share</b>				
Earnings per share before dilution, SEK		0.52	0.21	0.43
Earnings per share after dilution, SEK		0.51	0.20	0.42
<b>Average number of shares outstanding</b>				
Average number of shares outstanding for the period before dilution		19,427,535	18,000,000	18,685,592
Average number of shares outstanding for the period after dilution		19,972,769	18,659,985	19,327,109

# CONSOLIDATED STATEMENT ON FINANCIAL POSITION

SEK (thousands)	Note	03/31/2022	03/31/2021	12/31/2021
<b>ASSETS</b>				
<b>Fixed assets</b>				
<b>Intangible fixed assets</b>				
Capitalized expenses for development work		5,185	847	4,638
Patent		-	-	-
<b>Total intangible fixed assets</b>		<b>5,185</b>	<b>847</b>	<b>4,638</b>
<b>Tangible fixed assets</b>				
Right-of-use assets		5,980	871	2,452
Equipment and computers		1,042	189	996
<b>Total tangible fixed assets</b>		<b>7,021</b>	<b>1,060</b>	<b>3,449</b>
<b>Financial fixed assets</b>				
Deferred tax assets		47	11	48
Other long-term receivables		411	-	-
<b>Total financial fixed assets</b>		<b>458</b>	<b>11</b>	<b>48</b>
<b>Total fixed assets</b>		<b>12,664</b>	<b>1,917</b>	<b>8,134</b>
<b>Current assets</b>				
Accounts receivable		21,862	30,772	21,626
Other receivables		543	686	1,944
Current tax assets		3,435	15,000	5,015
Prepaid expenses and accrued income		29,549	25,548	25,537
Cash and cash equivalents		190,174	44,660	165,508
<b>Total current assets</b>		<b>245,563</b>	<b>116,666</b>	<b>219,629</b>
<b>TOTAL ASSETS</b>		<b>258,228</b>	<b>118,583</b>	<b>227,763</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital		540	150	540
Other contributed capital		102,282	2,763	102,292
Retained earnings, including profit for the year		16,160	1,663	6,066
<b>Total equity attributable to the parent company's shareholders</b>		<b>118,981</b>	<b>4,576</b>	<b>108,898</b>
<b>Long-term liabilities</b>				
Leasing liabilities		3,561	266	-
<b>Total long-term liabilities</b>		<b>3,561</b>	<b>266</b>	<b>-</b>
<b>Current liabilities</b>				
Leasing liabilities		2,454	519	2,494
Accounts payable		9,047	13,266	9,755
Other liabilities		949	623	874
Accrued expenses and deferred income		123,235	99,333	105,741
<b>Total short-term liabilities</b>		<b>135,685</b>	<b>113,741</b>	<b>118,865</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>258,228</b>	<b>118,583</b>	<b>227,763</b>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK (thousands)	03/31/2022	Attributable to the parent company's shareholders	
		03/31/2021	12/31/2021
Opening balance	108,898	127	127
Profit/loss for the period	10,094	3,706	8,110
Option premiums	-11	743	4,281
New share issues after issue expenses	-	-	96,380
Closing balance	118,981	4,576	108,898

# CONSOLIDATED CASH FLOW STATEMENT

SEK (thousands)	Note	Jan – Mar		Jan – Dec
		2022	2021	2021
Cash flow from operating activities				
Operating profit		12,742	4,685	10,325
Adjustments for items not included in cash flow:				
Depreciation and write-downs		1,241	143	2,047
Interest received		1	1	-
Interest paid		-15	-8	-78
Tax paid		-1,054	-6,312	3,501
Cash flow from operating activities before changes in working capital		12,915	-1,491	15,796
Change in working capital				
Change in operating receivables		-2,847	-16,271	-8,372
Change in operating liabilities		16,860	9,517	12,665
Cash flow from operating activities		26,928	-8,245	20,089
Investment activities				
Capitalization of development expenses		-965	-847	-5,013
Acquisition of tangible fixed assets		-116	-	-922
Cash flow from investment activities		-1,082	-847	-5,935
Financing activities				
Amortization of lease liabilities		-758	-127	-1,413
Refunded option premiums		-11	-	-
Option premiums received		-	743	4,281
New share issues		-	-	95,350
Cash flow from financing activities		-768	616	98,218
Cash flow for the period		25,078	-8,476	112,372
Cash and cash equivalents at the beginning of the period		165,508	53,136	53,136
Reclassification of cash and cash equivalents		-411	-	-
Cash and cash equivalents at the end of the period		190,174	44,660	165,508

## INCOME STATEMENT – PARENT COMPANY

SEK (thousands)	Note	Jan – Mar		Jan – Dec
		2022	2021	2021
<b>OPERATING INCOME</b>				
Net sales		50,089	42,010	182,937
Other operating income		190	-	394
Capitalized work for own account		678	619	2,838
<b>OPERATING EXPENSES</b>				
Platform fees		-11,897	-10,304	-43,991
Other external expenses		-12,641	-19,530	-90,686
Personnel expenses		-13,206	-8,026	-40,578
Depreciation and write-downs of tangible and intangible assets		-489	-19	-509
Other operating expenses		-	-72	-134
<b>Operating profit</b>		<b>12,726</b>	<b>4,678</b>	<b>10,271</b>
<b>PROFIT FROM FINANCIAL ITEMS</b>				
Profit from participation in group companies		-	-	-100
Interest income and similar income		1	1	-
Interest expenses and similar expenses		-	-	-29
<b>Profit before tax</b>		<b>12,727</b>	<b>4,680</b>	<b>10,142</b>
Tax on profit for the period		-2,634	-972	-2,135
<b>Profit/loss for the period</b>		<b>10,093</b>	<b>3,708</b>	<b>8,007</b>
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>10,093</b>	<b>3,708</b>	<b>8,007</b>

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

SEK (thousands)	Note	03/31/2022	03/31/2021	12/31/2021
<b>ASSETS</b>				
<b>Fixed assets</b>				
<b>Intangible fixed assets</b>				
Capitalized expenses for development work		5,185	847	4,638
Patent		-	-	-
<b>Total intangible fixed assets</b>		<b>5,185</b>	<b>847</b>	<b>4,638</b>
<b>Tangible fixed assets</b>				
Equipment and computers		1,042	189	996
<b>Total tangible fixed assets</b>		<b>1,042</b>	<b>189</b>	<b>996</b>
<b>Financial fixed assets</b>				
Participations in group companies		50	150	50
Deferred tax assets		39	-	39
Other long-term receivables		411	-	-
<b>Total financial fixed assets</b>		<b>500</b>	<b>150</b>	<b>89</b>
<b>Total fixed assets</b>		<b>6,727</b>	<b>1,186</b>	<b>5,723</b>
<b>Current assets</b>				
Accounts receivable		21,862	30,772	21,626
Other receivables		543	686	1,944
Current tax assets		3,435	15,000	5,015
Prepaid expenses and accrued income		29,549	25,683	25,537
<b>Total current receivables</b>		<b>55,389</b>	<b>72,141</b>	<b>54,121</b>
Cash and bank balances		190,055	44,621	165,379
<b>Total current assets</b>		<b>245,444</b>	<b>116,761</b>	<b>219,500</b>
<b>TOTAL ASSETS</b>		<b>252,171</b>	<b>117,947</b>	<b>225,222</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
<b>Restricted equity</b>				
Share capital		540	150	540
Fund for development expenditures		5,185	847	4,638
<b>Total restricted equity</b>		<b>5,725</b>	<b>997</b>	<b>5,177</b>
<b>Unrestricted equity</b>				
Share premium fund		102,282	2,763	102,292
Profit carried forward		842	-2,826	-6,618
Profit/loss for the period		10,093	3,708	8,007
<b>Total unrestricted equity</b>		<b>113,217</b>	<b>3,644</b>	<b>103,682</b>
<b>Total equity</b>		<b>118,941</b>	<b>4,641</b>	<b>108,859</b>
<b>Current liabilities</b>				
Accounts payable		9,046	13,263	9,754
Liabilities to group companies		-	100	-
Other liabilities		949	623	874
Accrued expenses and deferred income		123,235	99,320	105,736
<b>Total short-term liabilities</b>		<b>133,230</b>	<b>113,306</b>	<b>116,363</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>252,171</b>	<b>117,947</b>	<b>225,222</b>

## NOTES

### Note 1 General information

The address of the head office is Gårdatorget 1, 412 50 Gothenburg, Sweden. Sleep Cycle drives the development of one of the world's most used sleep platforms. Sleep Cycle sleep solutions help users fall asleep more easily, measure sleep habits, and improve sleep; the extensive sleep database contributes to improved sleep habits and increased sleep awareness worldwide. The business is essentially conducted in the parent company. The parent company's holding of shares in group companies as of 31 March 2022 consists of the wholly owned subsidiary Sleep Cycle Sverige AB (559278-9688).

Sleep Cycles' interim report for January-March 2022 was approved for publication on April 27 per Board decision on April 26, 2022.

### Note 2 Accounting principles

The consolidated financial statement for Sleep Cycle AB has 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 reports have been prepared in accordance

with the Annual Accounts Act and RFR 2, "Accounting for Legal Entities."

This interim report has been prepared in accordance with IAS 34 "Interim Financial Reporting." Disclosures in accordance with IAS 34 are provided in notes as well as elsewhere in the interim report.

The accounting principles and calculation methods applied are in accordance with those described in the annual report for 2021. New standards and interpretations that came into force on 1 January 2022 have not had any effect on the group's or the parent company's financial reports for the interim period.

### Note 3 Segment information

Sleep Cycle's CEO, as the highest executive decision-maker, follows up and analyzes results and financial position for the Group as a whole. The CEO does not track results at a level lower than the Group as a whole. The CEO thereby also decides on allocation of resources and makes strategic decisions based on the Group as a whole. Based on the above analysis following IFRS 8, it can be seen that the Sleep Cycle Group consists of only one reporting segment.

### Note 4 Distribution of net sales

SEK (thousands)	Jan - Mar		Jan - Dec
	2022	2021	2021
Subscription income	49,872	41,983	179,251
Other income	217	27	3,686
<b>Total</b>	<b>50,089</b>	<b>42,010</b>	<b>182,937</b>

### Note 5 Financial instruments

SEK (thousands)	03/31/2022	03/31/2021	12/31/2021
<b>Financial assets valued at amortized cost</b>			
Accounts receivable	21,862	30,772	21,626
Other receivables	954	686	1,944
Accrued income	179	-	170
<b>Cash and cash equivalents</b>	<b>190,174</b>	<b>44,660</b>	<b>165,508</b>
<b>Total financial assets</b>	<b>213,169</b>	<b>76,118</b>	<b>189,247</b>
<b>Financial liabilities valued at amortized cost</b>			
Accounts payable	9,047	13,266	9,755
Other current liabilities	2,754	3,360	2,646
<b>Total financial liabilities</b>	<b>11,800</b>	<b>16,626</b>	<b>12,401</b>

Sleep Cycle does not hold any financial instruments that are valued and reported at fair value. For all financial assets and liabilities, the carrying amount is considered as above to be a reasonable approximation of fair value.

## DEFINITIONS OF KEY PERFORMANCE INDICATORS AND CALCULATIONS

Sleep Cycle applies the guidelines for alternative key performance indicators issued by ESMA. This report presents certain financial key performance ratios, including alternative key performance indicators which are not defined under IFRS. The Company considers these key performance indicators an important complement, as they facilitate a better evaluation of the Company's financial trends. These financial key performance indicators should not be assessed independently or considered replacements for performance indicators that have been calculated in accordance with IFRS. In addition, such key performance indicators, as defined by Sleep Cycle, should not be

compared with other key performance indicators with similar names utilized by other companies. This is because the key performance indicators below are not always defined in the same way, and other companies may calculate them differently than Sleep Cycle.

Previously, Adjusted operating margin excluding marketing expenses, EBITDA and Adjusted EBITDA were presented. ESMA recommends that alternative key performance indicators be used with caution. Sleep Cycle no longer monitors operations on these key performance indicators and therefore does not disclose them below.

Key performance indicators	Definition	Background of the use of the key performance indicator
Net sales growth	Change in net sales compared with the same period of prior year.	The measure shows the company's growth in net sales compared with the same period of prior year.
Currency-adjusted net sales growth	Defined as the year's net sales divided by prior year's net sales adjusted to the year's average exchange rates for the company's main 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	Operating profit is used to understand the company's earning capacity
Operating margin	Operating profit as a percentage of the company's net sales.	Operating margin is an indication of the company's earning capacity in relation to net sales.
Items affecting comparability	Items of a non-recurring nature that are not part of normal business and therefore affect comparison between different periods.	The measure is used to understand the company's development and comparison between the years.
Adjusted operating profit	Operating profit adjusted for items affecting comparability.	Adjusted operating profit is used to understand the company's earning 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 earning capacity adjusted for items affecting comparability.
Adjusted operating cash flow	Adjusted EBITDA plus change in net working capital minus investments in tangible 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 to what extent the operating activities are cash-generating.
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 subscription revenue per subscriber during the period.	The measure indicates the company's subscription income per subscription on average during the period



## RECONCILIATION OF ALTERNATIVE KEY PERFORMANCE INDICATORS

The table below derives from the calculation of alternative key performance indicators not defined in accordance with IFRS or where the calculation is not shown in another table in this report.

### Net sales growth and currency-adjusted net sales growth

SEK (thousands)	Jan – Mar		Jan – Dec
	2022	2021	2021
Net sales previous period	42,010	38,113	159,448
Net sales current period	50,089	42,010	182,937
Net sales growth	19.2%	10.2%	14.7%
Currency-adjusted net sales previous period	41,290	36,734	150,399
Net sales current period	50,089	42,010	182,937
Currency-adjusted net sales growth	21.3%	14.4%	21.6%

### Operating profit and operating margin

SEK (thousands)	Jan – Mar		Jan – Dec
	2022	2021	2021
Net sales	50,089	42,010	182,937
Other operating income	190	-	394
Capitalized work for own account	678	619	2,838
Platform fees	-11,897	-10,304	-43,991
Other external expenses	-11,872	-19,399	-89,094
Personnel expenses	-13,206	-8,026	-40,578
Depreciation and write-downs of tangible and intangible assets	-1,241	-143	-2,047
Other operating expenses	-	-72	-134
Operating profit	12,742	4,685	10,325
Operating margin	25.4%	11.2%	5.6%

### Adjusted operating profit and adjusted operating margin

SEK (thousands)	Jan – Mar		Jan – Dec
	2022	2021	2021
Operating profit	12,742	4,685	10,325
Items affecting comparability			
External consultants	-	-7,134	-23,309
Personnel expenses	-	-	-2,752
Items affecting comparability	-	-7,134	-26,061
Adjusted operating profit	12,742	11,819	36,386
Adjusted operating margin	25.4%	28.1%	19.9%

#### Adjusted operating cash flow and Adjusted cash conversion

SEK (thousands)	Jan - Mar		Jan - Dec
	2022	2021	2021
Adjusted EBITDA	13,983	11,962	38,434
Change in working capital	14,013	-6,754	4,293
Acquisition of tangible fixed assets	-116	-	-922
Capitalization of development expenses	-965	-847	-5,013
Adjusted operating cash flow	26,914	4,361	36,791
Adjusted cash conversion	192.5%	36.5%	95.7%

#### ARPU

SEK (thousands)	Jan - Mar		Jan - Dec
	2022	2021	2021
Subscription income	49,872	41,983	179,251
Number of subscriptions previous period (thousands)	901	788	788
Number of subscriptions current period (thousands)	920	820	901
ARPU (SEK)	219	209	212

# SUBMISSION OF INTERIM REPORT JAN – MAR 2022

The Board of Directors and CEO assure that the interim report provides a fair and accurate overview of the operations, financial position and earnings of the parent company and group and describes significant risks and uncertainties that the parent company and the companies included in the group face.

Gothenburg, April 26, 2022

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  
CEO

# Contact

For more information,  
please contact:

**CARL JOHAN HEDEROTH, CEO**

Tel: +46 72-164 62 75

email: [cj@sleepcycle.com](mailto:cj@sleepcycle.com)

**PER ANDERSSON, CFO**

Tel: +46 70-939 53 27

email: [per.andersson@sleepcycle.com](mailto:per.andersson@sleepcycle.com)

**MALIN ABRAHAMSSON, HEAD OF PR**

Tel: +46 73-972 64 24

email: [malin@sleepcycle.com](mailto:malin@sleepcycle.com)

**SLEEP CYCLE AB**

Business reg. No. 556614-7368,

Gårdatorget 1, 412 50 Gothenburg, Sweden

[www.sleepcycle.com](http://www.sleepcycle.com)



Why We Sleep