



JANUARY - SEPTEMBER
2021

SLEEP CYCLE
INTERIM REPORT



INTERIM REPORT JAN – SEP, 2021 – SLEEP CYCLE AB

ACCELERATED GROWTH AND STRATEGICALLY IMPORTANT COOPERATION

Growth continued in the third quarter and the number of subscriptions increased to 884k at the end of the period. The increase is explained by good organic growth combined with efficient investments in conversion-driven marketing. During the quarter, Samsung's new smartwatch was launched, where some of Sleep Cycle's technology is pre-installed. Net sales for the quarter amounted to MSEK 48.8, corresponding to an increase of 20.9%, adjusted for currency effects of 30.0%. Operating profit amounted to MSEK 9.0 and corresponded to a margin of 18.5%. Adjusted for items affecting comparability, operating profit was MSEK 12.0 and the margin was 24.6%.

SIGNIFICANT EVENTS

- In August, it was announced that Sleep Cycle, through a partnership with Samsung, is integrating some of its snoring detection technology into Samsung Health. Sleep Cycle received MSEK 3.3 in compensation from Samsung for integration development in the third quarter. New users was generated through the collaboration from September.
- During the third quarter, a project was completed to classify Sleep Cycle's data as health data from a privacy perspective. As a result of this change, a higher classification was adopted, which creates opportunities to develop the application to target the medical field.
- During the quarter, Sleep Cycle was launched as an Android Wear app, which means that the application is now available for various devices, such as smartwatches, that use Android's operating system. Sleep Cycle for Apple Watch is already available and through

the launch of Android Wear, the application is now available in a large part of the smartwatch market.

KEY EVENTS AFTER THE END OF THE PERIOD

- In early October, Sleep Boot Camp was launched, which is a sleep education offered to companies. Through the program, participants use the Sleep Cycles application and become aware of their sleep habits. The response has been good and is expected to be an important part of Sleep Cycle's range of products and services. Among the first organizations to introduce Sleep Boot Camp are Polestar and Djurgårdens IF.
- In October, Google announced that it was reducing the fee on all Google Play sales from 30% to 15% from 1 January 2022. Sleep Cycle's expected impact on earnings from the reduction is estimated at approximately MSEK 2 for the full year 2022.

OVERVIEW OF RESULTS

SEK 000	Jul – Sep		Jan – Sep		Jan – Dec
	2021	2020	2021	2020	2020
Net sales	48,759	40,336	134,897	117,689	159,448
Net sales growth (%)	20.9%	30.4%	14.6%	32.7%	30.0%
Currency-adjusted net sales growth (%)	30.0%	27.7%	21.6%	28.0%	26.9%
Operating profit/loss	9,024	15,907	2,295	50,529	56,243
Operating margin (%)	18.5%	39.4%	1.7%	42.9%	35.3%
Adjusted operating profit/loss	12,005	15,907	28,356	50,529	63,744
Adjusted operating margin (%)	24.6%	39.4%	21.0%	42.9%	40.0%
Adjusted operating margin excluding marketing costs (%)	47.9%	52.9%	45.0%	53.0%	52.3%
EBITDA	9,705	16,050	3,262	51,017	56,874
Adjusted EBITDA	12,686	16,050	29,323	51,017	64,375
Net profit	9,011	15,895	2,237	50,388	56,093
Adjusted operating cash flow	7,555	16,678	28,296	50,101	76,161
Adjusted cash conversion (%)	59.6%	103.9%	96.5%	98.2%	118.3%
Key Performance Indicators					
Total subscriptions (Thousands)	884	782	884	782	788
ARPU (SEK)	209	211	210	209	212
Average number of employees (#)	37	22	31	21	22

For definitions, justifications and derivations, see page 18.

THIRD QUARTER JULY – SEPTEMBER 2021

- Net sales increased by 20.9 (30.4)% and amounted to TSEK 48,759 (40,336). Currency-adjusted net sales growth was 30.0 (27.7)%. The increase is explained by good organic growth in the number of subscriptions, driven by efficient conversion-driven marketing and good renewal levels. Furthermore, revenue of MSEK 3.3 was received for services performed in the collaboration with Samsung, which integrated part of Sleep Cycle's technology for snoring detection into Samsung Health.
- Operating profit amounted to TSEK 9,024 (15,907) and the operating margin was 18.5 (39.4)%. The margin decline is explained by increased investments in marketing, a larger organization and costs related to the IPO in June, which together explain the lower operating profit.
- Adjusted operating profit amounted to TSEK 12,005 (15,907) and the operating margin was 24.6 (39.4) %, with a larger organization and increased marketing costs explaining the difference.
- The total number of paying subscribers at the end of the period was 884k (782k), an increase of 13.0% compared to the previous year.
- ARPU in the quarter amounted to SEK 209 (211).
- Earnings per share before dilution amounted to SEK 0.37 (0.69) in the quarter. Earnings per share after dilution amounted to SEK 0.36 (0.67).

PERIOD JANUARY – SEPTEMBER 2021

- Net sales increased by 14.6 (32.7)% and amounted to TSEK 134,897 (117,689). Currency-adjusted net sales growth was 21.6 (28.0) %. The increase is mainly explained by growth in the number of subscriptions.
- Operating profit amounted to TSEK 2,295 (50,529) and the operating margin was 1.7 (42.9) %. The margin decline is mainly explained by the costs of listing and strategic projects related to the IPO.
- Adjusted operating profit amounted to TSEK 28,356 (50,529) and the operating margin was 21.0 (42.9) %. The decline in operating profit is explained by higher marketing costs, a larger organization and more development projects.
- ARPU amounted to SEK 210 (209).
- Earnings per share before dilution amounted to SEK 0.09 (2.20) in the period. Earnings per share after dilution amounted to SEK 0.09 (2.14).

CEO comment

The third quarter continued positively and is summarized as increased growth in revenue and subscriptions, a strategic collaboration where Sleep Cycle becomes part of Samsung's health offering and a successful launch of our new Sleep Boot Camp concept aimed at companies. Due to longer sales cycles, the introduction of our company offering has taken slightly longer than expected, but as of the end of September we saw great interest and a good order book. In October, this was confirmed by a number of new customers who have chosen to launch Sleep Cycle as a health offering for employees.

Net sales rose in the third quarter to MSEK 48.8 (40.3), corresponding to an increase of 20.9 (30.4) %. Adjusted for currency effects, the increase was 30.0 (27.7) %. Also included in the net sales is compensation from Samsung of MSEK 3.3 for integration work carried out ahead of the launch of Samsung's health offering, where part of Sleep Cycle's snoring technology is pre-installed on Samsung's smartwatches launched in August.

Being selected for a partnership with Samsung is something we are very proud of. At a global event in August where Samsung's new smartwatch was unveiled, Sleep Cycle was mentioned and it was clear that health services are an area Samsung is focusing heavily on at the moment. We see this as a great opportunity to work with one of the world's largest technology companies and the largest manufacturer of phones globally. Already in September we saw new users generated through Samsung, and our hope is that this increases as more watches are

sold. In the long term, the ambition is to deepen the collaboration in order to become part of Samsung's health offering on other devices as well.

Operating profit for the third quarter was MSEK 9.0 (15.9) with a margin of 18.5% (39.4) %. Adjusted for items affecting comparability related to the IPO, operating profit was MSEK 12.0 (15.9), corresponding to a margin of 24.6 (39.4) %. Despite a sharp increase in marketing costs and in a larger organization, the business generated a stable surplus. The cost increase was according to plan and justifies the investments in product updates, new features, corporate offerings and marketing, which creates the conditions for increased growth in revenue. The fact that we can accelerate our product investments and still maintain good margins shows the strength of our business model, and I am confident that in the long term we will see returns in the form of increased revenue.

We are closely following the proceedings underway in the US where questions about how Apple and Google charge in their app stores are being examined. As a result of the ongoing negotiations, Google lowered its fees to 15% as of 1 July, for revenue up to USD \$1 million. In October, they announced that the total fee will be reduced from 30% to 15% from 1 January for all sales. This is of course good news for Sleep Cycle and we expect a positive impact on earnings from the total reduction of approximately MSEK 2 for next year. We closely monitor how Apple acts following Google's decision, but have noted

that they recently implemented changes to their policy on payments outside the App Store.

Investments in marketing have been made according to plan during the quarter and we have continued to achieve higher efficiency in conversion-driven marketing. The number of subscriptions at the end of the quarter was 884k, corresponding to an increase of 13.0%. In the second part of the third quarter there was a larger increase in new users, which was driven by good visibility in social media, which in turn created good opportunities to increase conversion-driven marketing without losing efficiency. A total of MSEK 11.4 (5.4) was invested in marketing during the quarter and adjusted profit excluding marketing costs amounted to MSEK 23.4 (21.3), corresponding to a margin of 47.9 (52.9) %.

In product development, we completed a project in the third quarter to have our data classified as health data. This is a higher classification than previously, which sets different demands from a privacy perspective. Through this update, we create the conditions for eventually being able to offer services that approach medical diagnoses. For Sleep Cycle, this is an important step and fully in line with our strategic plan to develop products to improve people's sleep. Given the large number of people with sleep problems, combined with the great interest we see in digital products in the sleep market, this is, in my opinion, the right track for Sleep Cycle to go.

As we enter the last quarter of the year and get ready for 2022, focus is about accelerating the increase in new users. Our strategy and the initiatives we implemented in 2021 are mainly about building on our organic growth with sales in new channels, such as targeting companies,

as well as through investments in marketing. As monthly sales are distributed over the term of subscriptions, we see a certain delay in the revenue growth that comes from increases in sales. With regard to sales to companies, which we see as an important part in accelerating our growth, we can see that it has taken longer than expected to get volume on our offer. The pilot customers who evaluated the offer during the second and third quarters have provided us with very valuable feedback. We have used this feedback for the development of our Sleep Boot Camp, which was launched in October. We have seen a big increase in interest following the launch of Sleep Boot Camp and a positive effect on sales. It is my hope that we will now be able to scale up sales to companies and that this will be an engine for our increased growth rate in the future.

As we head for darker times and autumn passes into winter, our circadian rhythm is affected. One of the biggest external factors that can affect the circadian rhythm is light, which during the winter months can cause many people to experience fatigue and finding it more difficult to get up in the morning. Sleep Cycle offers several features and guides to get back into rhythm, wake up well rested and avoid the worst mornings. Our vision is about improving people's health through better sleep, and as we enter the dark period of the year, my hope is that even more people will become aware of Sleep Cycle and how better sleep makes for a better life.



Carl Johan Hederoth
CEO Sleep Cycle AB

About the business

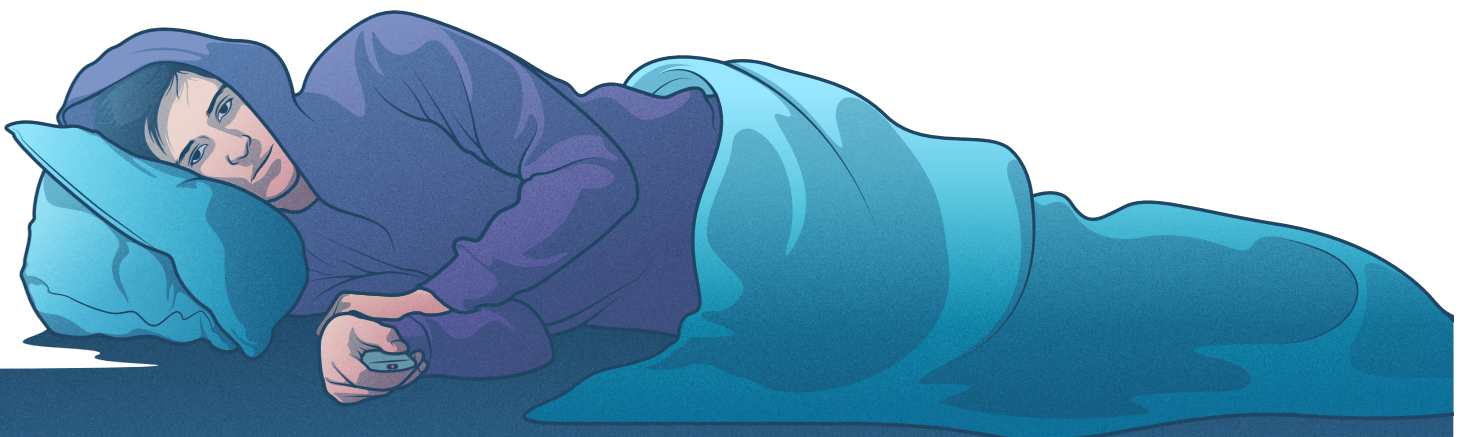
Since its launch in 2009, Sleep Cycle has evolved from an application focused on waking up the user in a light sleep phase to a comprehensive holistic sleep service.

From the company's inception, the focus has been on high customer benefit, which has resulted in a high user rating of 4.5+. The technology has evolved from the use of accelerometers in measuring sleep, to the launch of patented sound analysis and implementation of machine learning in data collection and analysis. A feature that creates an even more personalized experience through increased focus on users' personal sleep experiences. With billions of sleep nights stored, Sleep Cycle has grown into one of the world's most comprehensive sources of sleep statistics. A significant platform that provides great insight into sleep habits and trends in individual users and the world in general.

Sleep Cycle offers a complete solution that starts the moment the user wakes up in the morning. This is when analysis of the previous day and night is presented, preparations for the next night's sleep begin and the journey towards improvement begins. As the evening approaches and it's time to go to bed, Sleep Cycle collects

information about events and activities from the day that has passed. All this forms the basis for the next morning's sleep analysis. With every day and night, the user's sleep database grows. The increased amount of personal sleep data is analysed through Sleep Cycle's AI-based platform that results in precise and personalized insights into sleep quality and sleep routines. Sleep Cycle is one of the world's largest sources of sleep statistics and is requested by and shared, anonymized, with well-chosen media, universities and research projects all over the world.

Sleep data is presented to the user along with personal insights. To help the user improve their sleep based on the insights, Sleep Cycle offers a number of tools and features, including Sleep Aid, Smart Alarm and sleep schools. No matter if you use Sleep Cycle to fall asleep easier, wake fit and fresh in the morning or improve your sleep, Sleep Cycle offers unique user benefits.



FINANCIAL OVERVIEW

Since all material activities in the group are conducted in the parent company, comments below refer to both the parent company and the group. For profit and cash flow, comparative figures refer to the corresponding period last year. For financial position, comparative figures refer to balance sheet items as of 31 December 2020.

THIRD QUARTER

JULY - SEPTEMBER 2021

NET SALES AND PROFIT

The group's net sales in the third quarter amounted to TSEK 48,759 (40,336), which is an increase of 20.9 (30.4) % compared to the previous year. The total currency effect amounts to approximately MSEK -3.4, with all of the six currencies with the most turnover developing negatively compared to 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 amounted to 884k, an increase of 13.0% from the previous year. The increase is mainly explained by the addition of new users both through organic growth and conversion-driven marketing channels, as well as through high renewal levels. In addition, the collaboration with Samsung contributed to revenue of MSEK 3.3 for integration development of snoring detection in Samsung Health. The acquisition of users through new channels continued to increase, and during the quarter users were also added through the collaboration with Samsung. Companies that were added as customers through the launch of the Sleep Boot Camp concept included Polestar and Djurgårdens IF. Average revenue per subscription (ARPU) was in line with the previous year at SEK 209 (211) despite negative currency effects.

Operating profit amounted to TSEK 9,024 (15,907) and the margin was 18.5 (39.4) % in the third quarter. EBITDA was TSEK 9,705 (16,050). The

lower result is explained by a larger organization, more development projects and increased investments in marketing. Adjusted EBITDA for the third quarter amounted to TSEK 12,686 (16,050) and was affected by costs related to IPO and strategic projects. After the third quarter, no additional costs related to these events are expected.

During the third quarter, the organization continued to grow as planned through new hires, which, together with a remunerated board, increased personnel costs compared to the previous year. A larger organization is in line with the Company's strategic plan for increased growth in the coming years. Sleep Cycle has also invested more in marketing to increase brand awareness and fuel growth compared to previous years. Marketing expenses during the quarter amounted to TSEK 11,354 (5,412) and adjusted operating profit excluding marketing costs amounted to TSEK 23,359 (21,319), corresponding to a margin of 47.9 (52.9) %. Due to differences in accrual effects of sales revenues and marketing costs, this key figure is presented to give a true and fair view of underlying profitability.

Net financial income during the period amounted to TSEK -13 (-11) and tax on net profit amounted to TSEK -1,877 (-3,411). Net profit amounted to TSEK 7,135 (12,485). Earnings per share before dilution

amounted to SEK 0.37 (0.69) and after dilution to SEK 0.36 (0.67).

CASH FLOW AND FINANCIAL POSITION

Cash flow from operating activities amounted to TSEK 7,375 (13,331) in the third quarter. The change is explained, in addition to drop in earnings, by negative working capital development of TSEK 2,264 linked to trade creditors attributable to the IPO in the previous quarter.

The cash conversion for the period was 59.6 % (103.9) as a result of the above.

Accounts receivable and trade creditors increased during the quarter, as from 2021 the Company applies a method for self-invoicing sales and platform fees that was previously recorded as accrued income and/or prepaid expenses, respectively, until paid.

Cash flow from investment activities amounted to TSEK -2,867 (-16) related to capitalized development expenses and acquisitions of tangible assets. As of 2021, the Company believes that it meets the requirements of IAS38 for capitalizing development expenses linked to specific projects. Cleared of items affecting comparability, adjusted operating cash flow amounted to TSEK 7,555 (16,678).

Cash flow from financing activities amounted to TSEK -407 (-123) in the quarter and mainly relates to repayment of lease liabilities.

Cash flow for the quarter amounted to TSEK 4,101 (13,192). The Group's cash and cash equivalents amounted to TSEK 145,091 (37,466) at the end of the period.

The company's equity amounted to TSEK 102,385 as of 30 September. The opening balance on 1 January was TSEK 127 and the change is explained by the new share issue made in connection with the IPO, which also led to the share capital increasing to TSEK 540 from TSEK 150 as of 31 December 2020. The low level of equity as of 31 December 2020 is explained by the dividend that was decided when the Company reported in accordance with K2 accounting principles. In the event of a subsequent conversion to IFRS accounting policies, turnover and thus profits over the term of the contracts are distributed over a period of time, at the same time as the Company has built up a liability in the form of accrued costs and deferred income. Thus, equity fell after the IFRS conversion, which explains the low level.

The above-mentioned change in accounting policy also explains the difference in the Group's deferred tax asset, which on 30 September 2021 amounted to TSEK 637 (113), where deferred tax was reported in the differences in the accounts. These changes have been taken into legal entity as of 31 December 2020 and managed in the tax computation for the period.

NET SALES AND PROFIT

Changes in turnover, profit, cash flow and financial position for the nine-month period 2021 compared to the previous year are largely explained for the same reasons as the third quarter. Below is the development for the nine-month period with comments in cases where other reasons for the development exist than for the third quarter.

Consolidated net sales during the period amounted to TSEK 134,897 (117,689), corresponding to an increase of 14.6 (32.7) %. Currency-adjusted net sales growth was 21.6 (28.0) %. The increase in net sales is mainly explained by growth in subscriptions of 13.0% from 782k to 884k. New sales channels such as partnerships and sales to companies have also contributed. Average revenue per subscription (ARPU) was SEK 210 (209). The total currency effect amounts to approximately MSEK -6.8, with all six currencies with the most turnover developing negatively compared to the previous year.

Operating profit amounted to TSEK 2,295 (50,529) and the margin was 1.7 (42.9) %. EBITDA was TSEK 3,262 (51,017). Adjusted EBITDA for the period amounted to TSEK 29,323 (51,017). The drop in profit and margin is mainly explained by costs related to the IPO of Sleep Cycle as well as strategic projects that have been pursued prior to the IPO and have negatively impacted other external costs. Personnel costs were also burdened at TSEK 2,752 in items affecting comparability related to the IPO in the second quarter.

In early 2021, the Company initiated a new strategic plan for increased growth in the coming years. This means increased investments in marketing, product development and organization compared to previous years. Marketing expenses during the period amounted to TSEK 32,316 (11,841) and

adjusted operating profit, excluding marketing expenses, amounted to TSEK 60,672 (62,369), corresponding to a margin of 45.0 (53.0)%.

CASH FLOW AND FINANCIAL POSITION

Cash flow from operating activities for the period amounted to TSEK -2,153 (30,940). This development is fully driven by the drop in profit and the reasons for this.

Cash flow from investment activities amounted to TSEK -4,738 (-16) related to capitalized development expenses and the acquisition of tangible assets. As of 2021, the Company believes that it meets the requirements of IAS38 for capitalizing development expenses linked to specific projects. Cleared of items affecting comparability, the adjusted operating cash flow amounts to TSEK 28,296 (50,101).

Cash flow from financing activities during the period amounted to TSEK 98,846 (-51,805), with the new share issue of TSEK 100,000 carried out in connection with the IPO providing the Company with TSEK 95,350 after deducting transaction expenses. In addition, the Company received TSEK 4,147 from premiums from the employee option program. During the first nine-month period of 2020 dividends of TSEK 51,435 were paid, which explains the negative cash flow for the period.

Cash flow for the period amounted to TSEK 91,955 (-20,881). The Group's cash and cash equivalents amounted to TSEK 145,091 (37,466) at the end of the period.

The company's equity amounted to TSEK 102,385 as of 30 September. The opening balance was TSEK 127 and the change is mainly explained by the new share issue made in connection with the IPO.

OTHER INFORMATION

PERSONNEL

The average number of employees in the Group for the period January to September 2021 was 31 (21) and for the quarter July to September 2021 it was 37 (22).

INFORMATION ON RISKS AND UNCERTAINTIES

The group's overall risk management involves striving for minimal adverse effects on profit and position. Significant risks and uncertainties are described in the annual report for 2020. No events of material importance 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 above information for the Group.

RELATED PARTY TRANSACTIONS

Apart from transactions with senior executives in the capacity of their roles, there have been no transactions with related parties.

UPCOMING REPORTING DATES

- Year-end report and fourth quarter interim report 2021 on 15 February 2022
- Interim report Jan-Mar 2022 on 27 April 2022
- Interim report Apr-Jun 2022 on 29 July 2022
- Interim report Jul-Sep 2022 on 28 October 2022

OTHER INFORMATION

This interim report has been audited by the Company's auditors.

THE SHARE

The company's share has been listed on Nasdaq Stockholm since 8 June 2021. The share capital amounted to TSEK 540 on the balance sheet date.

OUTSTANDING OPTIONS PROGRAM

Options program	Number of options	Corresponding number of shares	Proportion of total shares	Exercise rate	Exercise period
TO 2019	6,624	848,998	4.4%	19.8	2022
TO 2020	1,259	151,080	0.8%	88.9	2023
TO 2021 Series 1	191,159	191,159	1.0%	94.5	2024
TO 2021 Series 2	22,727	22,727	0.1%	94.5	2025
CEO LTIP	340,909	340,909	1.8%	241.2	2026
Total	562,678	1,554,873	8.0%		

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

Owner	Number of shares	Votes and capital
Maciek Drejak through company	8,527,190	44%
Pierre Siri through company	4,609,291	24%
Handelsbanken Microcap	1,036,806	5%
Skandia Fonder	714,285	4%
Petter Wallin	691,394	4%
Coeli Funds	611,000	3%
Nordnet Pensionsförsäkring	600,306	3%
E. Öhman J:OR	571,428	3%
SEB Nanocap	430,000	2%
Avanza Pension	365,302	2%
Other	1,271,569	7%
Total	19,428,571	100%

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK 000	Note	Jul - Sep		Jan - Sep		Jan - Dec
		2021	2020	2021	2020	2020
OPERATING INCOME						
Net sales	4	48,759	40,336	134,897	117,689	159,448
Other operating income		158	58	265	150	159
OPERATING EXPENSES						
Capitalized work for own account		989	-	2,451	-	-
Platform fees		-11,178	-10,299	-32,382	-29,659	-40,144
Other external expenses		-19,620	-9,403	-72,069	-22,267	-42,047
Personnel costs		-9,334	-4,631	-29,766	-14,887	-20,510
Depreciation, amortization and impairment of property, plant and equipment and intangible assets		-681	-143	-967	-488	-631
Other operating expenses		-69	-10	-134	-10	-32
Operating profit/loss		9,024	15,907	2,295	50,529	56,243
FINANCIAL ITEMS						
Financial income		-	-	1	-	-
Financial expenses		-13	-11	-59	-140	-150
Profit before tax		9,011	15,895	2,237	50,388	56,093
Tax on profit or loss for the period		-1,877	-3,411	-506	-10,822	-12,050
Profit for the period attributable to owners parent		7,135	12,485	1,731	39,566	44,043
Other comprehensive income		-	-	-	-	-
Comprehensive income for the period attributable to owners of the parent		7,135	12,485	1,731	39,566	44,043
Earnings per share						
Earnings per share before dilution, SEK		0.37	0.69	0.09	2.20	2.45
Earnings per share after dilution, SEK		0.36	0.67	0.09	2.14	2.38
Average number of shares outstanding for the period before dilution		19,315,257	18,000,000	18,487,741	18,000,000	18,000,000
Average number of shares outstanding for the period after dilution		19,942,714	18,564,062	19,137,837	18,517,839	18,543,095

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK 000	Note	2021-09-30	2020-09-30	2020-12-31
ASSETS				
Fixed assets				
Intangible assets				
Capitalized work for own account		4,155	-	-
Total intangible assets		4,155	-	-
Tangible assets				
Right-of-use assets		3,204	1,119	995
Equipment and computers		610	226	208
Total tangible assets		3,814	1,346	1,203
Deferred tax asset		637	12,283	113
Total fixed assets		8,606	13,629	1,316
Current assets				
Accounts receivable		21,195	103	113
Other receivables		734	340	2,005
Current tax assets		18,615	-	9,557
Prepaid expenses and accrued income		23,925	43,241	38,617
Cash and cash equivalents		145,091	37,466	53,136
Total current assets		209,560	81,150	103,428
TOTAL ASSETS		218,167	94,778	104,744
EQUITY AND LIABILITIES				
Equity				
Share capital		540	150	150
Other capital contributions		102,158	-	2,020
Retained earnings including profit/loss for the year		-313	-5,089	-2,043
Total equity attributable to shareholders of the parent company		102,385	-4,939	127
Long-term liabilities				
Lease liabilities		311	541	415
Total long-term liabilities		311	541	415
Current liabilities				
Lease liabilities		2,935	497	497
Account payables		14,138	4,160	6,775
Current tax liabilities		-	4,727	-
Other liabilities		834	401	525
Accrued expenses and deferred income		97,564	89,392	96,405
Total current liabilities		115,471	99,177	104,202
TOTAL EQUITY AND LIABILITIES		218,167	94,778	104,744

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK 000	Attributable to shareholders of the parent company		
	2021-09-30	2020-09-30	2020-12-31
Opening balance	127	6,929	6,930
Profit for the period	1,731	39,566	44,043
Option premiums received	4,147	-	589
Dividend paid	-	-51,435	-51,435
New share issue after issue expenses	96,380	-	-
Closing balance	102,385	-4,939	127

CONSOLIDATED STATEMENT OF CASH FLOW

SEK 000	Note	Jul - Sep		Jan - Sep		Jan - Dec
		2021	2020	2021	2020	2020
Cash flow from operating activities						
Operating profit/loss		9,024	15,907	2,295	50,529	56,243
Adjustments for non-cash items, etc.:						
Depreciation, amortization and impairment		681	143	967	488	631
Gain/loss on sale of Group company		-	10	-	10	10
Interest received		-	-	1	-	-
Interest paid		-13	-12	-59	-141	-150
Tax paid		-54	-3,345	-9,058	-19,030	-22,372
Cash flow from operating activities before changes in working capital		9,639	12,703	-5,854	31,856	34,362
Change in working capital						
Change in operating receivables		7,349	677	-5,119	-8,947	-5,998
Change in operating liabilities		-9,613	-49	8,820	8,031	17,784
Cash flow from operating activities		7,375	13,331	-2,153	30,940	46,148
Investing activities						
Sale of Group company (net impact on liquidity)		-	-16	-	-16	-16
Acquisition of intangible assets		-2,402	-	-4,273	-	-
Acquisition of tangible assets		-465	-	-465	-	-
Cash flow from investment activities		-2,867	-16	-4,738	-16	-16
Financing activities						
Dividend paid		-	-	-	-51,435	-51,435
Amortization of lease liabilities		-407	-123	-662	-370	-497
Option premiums received		-11	-	4,147	-	589
New share issue		11	-	95,361	-	-
Cash flow from financing activities		-407	-123	98,846	-51,805	-51,343
Cash flow for the period		4,101	13,192	91,955	-20,881	-5,211
Cash and cash equivalents at the beginning of the period		140,990	24,274	53,136	58,347	58,347
Cash and cash equivalents at the end of the period		145,091	37,466	145,091	37,466	53,136

INCOME STATEMENT – PARENT COMPANY

SEK 000	Note	Jul – Sep		Jan – Sep		Jan – Dec
		2021	2020	2021	2020	2020
OPERATING INCOME						
Net sales		48,759	40,336	134,897	117,689	159,448
Other operating income		158	58	265	150	159
Capitalized work for own account		989	-	2,451	-	-
OPERATING EXPENSES						
Platform fees		-11,178	-10,299	-32,382	-29,659	-40,144
Other external costs		-20,172	-9,538	-72,884	-22,660	-42,552
Personnel costs		-9,334	-4,631	-29,766	-14,887	-20,510
Depreciation, amortization and impairment of property, plant and equipment and intangible assets		-143	-19	-181	-115	-134
Other operating expenses		-69	-	-134	-	-22
Operating profit/loss		9,010	15,907	2,266	50,518	56,245
RESULT FROM FINANCIAL ITEMS						
Profit/loss from participations in Group companies		-	-2	-	-2	-2
Interest income and similar income items		-	-	1	-	-
Interest expense and similar expense items		-	-1	-32	-106	-107
Profit before tax		9,010	15,903	2,235	50,409	56,136
Tax on profit or loss for the period		-1,876	-3,411	-504	-10,822	-12,051
Profit for the period		7,134	12,492	1,732	39,587	44,085
COMPREHENSIVE INCOME FOR THE PERIOD		7,134	12,492	1,732	39,587	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	2021-09-30	2020-09-30	2020-12-31
ASSETS				
Fixed assets				
Intangible assets				
Capitalized work for own account		4,155	-	-
Total intangible assets		4,155	-	-
Tangible assets				
Equipment and computers		610	226	208
Total tangible assets		610	226	208
Financial assets				
Participations in group companies		150	-	50
Deferred tax asset		628	12,272	102
Total financial assets		778	12,272	152
Total fixed assets		5,543	12,498	360
Current assets				
Accounts receivable		21,195	103	113
Other receivables		734	340	2,005
Current tax assets		18,615	-	9,557
Prepaid expenses and accrued income		23,925	43,376	38,751
Total current receivables		64,469	43,819	50,426
Cash and bank balances		144,961	37,466	53,091
Total current assets		209,430	81,284	103,517
TOTAL ASSETS		214,973	93,782	103,877
EQUITY AND LIABILITIES				
Equity				
Restricted equity				
Share capital		540	150	150
Development expenditure reserve		4,155	-	-
Total restricted equity		4,695	150	150
Non-restricted equity				
Share premium reserve		102,158	-	2,020
Retained earnings		-6,135	-44,634	-46,065
Profit for the year		1,732	39,587	44,085
Total non-restricted equity		97,755	-5,048	190
Total equity		102,450	-4,898	190
Current liabilities				
Account payables		14,138	4,160	6,775
Current tax liabilities		-	4,727	-
Other liabilities		834	401	525
Accrued expenses and deferred income		97,551	89,392	96,387
Total current liabilities		112,523	98,680	103,687
TOTAL EQUITY AND LIABILITIES		214,973	93,782	103,877

NOTES

Note 1 General information

Sleep Cycle AB (publ) with corporate ID number 556614-7368 is a limited liability company registered in Sweden with its registered office in Gothenburg. The address of the head office is Gårdatorget 1, 412 50 Gothenburg. Sleep Cycle drives the development of one of the world's most widely used sleep platforms. Sleep Cycle sleep solutions help users fall asleep more easily, measure sleep habits and improve sleep, plus with their large sleep database contribute to improving sleep habits and increased sleep awareness worldwide. In substance, the business is conducted in the parent company. The parent company's participations in group companies as of September 30, 2021 consists of the wholly-owned subsidiary Sleep Cycle Sverige AB (559278-9688).

Sleep Cycle's interim report for January-September 2021 has been approved for publication on November 12, following a decision by the board of directors on November 11, 2021.

Note 2 Accounting policies

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

RFR 1 "Supplementary accounting rules for groups". The parent company's financial statements are prepared in accordance with the Annual Accounts Act and RFR 2, "Financial reporting for legal entities".

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

The accounting policies and calculation methods applied are in accordance with those described in the annual report for 2020. New standards and interpretations that have come into force as of 1 January 2021 have not had any effect on the group's or the parent company's financial statements for the interim period.

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 disaggregated level lower than consolidation. Thus the CEO also decides on the allocation of resources and makes strategic decisions based on consolidation as a whole. Based on the above analysis, with reference to IFRS 8, it can be concluded that the Sleep Cycle Group consists of only one reporting segment.

Note 4 Distribution of net sales

SEK 000	Jul - Sep		Jan - Sep		Jan - Dec
	2021	2020	2021	2020	2020
Subscription income	45,400	40,297	131,490	117,569	159,290
Other income	3,359	39	3,407	121	158
Total	48,759	40,336	134,897	117,689	159,448

Note 5 Financial instruments

SEK 000	2021-09-30	2020-09-30	2020-12-31
Financial assets measured at amortised cost			
Accounts receivable	21,195	103	113
Other receivables	734	340	2,005
Accrued income	77	23,348	16,123
Cash and cash equivalents	145,091	37,466	53,136
Total financial assets	167,097	61,256	71,377
Financial liabilities valued at accrued acquisition value			
Accounts payables	14,138	4,160	6,775
Accrued expenses	2,763	6,178	10,350
Total financial liabilities	16,901	10,338	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

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 to the same period last year.	The measure shows the company's growth in net sales compared to the same period last year.
Currency-adjusted net sales growth	Defined as net sales for the year divided by the previous year's net sales converted to the year's average exchange rates for the company's main foreign exchange exposures (USD, EUR, JPY, GBP, AUD and CAD).	Used to measure the company's underlying net sales growth cleared for currency effects.
Operating profit/loss	Operating profit/loss before interest and tax	The operating profit/loss is used to understand the company's earning capacity
Operating margin	Operating profit/loss as a percentage of the company's net sales.	Operating margin is an indication of the company's earning capacity in relation to net sales.
EBITDA	Operating profit/loss before depreciation, amortization and impairment. (Earnings Before Interest, Taxes, Depreciation, and Amortization).	EBITDA is an indication of the company's earnings capacity and is a complement to operating profit excluding depreciation, amortization and impairment of property, plant and equipment and intangible assets.
Items affecting comparability	Non-recurring items which are not part of the normal operations and are therefore affecting comparability between different periods.	The measure is used to understand the company's development and comparison between the years.
Adjusted EBITDA	Operating profit/loss before depreciation, amortization and impairment, adjusted for items affecting comparability.	Adjusted EBITDA is used to understand the company's earning capacity cleared for items affecting comparability.
Adjusted operating profit/loss	Operating profit/loss adjusted for items affecting comparability.	Adjusted operating profit/loss is used to understand the company's earning capacity cleared for items affecting comparability.
Adjusted operating margin	Adjusted operating profit/loss as a percentage of the company's net sales.	Adjusted operating margin is used to understand the company's earning capacity cleared for items affecting comparability.
Adjusted operating margin excluding marketing costs	Adjusted operating profit/loss excluding marketing costs as a percentage of the company's net sales.	Adjusted operating margin/loss excluding marketing costs is used to understand the company's earning capacity cleared for items affecting comparability and marketing costs and gives a more accurate picture of the company's profitability over time. When marketing costs are fully expensed in the period in which they arise while revenues are distributed over the term of the contract, operating profit/loss adjusted for marketing costs gives a more accurate picture.
Adjusted operating cash flow	Adjusted EBITDA plus change in net working capital minus investments in tangible and intangible assets.	The measure shows how many liquid resources are generated by the company's operating activities cleared for items affecting comparability.
Adjusted cash conversion	Adjusted operating cash flow in relation to the company's Adjusted EBITDA.	The measure is used to measure the share of the company's profits converted into liquid assets and describes how cash-generating the operating activities are.
Total 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 derives the calculation of alternative key ratios 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	Jul – Sep		Jan – Sep		Jan – Dec
	2021	2020	2021	2020	2020
Net sales previous period	40,336	30,922	117,689	88,719	122,676
Net sales current period	48,759	40,336	134,897	117,689	159,448
Net sales growth	20.9%	30.4%	14.6%	32.7%	30.0%
Currency-adjusted net sales previous period	37,514	31,586	110,919	91,955	125,689
Net sales current period	48,759	40,336	134,897	117,689	159,448
Currency-adjusted net sales growth	30.0%	27.7%	21.6%	28.0%	26.9%

Operating margin and EBITDA

SEK 000	Jul – Sep		Jan – Sep		Jan – Dec
	2021	2020	2021	2020	2020
Net sales	48,759	40,336	134,897	117,689	159,448
Other operating income	158	58	265	150	159
Capitalized work for own account	989	-	2,451	-	-
Platform fees	-11,178	-10,299	-32,382	-29,659	-40,144
Other external costs	-19,620	-9,403	-72,069	-22,267	-42,047
Personnel costs	-9,334	-4,631	-29,766	-14,887	-20,510
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	-681	-143	-967	-488	-631
Other operating expenses	-69	-10	-134	-10	-32
Operating profit/loss	9,024	15,907	2,295	50,529	56,243
Operating margin	18.5%	39.4%	1.7%	42.9%	35.3%
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	681	143	967	488	631
EBITDA	9,705	16,050	3,262	51,017	56,874

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

SEK 000	Jul – Sep		Jan – Sep		Jan – Dec
	2021	2020	2021	2020	2020
EBITDA	9,705	16,050	3,262	51,017	56,874
Operating profit/loss	9,024	15,907	2,295	50,529	56,243

Items affecting comparability

External consultants	-2,981	-	-23,309	-	-7,501
Personnel costs	-	-	-2,752	-	-
Items affecting comparability	-2,981	-	-26,061	-	-7,501

Adjusted EBITDA	12,686	16,050	29,323	51,017	64,375
Adjusted operating profit/loss	12,005	15,907	28,356	50,529	63,744
Adjusted operating margin	24.6%	39.4%	21.0%	42.9%	40.0%

Adjusted operating margin excluding marketing costs

SEK 000	Jul – Sep		Jan – Sep		Jan – Dec
	2021	2020	2021	2020	2020
Adjusted operating profit/loss	12,005	15,907	28,356	50,529	63,744
Marketing expenses	-11,354	-5,412	-32,316	-11,841	-19,584
Adjusted operating profit/loss excluding marketing expenses	23,359	21,319	60,672	62,369	83,328
Adjusted operating margin excluding marketing expenses	47.9%	52.9%	45.0%	53.0%	52.3%

Adjusted operating cash flow and Adjusted cash conversion

SEK 000	Jul – Sep		Jan – Sep		Jan – Dec
	2021	2020	2021	2020	2020
Adjusted EBITDA	12,686	16,050	29,323	51,017	64,375
Change in working capital	-2,264	628	3,711	-916	11,786
Acquisition of tangible assets	-465	-	-465	-	-
Capitalization of development expenditure	-2,402	-	-4,273	-	-
Adjusted operating cash flow	7,555	16,678	28,296	50,101	76,161
Adjusted cash conversion	59.6%	103.9%	96.5%	98.2%	118.3%

ARPU

SEK 000	Jul – Sep		Jan – Sep		Jan – Dec
	2021	2020	2021	2020	2020
Net sales	45,454	40,336	131,592	117,689	159,448
Number of subscriptions in previous period (thousands)	852	744	788	716	716
Number of subscriptions current period (thousands)	884	782	884	782	788
ARPU (SEK)	209	211	210	209	212

SUBMISSION OF INTERIM REPORT JAN – SEP 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, 11 November 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 REPORT ON REVIEW OF INTERIM REPORT

To the Board of Sleep Cycle AB
Corp. ID No. 556614-7368

We have conducted a review of the interim report for Sleep Cycle AB as of September 30, 2021 and the nine-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, 11 November 2021

Mazars AB

Samuel Bjälkemo
Chartered Accountant

Anders Persson
Chartered Accountant

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Why We Sleep