



JANUARY - DECEMBER  
2021

SLEEP CYCLE  
YEAR-END REPORT



# YEAR-END REPORT 2021 – SLEEP CYCLE AB

## INCREASED TURNOVER AND IMPORTANT PRODUCT LAUNCHES IN THE FOURTH QUARTER

In the fourth quarter, net sales increased by 15.0% to SEK 48.0 million, corresponding to an increase of 21.7% adjusted for currency effects. The increase was largely driven by launches of new features in combination with effective sales and marketing campaigns. The number of users at the end of the period was 901k. During the quarter, Sleep Cycle received the "Best of Wear" award from Google Play, which confirms the growing interest in health services on wearables and Sleep Cycles' ability to deliver high-quality product experiences.

### SIGNIFICANT EVENTS

- In the course of the quarter, Sleep Boot Camp was launched, which is a sleep education program aimed at companies. Among the first organizations to introduce Sleep Boot Camp are Polestar and Djurgårdens IF.
- In October, Google announced that it was reducing the commission 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.
- Sleep Cycle received the award "Best of

Wear" from Google Play together with, among other winners, Calm and MyFitnessPal. The award marks the launch of Sleep Cycle for smartwatches with Android's operating system.

- In December, Cecilia Mikkov joined Sleep Cycle as Chief Human Resources Officer and member of the executive management team. Cecilia most recently held leading HR-positions with NetEnt.

### KEY EVENTS AFTER THE END OF THE PERIOD

- In January, the Sleep Goals feature was launched, which, by means of various improvement suggestions, helps the user to reach a predetermined sleep goal.

## THE GROUP'S KEY PERFORMANCE INDICATORS

TSEK	Oct – Dec		Jan – Dec	
	2021	2020	2021	2020
Net sales	48,040	41,759	182,937	159,448
Net sales growth (%)	15.0%	23.0%	14.7%	30.0%
Currency-adjusted net sales growth (%)	21.7%	24.0%	21.6%	26.9%
Operating profit/loss	8,030	5,715	10,325	56,243
Operating margin (%)	16.7%	13.7%	5.6%	35.3%
Adjusted operating profit/loss	8,030	13,216	36,386	63,744
Adjusted operating margin (%)	16.7%	31.6%	19.9%	40.0%
Adjusted operating margin excluding marketing costs (%)	36.9%	50.2%	42.8%	52.3%
EBITDA	9,110	5,858	12,373	56,874
Adjusted EBITDA	9,110	13,359	38,434	64,375
Profit for the period	6,379	4,477	8,110	44,043
Adjusted operating cash flow	8,495	26,061	36,791	76,161
Adjusted cash conversion (%)	93.2%	195.1%	95.7%	118.3%
<b>Operational key performance indicators</b>				
Total users (Thousands)	901	788	901	788
ARPU (SEK)	214	213	212	212
Average number of employees (#)	37	23	33	22

For definitions, justifications and derivations, see page 17.

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#### **FOURTH QUARTER OCTOBER – DECEMBER 2021**

- Net sales increased by 15.0 (23.0)% and amounted to TSEK 48,040 (41,759). Currency-adjusted net sales growth was 21.7 (24.0)%. The increase is explained by more paying users driven by launches of new features in combination with effective campaigns.
- Operating profit amounted to TSEK 8,030 (5,715) and the operating margin was 16.7 (13.7)%.
- Adjusted operating profit amounted to TSEK 8,030 (13,216) and the operating margin was 16.7 (31.6)%. For the fourth quarter of 2021, no costs affecting comparison between prior year quarters have been recorded. The lower margins is explained by a larger organization and increased marketing costs.
- The total number of paying users at the end of the period was 901k (788k), an increase of 14.3% compared to the previous year.
- ARPU in the quarter amounted to SEK 214 (213).
- Earnings per share before dilution amounted to SEK 0.33 (0.25) in the quarter. Earnings per share after dilution amounted to SEK 0.32 (0.24).

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#### **FULL YEAR JANUARY – DECEMBER 2021**

- Net sales increased by 14.7 (30.0)% and amounted to TSEK 182,937 (159,448). Currency-adjusted net sales growth was 21.6 (26.9)%. The increase is explained mainly by organic growth in user numbers, driven by efficient conversion-driven marketing and improving renewal levels.
- Operating profit amounted to TSEK 10,325 (56,243) and the operating margin was 5.6 (35.3)%. The decline in margins is explained by increased investments in marketing, a larger organization and costs related to the stock exchange listing in June.
- Adjusted operating profit amounted to TSEK 36,386 (63,744) and the operating margin was 19.9 (40.0)%. The decline in operating profit is explained by higher marketing costs, a larger organization and more development projects.
- ARPU amounted to SEK 212 (212).
- Earnings per share before dilution amounted to SEK 0.43 (2.45) in the period. Earnings per share after dilution amounted to SEK 0.42 (2.38).

## CEO'S LETTER

**When the fourth quarter is summed up, I can state that 2021 was an eventful year. Sleep Cycle was transformed from a private company to a publicly listed company. During the same period, we invested heavily in product development and marketing to support our ongoing growth journey. The number of users at the end of the period was 901k (788k), corresponding to an increase of 14.3 (10.1) %. Sales increased during the year by 14.7 % to MSEK 182.9. Compared with the previous year, the pace of customer acquisition increased, but due mainly to negative exchange rate effects, the increase in volume did not result in the levels of revenue growth that we have seen in previous years.**

Fortunately, in 2021, we saw a stable positive sales development with a steadily increasing new customer acquisition rate and good renewal levels. For the fourth quarter of 2021, revenues increased by 15.0 % to MSEK 48.0 (41.8). During the period, we saw positive effects from new features launches and effective campaigns with good conversion rates. All in all, when we look back, it is clear that we have managed to reverse a weak sales trend from 2020 and have acquired a good starting position for 2022.

In December, Sleep Cycle received the "Best for Wear" award from Google Play. The award confirms the great interest in health products and wearables as well as Sleep Cycles' ability to deliver world-class product experiences. The award also affirms our position as a product and tech company

In 2021, we hired 21 new employees. With hindsight, I can see that it has taken longer than expected to achieve the full benefit from these additions, and we have not reached the pace of development work that was planned. Among other things, this has delayed the launch of our corporate offer. Going in to 2022, we have a total

of 41 employees and my take on things is that we now have an organization able to increase the pace of product development.

As our sales are accrued over the term of the subscriptions, normally 12 months, we have a delay recording revenue. The opportunity to influence revenue in the short term is limited, but visibility going forward is good. My impression is that we have a good chance of seeing increased revenue growth in 2022 compared to 2021. As a result of accrual effects, it will be a challenge to reach our target of 30 % growth for 2022. This is due to sales growth not being high enough in 2021.

However, our goals remain. Our main focus is growth, and in 2022, the goal is to increase sales to reach levels corresponding to 30 % revenue growth. To achieve this goal, we will continue to increase the rate of investment in products and technology, and scale up our corporate offer. Already in the fourth quarter of 2021, we saw a growth in sales in line with our goal.

2022, we will pursue new initiatives to reach users through partnerships and integrations across new platforms. According to consultancy company Semcon, the global market for digital health is expected to reach SEK408 billion by 2025. By being accessible on different platforms and solutions for digital health, my vision is that Sleep Cycle will become indispensable for sleep in this market. Sleep Cycle has a long history and a strong market position, which provides a golden opportunity to become a key player, as the desire to treat sleep problems with new digital methods grows. Overall, we have a solid foundation for increased growth, where I expect that several of the initiatives we initiated in 2021 will provide a positive return in 2022.



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.

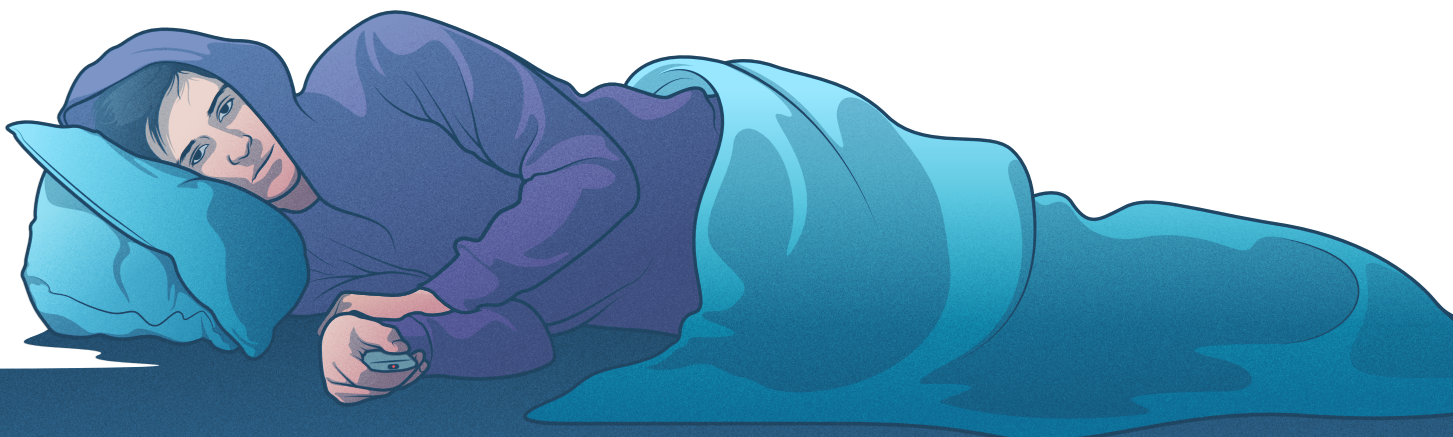
From the company's inception, the focus has been on high customer benefit, which has resulted in a high user rating of 4.5+. The technology has evolved from the use of accelerometers in measuring sleep, to the launch of patented sound analysis and implementation of machine learning in data collection 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 the vast music and sound library of Sleep Aids, Smart Alarm and sleep schools.

Whether you use Sleep Cycle to fall asleep more easily, wake up refreshed in the morning or improve your sleep, Sleep Cycle offers a unique user value.



## 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.

### FOURTH QUARTER

OCTOBER - DECEMBER 2021

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#### NET SALES AND PROFIT

The group's net sales in the third quarter amounted to TSEK 48,040 (41,759), which is an increase of 15.0 (23.0) % compared to the previous year. The total currency effect amounts to approximately MSEK -2.8, 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 users which, as at the end of the period, amounted to 901k, an increase of 14.3% from the previous year. The increase is largely explained by the launch of new features in combination with effective campaigns. The acquisition of users through new channels continued to increase, and during the quarter Sleep Boot Camp was launched, which is a sleep education program aimed at companies. Polestar and Djurgårdens IF are among the first organizations to introduce Sleep Boot Camp. Average revenue per user (ARPU) was in line with the previous year at SEK 214 (213) despite negative currency effects.

Operating profit amounted to TSEK 8,030 (5,715), and the margin was 16.7 (13.7) % in the fourth quarter. EBITDA was TSEK 9,110 (5,858). Adjusted EBITDA for the fourth quarter amounted to TSEK 9,110 (13,359). The lower result is explained by a

larger organization, more development projects and increased investments in marketing.

During the fourth quarter, the organization continued to grow as planned through new recruitments, 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 to drive growth compared to previous years. Marketing expenses during the quarter amounted to TSEK 9,681 (7,744) and adjusted operating profit excluding marketing costs amounted to TSEK 17,711 (20,960), corresponding to a margin of 36.9 (50.2) %.

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 -19 (-10) and tax on net profit amounted to TSEK -1,631 (-1,228). Net profit amounted to TSEK 6,379 (4,477). Earnings per share before dilution amounted to SEK 0.33 (0.25) and after dilution to SEK 0.32 (0.24).

## CASH FLOW AND FINANCIAL POSITION

Cash flow from operating activities amounted to TSEK 22,231 (15,208) in the fourth quarter.

The change compared with the previous year is largely explained by tax refunds from 2020.

The cash conversion for the period was 93.2 (195.1) % 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 -1,198 (-0) 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 8,495 (26,061).

Cash flow from financing activities amounted to TSEK -617 (462) in the quarter and mainly relates to amortization of lease liabilities.

Cash flow for the quarter amounted to TSEK 20,417 (15,670). The Group's cash and cash equivalents amounted to TSEK 165,508 (53,136) at the end of the period.

The company's equity amounted to TSEK 108,898 as of 31 December. 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.

Equity fell after the conversion to IFRS accounting, because turnover and profits are distributed over the term of the contract while liabilities for accrued costs and deferred income are built up.

## FULL YEAR JANUARY – DECEMBER 2021

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### NET SALES AND PROFIT

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

Consolidated net sales during the period amounted to TSEK 182,937 (159,448), corresponding to an increase of 14.7 (30.0) %. Currency-adjusted net sales growth was 21.6 (26.9) %. The increase in net sales 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. The number of users increased by 14.3% from 788k to 901k.

New sales channels such as partnerships and sales to companies have also contributed. Average revenue per user (ARPU) was SEK 212 (212). The total currency effect amounts to approximately MSEK -10.9, with all of the six currencies with the most turnover developing negatively compared to the previous year.

Operating profit amounted to TSEK 10,325 (56,243) and the margin was 5.6 (35.3) %. EBITDA was TSEK 12,373 (56,874). Adjusted EBITDA for the period amounted to TSEK 38,434 (64,375). 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 which have negatively impacted other external costs. Personnel costs were also impacted by 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 41,997 (19,584) and adjusted operating profit, excluding marketing expenses, amounted to TSEK 78,383 (83,328), corresponding to a margin of 42.8 (52.3) %.

#### **CASH FLOW AND FINANCIAL POSITION**

Cash flow from operating activities for the period amounted to TSEK 20,089 (46,148). This development is fully driven by the drop in profit and the reasons for this.

Cash flow from investment activities amounted to TSEK -5,935 (-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 36,791 (76,161).

Cash flow from financing activities during the period amounted to TSEK 98,218 (-51,343), 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 costs. In addition, the Company received TSEK 4,281 from premiums from the employee option program. During 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 112,372 (-5,211). The Group's cash and cash equivalents amounted to TSEK 165,508 (53,136) at the end of the period.

The company's equity amounted to TSEK 108,898 as of 31 December. 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

### STAFF

The average number of employees in the Group for the period January to December 2021 was 33 (22) and for the quarter October to December 2021, it was 37 (23).

### INFORMATION ON RISKS AND UNCERTAINTIES

The group's overall risk management involves striving for minimal adverse effects on profit and financial position. Significant risks and uncertainties exist, as 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

- 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

### ANNUAL GENERAL MEETING AND ANNUAL REPORT

The Annual General Meeting will be held on 10 May 2022. Practical information regarding registration and participation will be provided in connection with the convocation.

Sleep Cycle's annual report for 2021 is expected to be published on the website on 31 March 2022.

### DIVIDEND

The Board of Directors proposes that no dividend is paid for the financial year 2021, and that retained earnings are transferred to a new account.

### OTHER INFORMATION

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

On 15 February at 9:30, the CEO and CFO will present Sleep Cycles' year-end report for 2021. Participants will be able to follow the presentation via webcast.

## 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 price	Exercise 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	191,159	191,159	1.0%	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>558,512</b>	<b>1,546,661</b>	<b>8.0%</b>		

### LARGEST SHAREHOLDERS OF SLEEP CYCLE AB (PUBL) AS OF 31 DECEMBER 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	1,050,533	5%
Skandia Fonder	714,285	4%
Petter Wallin	691,394	4%
Coeli Funds	621,546	3%
Nordnet Pensionsförsäkring	584,984	3%
SEB Nanocap	430,000	2%
Avanza Pension	408,405	2%
Lancelot Avalon	305,000	2%
Other	1,485,943	8%
<b>Total</b>	<b>19,428,571</b>	<b>100%</b>

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

TSEK	Note	Oct - Dec		Jan - Dec	
		2021	2020	2021	2020
<b>OPERATING INCOME</b>					
Net sales	4	48,040	41,759	182,937	159,448
Other operating income		129	9	394	159
<b>OPERATING EXPENSES</b>					
Capitalized work for own account		387	-	2,838	-
Platform fees		-11,609	-10,485	-43,991	-40,144
Other external expenses		-17,025	-19,780	-89,094	-42,047
Personnel costs		-10,811	-5,623	-40,578	-20,510
Depreciation, amortization and impairment of property, plant and equipment and intangible assets		-1,080	-143	-2,047	-631
Other operating expenses		-	-22	-134	-32
<b>Operating profit/loss</b>		<b>8,030</b>	<b>5,715</b>	<b>10,325</b>	<b>56,243</b>
<b>FINANCIAL ITEMS</b>					
Financial expenses		-19	-10	-78	-150
<b>Profit before tax</b>		<b>8,010</b>	<b>5,705</b>	<b>10,247</b>	<b>56,093</b>
Tax on profit or loss for the period		-1,631	-1,228	-2,137	-12,050
<b>Profit for the period attributable to shareholders of the parent company</b>		<b>6,379</b>	<b>4,477</b>	<b>8,110</b>	<b>44,043</b>
Other comprehensive income		-	-	-	-
<b>Comprehensive income for the period attributable to shareholders of the parent company</b>		<b>6,379</b>	<b>4,477</b>	<b>8,110</b>	<b>44,043</b>
<b>Earnings per share</b>					
Earnings per share before dilution, SEK		0.33	0.25	0.43	2.45
Earnings per share after dilution, SEK		0.32	0.24	0.42	2.38
<b>Average number of shares outstanding</b>					
for the period before dilution		19,427,535	18,000,000	18,685,592	18,000,000
for the period after dilution		20,029,017	18,596,859	19,327,109	18,543,095

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

TSEK	Note	2021-12-31	2020-12-31
<b>ASSETS</b>			
<b>Intangible fixed assets</b>			
Capitalized expenditure for development work		4,638	-
Patent		-	-
<b>Total intangible assets</b>		<b>4,638</b>	<b>-</b>
<b>Tangible fixed assets</b>			
Right-of-use assets		2,452	995
Equipment and computers		996	208
<b>Total tangible assets</b>		<b>3,448</b>	<b>1,203</b>
Deferred tax asset		48	113
<b>Total fixed assets</b>		<b>8,134</b>	<b>1,316</b>
<b>Current assets</b>			
Accounts receivable		21,626	113
Other receivables		1,944	2,005
Current tax assets		5,015	9,557
Prepaid expenses and accrued income		25,537	38,617
Cash and cash equivalents		165,508	53,136
<b>Total current assets</b>		<b>219,629</b>	<b>103,428</b>
<b>TOTAL ASSETS</b>		<b>227,763</b>	<b>104,744</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		540	150
Other capital contributions		102,292	2,020
Retained earnings including profit/loss for the year		6,066	-2,043
<b>Total equity attributable to shareholders of the parent company</b>		<b>108,898</b>	<b>127</b>
<b>Long-term liabilities</b>			
Lease liabilities		-	415
<b>Total long-term liabilities</b>		<b>-</b>	<b>415</b>
<b>Current liabilities</b>			
Lease liabilities		2,494	497
Accounts payables		9,755	6,775
Other liabilities		874	525
Accrued expenses and deferred income		105,741	96,405
<b>Total current liabilities</b>		<b>118,865</b>	<b>104,202</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>227,763</b>	<b>104,744</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to shareholders of the parent company

TSEK	2021	2020
Opening balance	127	6,930
Profit for the period	8,110	44,043
Option premiums received	4,281	589
Dividend paid	-	-51,435
New share issue after issue expenses	96,380	-
Closing balance	108,898	127

## CONSOLIDATED STATEMENT OF CASH FLOW

TSEK	Note	Oct - Dec		Jan - Dec	
		2021	2020	2021	2020
<b>Cash flow from operating activities</b>					
Operating profit/loss		8,030	5,714	10,325	56,243
Adjustments for non-cash items, etc.:					
Depreciation, amortization and impairment		1,080	143	2,047	631
Gain/loss on sale of Group company		-	-	-	10
Interest received		-	-	-	-
Interest paid		-19	-9	-78	-150
Tax paid		12,559	-3,342	3,501	-22,372
<b>Cash flow from operating activities before changes in working capital</b>		<b>21,650</b>	<b>2,506</b>	<b>15,796</b>	<b>34,362</b>
<b>Change in working capital</b>					
Change in operating receivables		-3,252	2,949	-8,372	-5,998
Change in operating liabilities		3,834	9,753	12,665	17,784
<b>Cash flow from operating activities</b>		<b>22,231</b>	<b>15,208</b>	<b>20,089</b>	<b>46,148</b>
<b>Investment activities</b>					
Sale of Group company (net impact on liquidity)		-	-	-	-16
Capitalization of development expenses		-740	-	-5,013	-
Acquisition of tangible assets		-457	-	-922	-
<b>Cash flow from investment activities</b>		<b>-1,198</b>	<b>-</b>	<b>-5,935</b>	<b>-16</b>
<b>Financing activities</b>					
Dividend paid		-	-	-	-51,435
Amortization of lease liabilities		-751	-127	-1,413	-497
Option premiums received		134	589	4,281	589
New share issue		-	-	95,350	-
<b>Cash flow from financing activities</b>		<b>-617</b>	<b>462</b>	<b>98,218</b>	<b>-51,343</b>
<b>Cash flow for the period</b>		<b>20,417</b>	<b>15,670</b>	<b>112,372</b>	<b>-5,211</b>
Cash and cash equivalents at the start of the period		145,091	37,466	53,136	58,347
Cash and cash equivalents at the end of the period		165,508	53,136	165,508	53,136

## INCOME STATEMENT – PARENT COMPANY

TSEK	Note	Oct – Dec		Jan – Dec	
		2021	2020	2021	2020
<b>OPERATING INCOME</b>					
Net sales		48,040	41,759	182,937	159,448
Other operating income		129	9	394	159
Capitalized work for own account		387	-	2,838	-
<b>OPERATING EXPENSES</b>					
Platform fees		-11,609	-10,485	-43,991	-40,144
Other external expenses		-17,802	-19,892	-90,686	-42,552
Personnel costs		-10,811	-5,623	-40,578	-20,510
Depreciation, amortization and impairment of property, plant and equipment and intangible assets		-328	-19	-509	-134
Other operating expenses		-	-22	-134	-22
<b>Operating profit/loss</b>		<b>8,005</b>	<b>5,727</b>	<b>10,271</b>	<b>56,245</b>
<b>RESULT FROM FINANCIAL ITEMS</b>					
Profit/loss from participations in Group companies		-100	-	-100	-2
Interest expense and similar expense items		3	-1	-29	-107
<b>Profit before tax</b>		<b>7,908</b>	<b>5,726</b>	<b>10,142</b>	<b>56,136</b>
Tax on profit or loss for the period		-1,631	-1,229	-2,135	-12,051
<b>Profit for the period</b>		<b>6,277</b>	<b>4,497</b>	<b>8,007</b>	<b>44,085</b>
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>6,277</b>	<b>4,497</b>	<b>8,007</b>	<b>44,085</b>

In the parent company, no other items are otherwise recorded as comprehensive income, which is why total comprehensive income for the period is equal to profit for the period.

## BALANCE SHEET – PARENT COMPANY

TSEK	Note	2021-12-31	2020-12-31
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Intangible fixed assets</b>			
Capitalized expenditure for development work		4,638	-
Patent		-	-
<b>Total intangible assets</b>		<b>4,638</b>	<b>-</b>
<b>Tangible fixed assets</b>			
Equipment and computers		996	208
<b>Total tangible assets</b>		<b>996</b>	<b>208</b>
<b>Financial assets</b>			
Participations in group companies		50	50
Deferred tax asset		39	102
<b>Total financial fixed assets</b>		<b>89</b>	<b>152</b>
<b>Total fixed assets</b>		<b>5,723</b>	<b>360</b>
<b>Current assets</b>			
Accounts receivable		21,626	113
Other receivables		1,944	2,005
Current tax assets		5,015	9,557
Prepaid expenses and accrued income		25,537	38,751
<b>Total current receivables</b>		<b>54,121</b>	<b>50,426</b>
Cash and bank balances		165,379	53,091
<b>Total current assets</b>		<b>219,500</b>	<b>103,517</b>
<b>TOTAL ASSETS</b>		<b>225,222</b>	<b>103,877</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital		540	150
Development expenditure reserve		4,638	-
<b>Total restricted equity</b>		<b>5,177</b>	<b>150</b>
<b>Non-restricted equity</b>			
Share premium reserve		102,292	2,020
Retained earnings		-6,618	-46,065
Profit for the period		8,007	44,085
<b>Total non-restricted equity</b>		<b>103,682</b>	<b>40</b>
<b>Total equity</b>		<b>108,859</b>	<b>190</b>
<b>Current liabilities</b>			
Accounts payables		9,754	6,775
Other liabilities		874	525
Accrued expenses and deferred income		105,736	96,387
<b>Total current liabilities</b>		<b>116,363</b>	<b>103,687</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>225,222</b>	<b>103,877</b>

# NOTES

## Note 1 General information

The address of the head office is Gårdtorget 1, 412 50 Gothenburg, Sweden. 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 31 December 2021 consists of the wholly-owned subsidiary Sleep Cycle Sverige AB (559278-9688).

Sleep Cycle's year-end report for January-Dec 2021 has been approved for publication on 15 February, in accordance with the Board's decision on 14 February 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 RFR 1 "Supplementary accounting rules for groups". The parent company's financial

statements are prepared in accordance with the Swedish Annual Accounts Act and RFR 2, "Financial reporting for legal entities".

This year-end report has been prepared in accordance with IAS 34 "Interim Financial 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

TSEK	Oct - Dec		Jan - Dec	
	2021	2020	2021	2020
Subscription income	47,761	41,721	179,251	159,290
Other income	279	38	3,686	158
<b>Total</b>	<b>48,040</b>	<b>41,759</b>	<b>182,937</b>	<b>159,448</b>

## Note 5 Financial instruments

TSEK	2021-12-31	2020-12-31
<b>Financial assets measured at amortised cost</b>		
Accounts receivable	21,626	113
Other receivables	1,944	2,005
Accrued income	170	16,123
<b>Cash and cash equivalents</b>	<b>165,508</b>	<b>53,136</b>
<b>Total financial assets</b>	<b>189,247</b>	<b>71,377</b>
<b>Financial liabilities valued at accrued acquisition value</b>		
Accounts payables	9,755	6,775
Other liabilities	2,646	10,350
<b>Total financial liabilities</b>	<b>12,401</b>	<b>17,125</b>

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 users	Total number of users at the end of the period (Closing Balance).	The measure indicates how many users the company has at the end of the period.
ARPU	Average subscription income per user during the period.	The measure indicates the company's average subscription income per user 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

TSEK	Oct - Dec		Jan - Dec	
	2021	2020	2021	2020
Net sales for previous period	41,759	33,957	159,448	122,676
Net sales for current period	48,040	41,759	182,937	159,448
Net sales growth	15.0%	23.0%	14.7%	30.0%
Currency-adjusted net sales for previous period	39,479	33,689	150,399	125,690
Net sales for current period	48,040	41,759	182,937	159,448
Currency-adjusted net sales growth	21.7%	24.0%	21.6%	26.9%

### Operating margin and EBITDA

TSEK	Oct - Dec		Jan - Dec	
	2021	2020	2021	2020
Net sales	48,040	41,759	182,937	159,448
Other operating income	129	9	394	159
Capitalized work for own account	387	-	2,838	-
Platform fees	-11,609	-10,485	-43,991	-40,144
Other external expenses	-17,025	-19,780	-89,094	-42,047
Personnel costs	-10,811	-5,623	-40,578	-20,510
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	-1,080	-143	-2,047	-631
Other operating expenses	-	-22	-134	-32
Operating profit/loss	8,030	5,715	10,325	56,243
Operating margin	16.7%	13.7%	5.6%	35.3%
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	1,080	143	2,047	631
EBITDA	9,110	5,858	12,373	56,874

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

TSEK	Oct - Dec		Jan - Dec	
	2021	2020	2021	2020
EBITDA	9,110	5,858	12,373	56,874
Operating profit/loss	8,030	5,715	10,325	56,243
Items affecting comparability				
External consultants	-	-7,501	-23,309	-7,501
Personnel costs	-	-	-2,752	-
Items affecting comparability	-	-7,501	-26,061	-7,501
Adjusted EBITDA	9,110	13,359	38,434	64,375
Adjusted operating profit/loss	8,030	13,216	36,386	63,744
Adjusted operating margin	16.7%	31.6%	19.9%	40.0%

#### Adjusted operating margin excluding marketing expenses

TSEK	Oct - Dec		Jan - Dec	
	2021	2020	2021	2020
Adjusted operating profit/loss	8,030	13,216	36,386	63,744
Marketing expenses	-9,681	-7,744	-41,997	-19,584
Adjusted operating profit/loss excluding marketing expenses	17,711	20,960	78,383	83,328
Adjusted operating margin excluding marketing expenses	36.9%	50.2%	42.8%	52.3%

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

TSEK	Oct - Dec		Jan - Dec	
	2021	2020	2021	2020
Adjusted EBITDA	9,110	13,359	38,434	64,375
Change in working capital	582	12,702	4,293	11,786
Acquisition of tangible assets	-457	-	-922	-
Capitalization of development expenses	-740	-	-5,013	-
Adjusted operating cash flow	8,495	26,061	36,791	76,161
Adjusted cash conversion	93.2%	195.1%	95.7%	118.3%

#### ARPU

TSEK	Oct - Dec		Jan - Dec	
	2021	2020	2021	2020
Subscription income	47,761	41,721	179,251	159,290
Number of users in previous period (thousands)	884	782	788	716
Number of users in current period (thousands)	901	788	901	788
ARPU (SEK)	214	213	212	212

## SUBMISSION OF YEAR-END REPORT JAN – DEC 2021

The Board of Directors and the Chief Executive Officer certify that this year-end 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, 14 February 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  
Chief Executive Officer

# Contact

For further 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**

Corp. ID No. 556614-7368,

Gårdatorget 1, 412 50 Gothenburg

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



Why We Sleep