



JULY-SEPTEMBER
2023

SLEEP CYCLE
INTERIM REPORT



INTERIM REPORT JULY-SEPTEMBER 2023 – SLEEP CYCLE AB

THIRD QUARTER JULY-SEPTEMBER 2023

- Net sales totaled tSEK 61,065 (54,976) and increased by 11.1% (12.8%). Currency-adjusted net sales growth amounted to 2.6% (7.3%).
- Operating profit amounted to tSEK 20,427 (13,563), with an operating margin of 33.5% (24.7%). The third quarter of 2023 has not been affected by costs affecting comparability.
- The total number of paying subscribers at end of period was 887k (912k).
- ARPU in the quarter totaled SEK 276 (239).
- Earnings per share before dilution in the quarter totaled SEK 0.82 (0.55). Earnings per share after dilution totaled SEK 0.82 (0.54).

PERIOD JANUARY – SEPTEMBER 2023

- Net sales totaled tSEK 175,745 (157,569) and increased by 11.5% (16.8%). Currency-adjusted net sales growth amounted to 2.2% (14.4%).
- Operating profit amounted to tSEK 44,251 (39,099), with an operating margin of 25.2% (24.8%).
- Adjusted operating profit totaled tSEK 49,082 (39,099) and adjusted operating margin was 27.9% (24.8%). In 2023 adjustments were made for costs related to the efficiency program.
- ARPU for the period totaled SEK 261 (231).
- Earnings per share before dilution totaled SEK 1.77 (1.59) for the period. Earnings per share after dilution totaled SEK 1.77 (1.55).

SIGNIFICANT EVENTS DURING THE QUARTER

- At an extraordinary general meeting held on July 26, Sleep Cycle's founder and majority shareholder Maciej Drejak was elected as a new board member.
- On August 25th it was announced that Erik Jivmark was being appointed as the new CEO to replace Carl Johan Hederöth. Erik Jivmark takes over on November 1; the company's CFO Per Andersson is serving as acting CEO for the period October 1 to October 31.
- In September, Sleep Cycle released new features that align with the updates in Apple iOS 17 and Watch 10.

SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

No significant events took place after the end of the period.

GROUP KEY PERFORMANCE INDICATORS

tSEK	Jul – Sep		Jan – Sep		Jan – Dec
	2023	2022	2023	2022	2022
Net sales	61,065	54,976	175,745	157,569	213,271
Net sales growth (%)	11.1%	12.8%	11.5%	16.8%	16.6%
Currency-adjusted net sales growth (%)	2.6%	7.3%	2.2%	14.4%	12.4%
Operating profit/loss	20,427	13,563	44,251	39,099	44,110
Operating margin (%)	33.5%	24.7%	25.2%	24.8%	20.7%
Adjusted operating profit/loss	20,427	13,563	49,082	39,099	46,912
Adjusted operating margin (%)	33.5%	24.7%	27.9%	24.8%	22.0%
Profit/loss for the period	16,577	10,729	35,963	30,924	34,976
Operational key performance indicators					
Total subscriptions (Thousands)	887	912	887	912	904
ARPU (SEK)	276	239	261	231	236
Average number of employees (#)	45	47	48	46	46

For definitions, justifications, and deductions see page 17.

STATEMENT BY THE CEO

In the third quarter, net sales grew, we reported the highest operating margin since our IPO in 2021, and the number of subscriptions increased compared to the previous quarter. The positive development confirms that we have a successful strategy with a focus on cost-effective user acquisition and increased conversion rate. The operating margin for the third quarter was 33.5% (24.7%).

The number of users decreased slightly compared to the same period of the prior year (-2.8%), but at the same time the total number of users increased for the first time since prices were adjusted in 2022. This confirms that the negative trend from the previous quarters has been broken. Revenue grew by 11.1% (12.8%), an increase related mainly to ARPU, which increased due to positive currency effects and price increases. Given that the number of subscribers grew during the quarter, and that we see strong momentum, my view is that we will see positive effects on the underlying growth going forward, in addition to effects from ARPU.

The efficiency initiative launched in the second quarter of 2023 has delivered the desired results, and is expected to generate savings of SEK 25 million on an annual basis. This initiative is enabling us to strengthen our focus on development of the core product while freeing up additional resources in the company at the same time. In the third quarter, we have therefore been able to focus on creating even stronger and more dynamic onboarding for new users, which has resulted in cost-effective growth in the form of a higher conversion rate to our Premium offering.

We are continuing to invest in innovation and new functions in order to be able to bring our users even deeper insights into their sleep and health. All for the purpose of contributing to a healthier world. Over the year we have, for example, developed a stronger data processing engine

that will be able to generate even better and more accurate analyses. Next quarter, built on the basis of the new AI engine, we will launch a beta version of a new service capable of providing local updates on the development of colds in different geographical regions. This is made possible by the power of AI and machine learning combined with more than 2.5 billion nights of sleep data. This feature analyzes Sleep Cycle data of sleep, coughing, breathing, and snoring on a larger population, which will provide unique insights into the health status of a specific region.

Innovation is – and has always been – at the core of our business. We strive to stay ahead of the curve and offer our users the best possible experience. During the quarter, we have worked closely with Apple and Google to increase exposure and make more powerful use of the platforms on which we are available. Through strong collaboration, we were able to quickly launch new features that leverage the benefits of iOS 17, which was made available when Apple released the new iPhone 15.

It feels very positive that in tough economic times we have managed to increase our operating margin and at the same time create growth in the user base. This shows that we have successfully implemented a more focused and business-driven strategy. I am looking forward to an exciting period with several launches of new features to bring us closer to the goal of helping people achieve better sleep. I also look forward to welcoming our new CEO, Erik Jivmark, who will be starting on November 1. Together with him and the rest of the team, we will continue to develop Sleep Cycle, work to create new business opportunities and to grow our business going forward.



Per Andersson
Acting CEO and CFO



Product offering

Sleep Cycle is a leader in the development of AI-based sleep analysis. With more than two million users in more than 150 countries, Sleep Cycle is one of the most widely used sleep services in the world.

HEALTH AS BUSINESS MODEL

Our business is based on a subscription-based business model that creates predictability and a strong cash flow through advance payments and recurring revenues. Because we offer an appreciated product built on many years of development, and where customer influx is largely organic, our customer acquisition costs are low, resulting in attractive profitability. Combined with the fact that the cost of each new user is very low, our business is fully scalable.

TECHNOLOGY AND USER EXPERIENCE

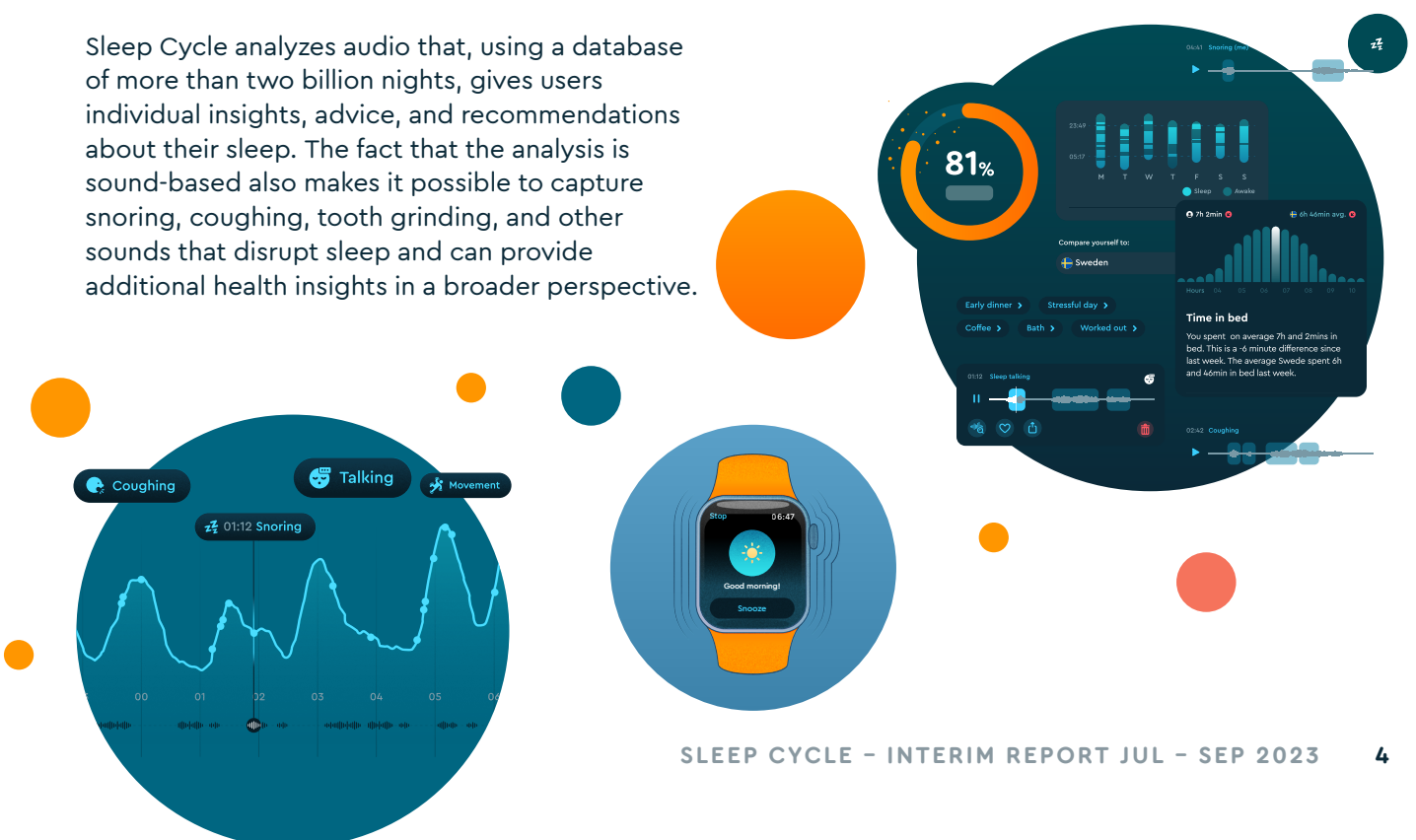
AI and machine learning have revolutionized our ability to manage large amounts of data and extract valuable information. The application of advanced algorithms and techniques allows us to extract patterns and contexts that were previously unknown and inaccessible.

Sleep Cycle analyzes audio that, using a database of more than two billion nights, gives users individual insights, advice, and recommendations about their sleep. The fact that the analysis is sound-based also makes it possible to capture snoring, coughing, tooth grinding, and other sounds that disrupt sleep and can provide additional health insights in a broader perspective.

FUTURE OFFERS

The future of sleep optimization offers expansive opportunities in both product development and accessibility of our services on more platforms and in new channels. With a nearly unrivaled volume of sleep data, patented sleep analysis, and a large user base, we are in a very strong position to develop new and innovative services for sleep analysis.

Through continuous product development, Sleep Cycle continues to add new features for analysis of sleep, snoring, sleep hygiene, and coaching tools to help our users achieve better health. Future plans also include bringing out functions for optimizing health, sleep and well-being as well as functions to detect clinical sleep problems such as insomnia and sleep apnea.





Strategy

Sleep Cycle's strategy for the coming year is to increase investments in data, AI, and product development to reach more users, create greater value for users, and achieve growth through new acquisition channels.

The value and strength of the Sleep Cycle increase night by night. Using patented audio analytics, we collect and analyze sleep data, which we then translate into insights for users around the world. With each new user, our database grows; with each night read, our analytical capabilities sharpen; and with each analysis, we generate even more valuable insights and develop new cutting-edge tools.

To achieve our goals, our focus is on broadening the range of services and increasing accessibility. We have to be present on platforms where our target groups are and where our unique expertise and interest in sleep creates value.



PRODUCT DEVELOPMENT

New data-driven features that provide users more insights into sleep and health.

SLEEP ANALYSIS

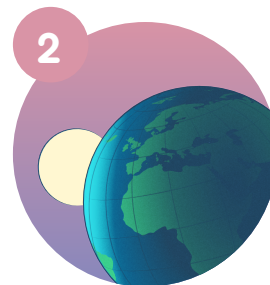
HEALTH MONITORING

INFLUENZA SYMPTOMS

SNORING

BREATHING PAUSES

TOOTH GRINDING



EXPANDED REACH

Reaching new users through new platforms, partnerships, and channels.

PARTNERSHIP

MORE PLATFORMS

NEW HARDWARE

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 profit 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, 2022.

THIRD QUARTER JULY-SEPTEMBER 2023

SALES AND EARNINGS

The Group's net sales during the third quarter totaled tSEK 61,065 (54,976), which is an increase of 11.1% (12.8%) compared with prior year. The increase in net sales is due primarily to positive currency effects and higher ARPU. Currency-adjusted net sales growth amounted to 2.6% (7.3%). Average revenue per user (ARPU) increased by 15.5% and amounted to SEK 276 (239). In addition to exchange rate effects, ARPU was positively affected by the price increases introduced in the previous year.

The number of paying users totaled 887k (912k). The decrease in the total number of users is explained by a reduction in the number of users in the previous quarter as a result of a weaker market with fewer downloads. The negative trend from the previous quarter was broken during the third quarter, and the number of paying users increased by 10k compared to the second quarter. The increase is explained by a combination of higher conversion rate and a stable number of downloads.

Operating profit totaled tSEK 20,427 (13,563) and the margin 33.5% (24.7%) in the third quarter. The improved margin is a result of the efficiency program for increased profitability and continued growth that was communicated during the second quarter. The measures were almost fully implemented during the third quarter, which has had a positive impact on the cost level and margin. The total savings

are estimated to amount to about SEK 25 million on a full-year basis, involving a reduction in the number of employees, reduced purchases of external services, and scaling back of marketing investments. The reduction of these costs explains the improved margin compared to prior year, although personnel expenses increased as a result of costs related to the change of CEO, which were fully recorded during the period. Costs for employee terminations as part of the efficiency program were charged to the second quarter, although several individuals remained employed in the third quarter as a result of notice periods.

Adjusted operating profit totaled tSEK 20,427 (13,563) and adjusted margin was 33.5% (24.7%). The third quarter of 2023 has not been affected by costs affecting comparability.

Net financial items for the quarter totaled tSEK 474 (-41) and taxes on profit for the quarter totaled tSEK -4,324 (-2,793). Profit for the quarter totaled tSEK 16,577 (10,729). Earnings per share before dilution amounted to SEK 0.82 (0.55) and after dilution SEK 0.82 (0.54).

CASH FLOW AND FINANCIAL POSITION

Cash flow from operating activities in the third quarter totaled tSEK 15,265 tSEK (6,344). The change in cash flow from operating activities is explained mainly by improved profits.

Cash flow from investment activities amounted to tSEK -1,020 (-1,828) related to capitalized

development expenses and acquisitions of tangible fixed assets.

Cash flow from financing activities for the quarter totaled tSEK -1,004 (15,780). The change is due to the new issue in August of 2022, which brought the company tSEK 16,538 after deduction of transaction costs that took place after conversion of the share warrant program 2019/2022 that expired.

Cash flow for the quarter totaled tSEK 13,240 (20,296). The group's liquid funds at the end of the period totaled tSEK 117,956 (222,811).

Consolidated equity totaled tSEK 54,854 as of 30 September. Opening balance on January 1 was tSEK 160,834.

PERIOD

JANUARY – SEPTEMBER 2023

SALES AND EARNINGS

Changes in net sales, profit, cash flow and financial position for the nine-month period of 2023 compared with the previous year are largely explained by the same reasons as for the third quarter. Development over a nine-month period is indicated below, with comments in cases where there are causes for development other than for the third quarter.

The Group's net sales for the period totaled tSEK 175,745 (157,569), which is an increase of 11.5% (16.8%) compared with prior year. Currency-adjusted net sales growth was 2.2% (14.4%).

Operating profit totaled tSEK 44,251 (39,099) and the margin was 25.2% (24.8%) for the period. Adjusted operating profit totaled tSEK 49,082 (39,099) and the adjusted margin was 27.9% (24.8%). The item other external costs includes costs affecting comparability of tSEK 298 related to the public cash offer in 2022. Furthermore, tSEK 83 is included in other external costs and tSEK 4,450 in personnel costs related to the efficiency program implemented in the second quarter.

Net financial items for the period totaled tSEK 1,111 (-100) and taxes on the profit for the period totaled tSEK -9,399 (-8 075). Profit for the period totaled tSEK 35,963 (30,924). Earnings per share before dilution amounted to SEK 1.77 (1.59) and after dilution SEK 1.77 (1.55).

CASH FLOW AND FINANCIAL POSITION

Cash flow from operating activities for the period totaled tSEK 36,294 (48,008). The change in cash flow from operating activities reflects payments from Apple that do not follow monthly

payments and negatively affects working capital. The cash flow is negatively affected as accounts receivables increases, reflecting a longer period and is thus higher as per closing day, without being overdue. Payment is received in the next period.

Cash flow from investment activities amounted to tSEK -6,626 (-4,929) related to capitalized development expenses and acquisitions of tangible fixed assets.

Cash flow from financing activities totaled tSEK -144,574 (14,635) and mainly pertains to amortization of leasing liabilities and dividends paid in 2023. The change in comparison with prior year is due to the dividend paid out.

Cash flow for the period totaled tSEK -114,906 tSEK (57,714). The group's liquid funds at the end of the period totaled tSEK 117,956 (222,811).

Consolidated equity totaled tSEK 54,854 as of 30 September. Opening balance on January 1 was tSEK 160,834.

OTHER INFORMATION

EMPLOYEES

The average number of employees in the Group for the quarter from July to September 2023 was 45 (47) and for the period from January to June 2023 was 48 (46). The number of employees after cuts related to the efficiency program was 39, but because of notice periods, several individuals remained employed during the third quarter, although the costs for these were charged to the second quarter.

INFORMATION ON RISKS AND UNCERTAINTIES

The group's over-arching risk management aims to minimize negative effects on profit and position. Significant risks and uncertainties are described in the annual report for 2022. 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 related-party transactions aside from remuneration with senior executives in their capacity as such.

UPCOMING REPORTING DATES

- Year-end report 2023 February 8, 2024
- Interim report Jan-Mar 2024 on May 3, 2024
- Interim report Apr-Jun 2024 on July 26, 2024
- Interim report Jul-Sep 2024 on October 24, 2024

OTHER INFORMATION

This report has not undergone a review engagement by the Company's auditors.

On October 25, at 9:30 a.m., there will be a presentation of Sleep Cycle's interim report for July-September 2023 for shareholders, media, and other stakeholders. Participants will be able to follow the presentation via a webcast.

THE SHARE

The company's share has been listed on Nasdaq Stockholm under the ticker SLEEP since June 8, 2021. Share capital on the balance sheet date totaled tSEK 563.

OUTSTANDING OPTION PROGRAM

Option program	Number of options	Corresponding number of shares	Percentage of total number of shares	Exercise price	Redemption period
TO 2020	1,225	147,000	0.7%	88.9	2023
TO 2021 series 1	190,076	190,076	0.9%	94.5	2024
TO 2021 series 2	18,595	18,595	0.1%	94.5	2025
TO 2022	54,820	54,820	0.3%	71.2	2025
CEO LTIP	340,909	340,909	1.7%	241.2	2026
Total	605,625	751,400	3.7%		

MAIN SHAREHOLDERS IN SLEEP CYCLE AB (PUBL) AS OF SEPTEMBER 30, 2023

Owner	Number of shares	Votes and capital
Maciek Drejak through company	8,707,984	42.9%
Pierre Siri through company	4,776,686	23.6%
Avanza Pension	899,072	4.4%
Handelsbanken Microcap	728,837	3.6%
Skandia Fonder	714,285	3.5%
Petter Wallin	691,394	3.4%
Nordnet Pensionsförsäkring	665,267	3.3%
Lancelot Avalon	429,086	2.1%
Cancerfonden	291,882	1.4%
SEB Nanocap	220,000	1.1%
Other	2,153,070	10.6%
Total	20,277,563	100%

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

tSEK	Note	Jul – Sep		Jan – Sep		Jan – Dec
		2023	2022	2023	2022	2022
OPERATING INCOME						
Net sales	4	61,065	54,976	175,745	157,569	213,271
Other operating income		38	86	105	483	529
OPERATING EXPENSES						
Capitalized work for own account		69	498	1,098	2,299	3,224
Platform fees		-13,727	-12,644	-39,403	-36,908	-49,741
Other external expenses		-10,809	-15,255	-39,981	-40,699	-63,383
Personnel expenses		-13,844	-12,574	-46,814	-39,432	-54,201
Depreciation and impairment of tangible and intangible assets		-2,302	-1,380	-6,205	-3,983	-5,261
Other operating expenses		-63	-143	-293	-230	-329
Operating profit/loss		20,427	13,563	44,251	39,099	44,110
FINANCIAL ITEMS						
Financial income		668	-	1,540	1	157
Financial expenses		-194	-41	-429	-101	-137
Profit before tax		20,902	13,522	45,362	38,999	44,130
Tax on profit for the period		-4,324	-2,793	-9,399	-8,075	-9,155
Profit for the period attributable to the parent company's shareholders		16,577	10,729	35,963	30,924	34,976
Other comprehensive income		-	-	-	-	-
Comprehensive income for the period attributable to the parent company's shareholders		16,577	10,729	35,963	30,924	34,976
Earnings per share						
Earnings per share before dilution, SEK		0.82	0.55	1.77	1.59	1.77
Earnings per share after dilution, SEK		0.82	0.54	1.77	1.55	1.74
Average number of shares outstanding						
Average number of shares outstanding for the period before dilution		20,277,203	19,427,535	20,277,203	19,427,535	19,729,788
Average number of shares outstanding for the period after dilution		20,277,203	20,038,358	20,277,203	19,981,887	20,056,591

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

tSEK	Note	09/30/2023	09/30/2022	12/31/2022
ASSETS				
Intangible fixed assets				
Capitalized expenses for development work		11,650	7,411	9,595
Patent		-	-	-
Total intangible fixed assets		11,650	7,411	9,595
Tangible fixed assets				
Right-of-use assets		16,691	4,772	4,132
Cost of improvement on other's property		781	-	-
Equipment and computers		1,864	1,451	1,468
Total tangible fixed assets		19,336	6,223	5,601
Financial assets				
Other long-term receivables		411	411	411
Total financial assets		411	411	411
Deferred tax				
Deferred prepaid tax		50	50	13
Total deferred tax		50	50	13
Current assets				
Accounts receivable		34,131	19,975	22,388
Other receivables		666	552	1,084
Current tax assets		1,714	4,033	1,474
Prepaid expenses and accrued income		31,450	27,291	27,943
Cash and cash equivalents		117,956	222,811	232,862
Total current assets		185,917	274,663	285,751
TOTAL ASSETS		217,364	288,757	301,371
EQUITY AND LIABILITIES				
Equity				
Share capital		563	563	563
Other contributed capital		-	119,229	119,229
Retained earnings, including profit for the year		54,291	36,991	41,042
Total equity attributable to the parent company's shareholders		54,854	156,783	160,834
Long-term liabilities				
Leasing liabilities		12,804	2,939	2,623
Total long-term liabilities		12,804	2,939	2,623
Current liabilities				
Leasing liabilities		4,129	1,886	1,572
Accounts payable		13,530	11,709	14,203
Other liabilities		5,106	3,050	2,889
Accrued expenses and deferred income		126,940	112,391	119,250
Total current liabilities		149,706	129,035	137,914
TOTAL EQUITY AND LIABILITIES		217,364	288,757	301,371

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

tSEK	Attributable to the parent company's shareholders		
	09/30/2023	09/30/2022	12/31/2022
Opening balance	160,834	108,898	108,898
Comprehensive income for the period	35,963	30,924	34,976
Dividend	-141,943	-	-
Option premiums	-	368	368
New share issues after issue expenses	-	16,593	16,593
Closing balance	54,854	156,783	160,834

CONSOLIDATED CASH FLOW STATEMENT

tSEK	Note	Jul - Sep		Jan - Sep		Jan - Dec
		2023	2022	2023	2022	2022
Cash flow from operating activities						
Operating profit/loss		20,427	13,563	44,251	39,099	44,110
Adjustments for items not included in cash flow:						
Depreciation and impairment		2,302	1,380	6,205	3,983	5,261
Interest received		668	-	1,540	1	157
Interest paid		-194	-41	-429	-101	-137
Tax paid		-3,032	-2,994	-9,676	-7,042	-5,525
Cash flow from operating activities before changes in working capital		20,172	11,908	41,891	35,940	43,866
Change in working capital						
Change in operating receivables		-3,449	-1,848	-14,832	1,288	-2,309
Change in operating liabilities		-1,458	-3,717	9,235	10,779	19,971
Cash flow from operating activities		15,265	6,344	36,294	48,008	61,528
Investment activities						
Capitalization of development expenses		-992	-1,451	-4,899	-4,216	-6,917
Acquisition of tangible fixed assets		-28	-378	-1,727	-713	-852
Cash flow from investment activities		-1,020	-1,828	-6,626	-4,929	-7,769
Financing activities						
Repayment of leasing liabilities		-1,004	-758	-2,632	-2,270	-2,899
Option premiums repaid		-	-	-	-11	-11
Option premiums received		-	-	-	378	378
Dividend		-	-	-141,943	-	-
New share issues		-	16,538	-	16,538	16,538
Cash flow from financing activities		-1,004	15,780	-144,574	14,635	14,006
Cash flow for the period		13,240	20,296	-114,906	57,714	67,765
Liquid funds at the beginning of the period		104,716	202,515	232,862	165,508	165,508
Reclassification of cash and cash equivalents		-	-	-	-411	-411
Liquid funds at the end of the period		117,956	222,811	117,956	222,811	232,862

PARENT COMPANY INCOME STATEMENT

tSEK	Note	Jul – Sep		Jan – Sep		Jan – Dec
		2023	2022	2023	2022	2022
OPERATING INCOME						
Net sales		61,065	54,976	175,745	157,569	213,271
Other operating income		38	86	105	483	529
Capitalized work for own account		69	498	1,098	2,299	3,224
OPERATING EXPENSES						
Platform fees		-13,727	-12,644	-39,403	-36,908	-49,741
Other external expenses		-12,007	-16,054	-43,035	-43,065	-66,413
Personnel expenses		-13,844	-12,574	-46,814	-39,432	-54,201
Depreciation and impairment of tangible and intangible assets		-1,216	-616	-3,394	-1,702	-2,340
Other operating expenses		63	-143	-293	-230	-329
Operating profit/loss		20,315	13,528	44,010	39,014	44,000
PROFIT FROM FINANCIAL ITEMS						
Interest income and similar income		668	-	1,540	1	157
Profit before tax		20,984	13,528	45,550	39,015	44,158
Tax on profit for the period		-4,341	-2,795	-9,436	-8,077	-9,159
Profit/loss for the period		16,643	10,734	36,114	30,938	34,999
COMPREHENSIVE INCOME FOR THE PERIOD		16,643	10,734	36,114	30,938	34,999

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

tSEK	Note	09/30/2023	09/30/2022	12/31/2022
ASSETS				
Fixed assets				
Intangible fixed assets				
Capitalized expenses for development work		11,650	7,411	9,595
Patent		-	-	-
Total intangible fixed assets		11,650	7,411	9,595
Tangible fixed assets				
Cost of improvement on other's property		781	-	-
Equipment and computers		1,864	1,451	1,468
Total tangible fixed assets		2,645	1,451	1,468
Financial assets				
Participations in group companies		50	50	50
Deferred prepaid tax		-	39	-
Other long-term receivables		411	411	411
Total financial assets		461	500	461
Total fixed assets		14,757	9,361	11,524
Current assets				
Current receivables				
Accounts receivable		34,131	19,975	22,388
Other receivables		666	552	1,084
Current tax assets		1,714	4,033	1,474
Prepaid expenses and accrued income		31,450	27,291	27,943
Total current receivables		67,961	51,852	52,889
Short-term investments				
Other short-term investments		85,000	-	-
Total short-term investments		85,000	-	-
Cash and bank balances		32,848	222,694	232,746
Total current assets		185,809	274,546	285,635
TOTAL ASSETS		200,566	283,907	297,160
EQUITY AND LIABILITIES				
Equity				
Restricted equity				
Share capital		563	563	563
Fund for development expenditures		11,650	7,411	9,595
Total restricted equity		12,213	7,974	10,158
Unrestricted equity				
Share premium fund		-	119,229	119,229
Retained earnings		6,662	-1,383	-3,568
Profit/loss for the period		36,114	30,938	34,999
Total unrestricted equity		42,776	148,784	150,660
Total equity		54,989	156,758	160,818
Current liabilities				
Accounts payable		13,530	11,709	14,203
Other liabilities		5,106	3,050	2,889
Accrued expenses and deferred income		126,940	112,391	119,250
Total current liabilities		145,576	127,150	136,341
TOTAL EQUITY AND LIABILITIES		200,566	283,907	297,160

NOTES

Note 1 General information

The address of the company's registered office is Drakegata 10, 412 50 Gothenburg, Sweden. Sleep Cycle is developing one of the world's most widely used sleep platforms. Sleep Cycle's sleep solutions help users fall asleep more easily, measure sleep habits and improve sleep and with the extensive sleep database contribute 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 September 30, 2023 consists of the wholly owned subsidiary Sleep Cycle Sverige AB (559278-9688).

Sleep Cycle's interim report for Jan-Sep 2023 was approved for publication on October 25 per Board decision on October 24, 2023.

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 2022. New standards and interpretations that came into force on 1 January 2023 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

tSEK	Jul – Sep		Jan – Sep		Jan – Dec
	2023	2022	2023	2022	2022
Subscription income	60,908	54,716	175,272	157,046	212,534
Other income	157	261	473	523	737
Total	61,065	54,976	175,745	157,569	213,271

Note 5 Financial instruments

tSEK	09/30/2023	09/30/2022	12/31/2022
Financial assets valued at amortized cost			
Accounts receivable	34,131	19,975	22,388
Other receivables	1,077	963	1,496
Accrued income	259	113	-
Cash and cash equivalents	117,956	222,811	232,862
Total financial assets	153,423	243,863	256,746
Financial liabilities valued at amortized cost			
Leasing liabilities	18,526	5,046	4,381
Accounts payable	13,530	11,709	14,203
Other current liabilities	1,815	3,391	5,849
Total financial liabilities	33,871	20,146	24,433

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.

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/loss	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	Non-recurring items not included in normal operations and therefore disrupt comparability between different periods. Refers to costs related to IPO in 2021, public cash offer in 2022, and cost savings in 2023.	The measure is used to understand the company's development and comparison between the years.
Adjusted operating profit/loss	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.
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 annual subscription revenue per subscriber during the period. Quarters and periods are annualized.	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

tSEK	Jul – Sep		Jan – Sep		Jan – Dec
	2023	2022	2023	2022	2022
Net sales previous period	54,976	48,759	157,569	134,897	182,937
Net sales current period	61,065	54,976	175,745	157,569	213,271
Net sales growth	11.1%	12.8%	11.5%	16.8%	16.6%
Currency-adjusted net sales previous period	59,509	51,254	171,975	137,691	189,743
Net sales current period	61,065	54,976	175,745	157,569	213,271
Currency-adjusted net sales growth	2.6%	7.3%	2.2%	14.4%	12.4%

Operating profit and operating margin

tSEK	Jul – Sep		Jan – Sep		Jan – Dec
	2023	2022	2023	2022	2022
Net sales	61,065	54,976	175,745	157,569	213,271
Other operating income	38	86	105	483	529
Capitalized work for own account	69	498	1,098	2,299	3,224
Platform fees	-13,727	-12,644	-39,403	-36,908	-49,741
Other external expenses	-10,809	-15,255	-39,981	-40,699	-63,383
Personnel expenses	-13,844	-12,574	-46,814	-39,432	-54,201
Depreciation and impairment of tangible and intangible assets	-2,302	-1,380	-6,205	-3,983	-5,261
Other operating expenses	-63	-143	-293	-230	-329
Operating profit/loss	20,427	13,563	44,251	39,099	44,110
Operating margin	33.5%	24.7%	25.2%	24.8%	20.7%

Adjusted operating profit and adjusted operating margin

tSEK	Jul – Sep		Jan – Sep		Jan – Dec
	2023	2022	2023	2022	2022
Operating profit/loss	20,427	13,563	44,251	39,099	44,110
Items affecting comparability					
Other external expenses	-	-	-381	-	-2,802
Personnel expenses	-	-	-4,450	-	-
Total items affecting comparability	-	-	-4,831	-	-2,802
Adjusted operating profit/loss	20,427	13,563	49,082	39,099	46,912
Adjusted operating margin	33.5%	24.7%	27.9%	24.8%	22.0%

ARPU	Jul – Sep		Jan – Sep		Jan – Dec
	2023	2022	2023	2022	2022
tSEK					
Subscription income	60,908	54,716	175,272	157,046	212,534
Number of subscriptions previous period (thousands)	877	921	904	901	901
Number of subscriptions current period (thousands)	887	912	887	912	904
ARPU (SEK)	276	239	261	231	236

SUBMISSION OF INTERIM REPORT JAN – SEP 2023

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, October 24, 2023

Anne Broeng
Chairman of the Board

Olof Nilsson
Board member

Rasmus Järborg
Board member

Mathias Høyer
Board member

Maciej Drejak
Board member

Per Andersson
Acting
CEO

AUDITOR'S REPORT

Sleep Cycle AB (publ), reg. no. 556614-7368

Introduction

We have reviewed the condensed interim financial information (interim report) of Sleep Cycle AB (publ) as of 30 September 2023 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Gothenburg, 24 October 2023

Öhrlings PricewaterhouseCoopers AB

Ulrika Ramsvik
Authorized Public Accountant

Contact

For more information,
please contact:

PER ANDERSSON, ACTING CEO & CFO

Tel: +46 70-939 53 27

Email: per.andersson@sleepcycle.com

SLEEP CYCLE AB

Business reg. No. 556614-7368,

Drakegatan 10, 412 50 Gothenburg

www.sleepcycle.com

