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This is a translation of the original swedish Sleep Cycle annual report 2023. In the event of any discrepancies between the two versions, the original swedish version shall apply.

SLEEP CYCLE MISSION

Sleep Cycle's mission is to improve global health by helping people sleep better

Letter from the CEO

Dear Shareholders, 2023 was characterized by economic uncertainty and a turbulent market that tested the resilience of companies in several industries. I am proud that Sleep Cycle not only overcame these challenges but also grew stronger in the process. Our ability to adapt and continuously innovate has been critical to our continued profitable growth. As the newly appointed CEO, I am grateful for the concerted efforts that enabled us to end the year on a positive note, with annual revenue growth of MSEK 236 and a profit of MSEK 46.

In my mind our services are more important than ever. For Sleep Cycle, the political uncertainties and macroeconomic turbulence have reinforced our sense of purpose. Our mission to 'improve global health by empowering people to sleep better' is our guiding principle and driving force. The Sleep Cycle team has demonstrated remarkable adaptability and resilience while building a company for the future. A key action in 2023 was the efficiency program launched in the second quarter, which delivered a desired outcome of SEK 25 million in annual savings. The initiative allowed us to increase the focus on our core offering, resulting in a more efficient onboarding of new users, higher users, higher conversion rates and better user experience. We also strengthened our partnerships with

Apple and Google to increase exposure and create greater impact on the platforms where we are available. Thanks to our strong collaboration, we were able to quickly launch new features for iOS 17, which were made available when Apple released its new iPhone 15. Sleep Cycle has around 2 million active users in more than 150 countries worldwide, which serves as a very strong foundation to continue building on.

Throughout 2023, we continued to invest in breakthrough solutions, pushing boundaries and even introduced 'Cough Radar'.

A 'Cough Radar', based on our AI engine combined with our global sleep data, which examines the progress of coughing in different



Sleep Cycle has about 2 million active users, in more than 150 countries worldwide, which serves as a very strong foundation to continue building on.

ERIK JIVMARK

regions and offers an overview of the development in your local area. This feature was possible thanks to the power of AI and machine learning, combined with our extensive database containing more than 2.5 billion nights of sleep data. This exciting new service has already received very positive feedback from our users and consolidates our position as an industry leader.

Another breakthrough is our ability to detect breathing disruptions, helping users to understand their sleep quality. I'm looking forward to further leveraging the potential in these features.

As we reflect on the achievements of 2023, I am excited about the future that lies ahead for Sleep Cycle.

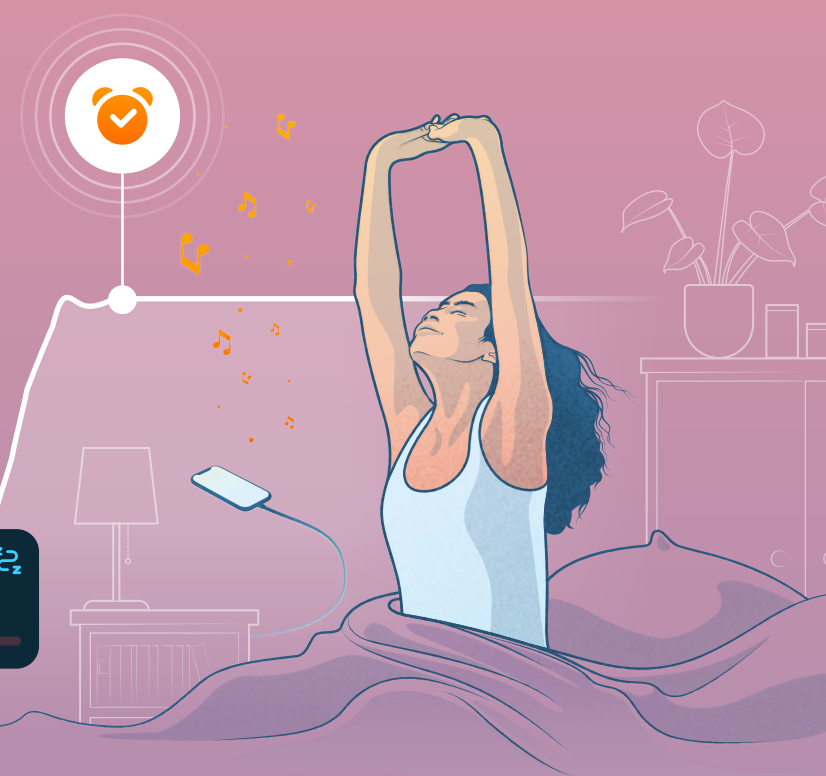
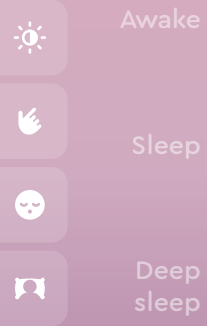
We are well positioned to navigate the evolving landscape of our industry and I can assure you that the whole company is united and committed to continue to deliver growth that not only benefits our shareholders, but also contributes positively to the communities we serve. I look forward to presenting Sleep Cycle's future growth strategy later this spring.

Thank you for your trust and continued partnership.

A handwritten signature in blue ink, which appears to read 'Erik Jivmark'. The signature is fluid and cursive.

Erik Jivmark
CEO

Sleep smart, wake up rested



To fall asleep well

As children, we are used to a good evening routine of winding down, story time or perhaps a bedtime story. As adults, we often forget to prioritize winding down and preparing ourselves for bedtime. Our body relies on a built-in clock that dictates our circadian rhythm. It decides when we should sleep and when we need to be awake. To make sure our brain and circadian rhythm work together, we need guidance. Establishing a consistent evening routine is essential for our body and mind to understand when it is time to rest. This applies to young and old alike.

BEDTIME SOON

A guided evening routine is now available in Sleep Cycle to help maintain a healthy circadian rhythm and make it easier to fall asleep. The 'Bedtime Routine' is linked to the user's sleep goals and helps establish a workable evening routine by providing step-by-step guidance well before bedtime.

How sleep secrets are revealed

What really happens while we sleep? It's a big mystery, largely due to the unconscious state we are in. A complex and not entirely clear physiological process that we have only recently started to find answers in through scientific research. Over the years, Sleep Cycle have had the privilege of helping to solve parts of the mystery.

UNKNOWN SOUNDS

While you sleep, the world is awake. Footsteps in the apartment above, a ceiling fan whirring, a passing bus opening and closing its doors. There are many sounds of the night. But you sleep on, often completely unaware of how it affects your sleep. Sleep Cycle's new 'Ambient Noise' feature measures the decibel range of sounds in your environment and gives an indication of the level of disturbance. So you can sleep peacefully knowing that Sleep Cycle will listen out for you and let you know if any noise is affecting your sleep.

BREATHE IN, BREATHE OUT

By counting the number of breaths in and out per minute, you can get a good idea of how a person

feels, better understand sleep phases and find more ways to improve sleep quality. Typically, breathing rate is measured using heart rate, but Sleep Cycle uses sound analysis to map your breaths, ensuring even better accuracy. So sleep, breathe in, breathe out and know that we're keeping score to keep you informed and help you sleep even better.

HOLD YOUR BREATH

And exhale. By mapping breathing patterns, Sleep Cycle identifies pauses in breathing. Breathing pauses can cause you to unconsciously



wake up several times during the night, which in turn often leads to fatigue and difficulty concentrating during the day. More frequent breathing disturbances can sometimes even be a sign of sleep apnea.

Rise and shine

The sun is shining, the birds are singing and you hear your neighbor going outside to fetch the newspaper. Downstairs, someone has already turned on the coffee maker, it's bubbling and boiling. It is a great morning and you jump out of bed, ready to face all the possibilities of the day. Or do you? Oh, you usually feel tired and sluggish when you wake up? Does finding matching socks feel like an impossible effort? Do you even remember how you got to work this morning? We understand. We'll figure it out together!

THE STEPS TO FEELING FULLY AWAKE

We offer a solution to help you wake up in the morning. Imagine a cable car that takes you from tired to alert. We ensure that both your mood and decision-making skills are at their peak when you get up. Our feature is also fun, which motivates you to participate even when you are tired. This feature was launched last fall. Designed with sleep researchers to test your reaction time and stimulate your mental capacity, Sleep Cycle Alertness games on Android help you say goodbye to fatigue and welcome optimal cognitive performance.

A SMARTER ALARM

By analyzing which sleep phase you are in, the alarm wakes you up in a light sleep phase. Waking up in the right phase means you feel naturally alert and ready to start the day in the best possible way.

MEANINGFUL STATISTICS

Sleep statistics provide users with valuable information that makes it easier to understand and change behaviors to aid better sleep. For example, statistics on regularity, how much you snore or how your sleep is affected by alcohol.

NEW YOUR VERY OWN INSIGHT MACHINE

Imagine your very own insight machine. Which based on your sleep data, serves up valuable insights and tips when you need it most.

NEW ASK ME ANYTHING

Hi! My name is Sleep GPT and I am your personal sleep assistant. Ask me anything you want to know about sleep and your sleep data. I'm here to answer your questions.

Sleep Cycles features

A JOY TO THE EAR

The 'Sleep Aid' sound library gives you access to a wide variety of soothing sounds. All specifically composed to help you calm your mind, relax and fall asleep more easily.

SLEEP GUIDES

The sleep programs guide you to better sleep. They spark curiosity and inspire change, whilst also providing direction on how to sleep better.

WHO'S SNORING

Snoring not only affects the person who snores, but also the person sleeping next to them who's sleep is disturbed. Find out if you snore too much and if it affects your health.

NEW CATCHING A COLD?

Be the first to detect rising cough rates in your area using our heat map. Stay one step ahead!

Strategy

Rooted in knowledge on sleep, AI and app development, Sleep Cycle offers a digital tool with features to help people understand and improve their sleep. In the coming years, the strategy is to increase investments in these areas to reach more users, create clearer value for users and to grow through new and existing acquisition channels. With a stronger product proposition and an increased commercial focus, the goal is to create growth by attracting more new users who stay longer.



Sleep Cycle's value and strength grows every night. Using patented audio analysis, we collect and analyze sleep data and translate it into insights for users around the world. With each new user, our database grows, with each night analyzed, our analysis capability increases, and with each analysis we generate even more valuable insights and develop new market-leading tools.

CONTINUED PRODUCT DEVELOPMENT

Sleep is a cornerstone for good health. Through our sleep analysis, we spend the whole night with our users, analyzing sleep as well as snoring, coughing and teeth grinding. With our patented audio analytics, AI and machine learning, we continue to drive progress, now and in the future.

After more than ten years of collection and technical development, there are few players who can read and analyze the amount of data our application can handle on a daily basis with the same precision. Using knowledge and experience to translate our data into applicable information for our users is crucial.

A value-creating work that continues to develop at a rapid pace. Today we can not only tell a user how they have slept, we can also analyze why. We know who snores in a room, when they snore, at what frequency and how often. We can even detect signs of sleep apnea, based on patterns in inhaled and exhaled air. We can also identify coughing, which can indicate the onset of a cold. All in line with the mindset that better sleep leads to a better life.

ARTIFICIAL INTELLIGENCE

AI and machine learning have revolutionized our ability to manage large amounts of data and extract valuable information. Using advanced algorithms and techniques, we can now extract patterns and context that were previously unknown and inaccessible.

This is why we continue to invest in capabilities within sleep data, machine learning and especially data infrastructure. To be a leader within AI and machine learning is not only about having access to advanced models and technologies, but above all about having a powerful and capable data infrastructure. Data is the primary

raw material for machine learning and the more data we have and the better its quality, the more accurate our predictions and classifications will be. This in turn can be used for better insights, new features and increased user value.

INCREASED REACH

To achieve our goal of attracting more users, our aim is to create clear user value. A coherent product proposition, exposed to more potential users creates the optimal conditions for growth. In addition to the two largest distribution channels for apps; Apple AppStore and GooglePlay, we are now also on Huawei AppGallery. Sleep Cycle's ambition is to continue to grow on these platforms and be the obvious choice for sleep monitoring.

Through collaborations and partnerships, we increase visibility and reach new target groups, which creates leverage in our investments to be accessible in multiple distribution channels. With strong communication and constant innovation, we will remain relevant and exposed to traffic on different platforms. By working to more effectively convert and

retain users, Sleep Cycle's subscription base can continue to grow by leveraging the traffic coming through on these platforms.

NEW SEGMENTS

As the app's functionality expands, future investments will also include sharing content and leveraging our data and knowledge of global sleep patterns to drive traffic and attract new users. Through innovation, we generate interest among new audiences while remaining relevant to existing users. In line with our goal of increasing reach and reaching users in new channels, an important part of the growth strategy is to increase the number of marketing channels. Our strategy is based on increasing the conversion of organic traffic through marketing efforts with the highest possible efficiency. Through targeted work, we have created good rankings in channels such as Apple Search Ads and Google Ads, TikTok and with influencers. In 2021-2023, our presence has expanded in social media channels such as TikTok, Facebook and other influencers.

Four reasons to invest in Sleep Cycle



1

LEADING POSITION IN A LARGE MARKET

- The market for sleep applications is estimated at SEK 5 billion and is expected to grow at a 19% CAGR
- Sleep Cycle is the market leader and most downloaded app in the sleep application market
- Sleep Cycle has the world's largest database with more than 2 billion nights analyzed and stored

2

EASILY AVAILABLE PRODUCT WITH ACTIVE USERS

- Sleep Cycle is available for smartphones and smartwatches
- High percentage of active users leads to a growing database which strengthens competitiveness and improves the product
- Comprehensive sleep solution (analyze, educate, improve)
- Dynamic product experience based on user's behavior

Growing database
+2 billion nights
of data

Increased insight
& knowledge
91% accuracy in
current machine-
learning techniques

More active users
Approximately 2 million
active users

3

WINNING BUSINESS MODEL

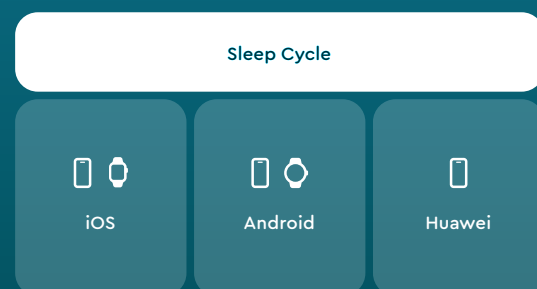
- Recurring revenue from subscriptions
- High profitability through fully scalable software
- Good cash conversion driven by advance payments



4

EXPANSION AND GROWTH

- Data and insights enable expansion of product-and-services packages
- Through increased visibility and expansion in new sales channels, new users are reached
- The interest in data-driven sleep-and-health insights has seen a sharp increase.



Shares and largest owners

OUTSTANDING WARRANT PROGRAM

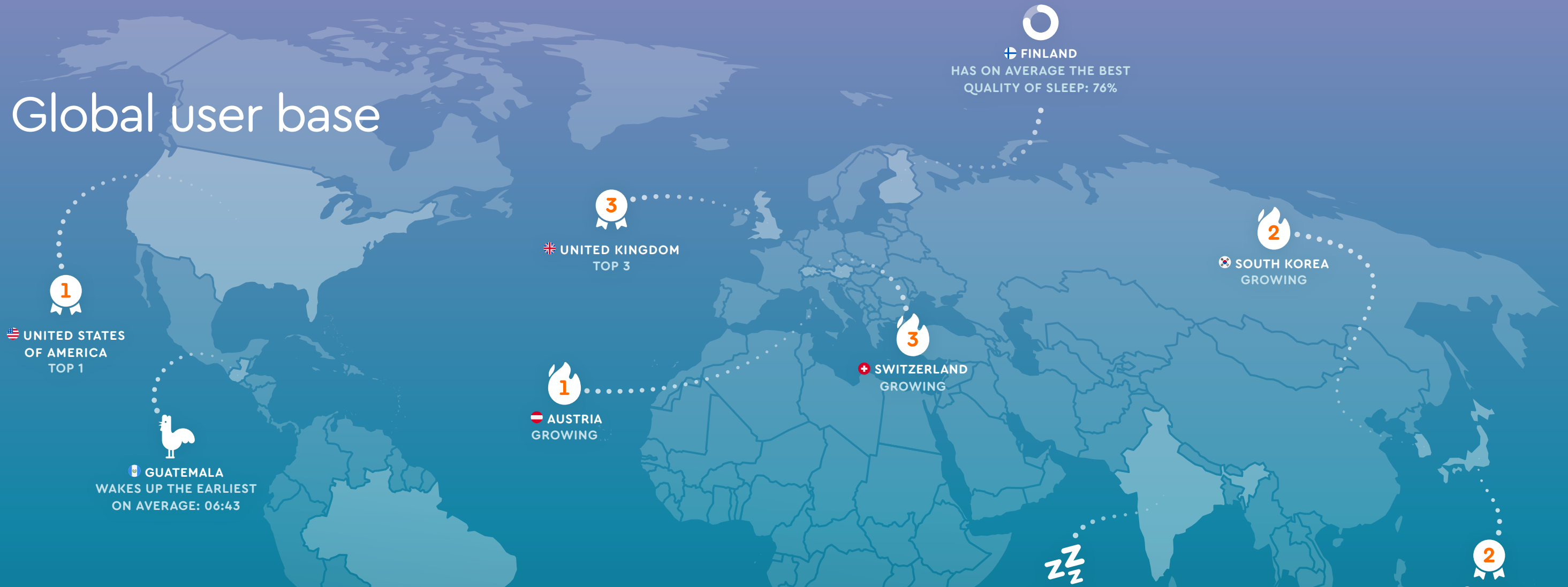
WARRANT PROGRAM	NUMBER OF WARRANTS	CORRESPONDING NUMBER OF SHARES	% OF TOTAL SHARES	EXERCISE PRICE	EXERCISE PERIOD
TO 2021 series 1	187,910	187,910	0.9%	94.5	2024
TO 2021 series 2	17,512	17,512	0.1%	94.5	2025
TO 2022	53,700	53,700	0.3%	71.2	2025
VD LTIP	340,909	340,909	1.7%	241.2	2026
TO 2023	100,000	100,000	0.5%	52.6	2027
Total	700,031	700,031	3.5%		

LARGEST SHAREHOLDERS OF SLEEP CYCLE AB (PUBL) AS OF 31 DECEMBER 2023

ÄGARE	ANTAL AKTIER	RÖSTER OCH KAPITAL
Maciej Drejak through company	8,707,984	42.9%
Pierre Siri through company	4,776,686	23.6%
Nordnet Pensionsförsäkring	918,519	4.5%
Avanza Pension	819,034	4.0%
Petter Wallin	691,096	3.4%
Skandia Fonder	633,521	3.1%
Handelsbanken Microcap	500,000	2.5%
Lancelot Avalon	450,000	2.2%
Cancerfonden	291,882	1.4%
Cicero Hållbar mix	199,446	1.0%
Övriga	2,289,395	11.3%
Total	20,277,563	100%

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

Global user base



TOP 10 PAYING SUBSCRIBERS¹

COUNTRY	SHARE ²
1. The United States	21%
2. Japan	8%
3. United Kingdom	7%
4. Germany	6%
5. France	5%
6. Australia	4%
7. The Netherlands	4%
8. Brazil	4%
9. Canada	3%
10. Sweden	2%

TOP 10 HIGH GROWTH³

COUNTRY
1. Austria
2. South Korea
3. Switzerland
4. Brazil
5. Norway
6. Turkey
7. Belgium
8. Mexico
9. Italy
10. Spain

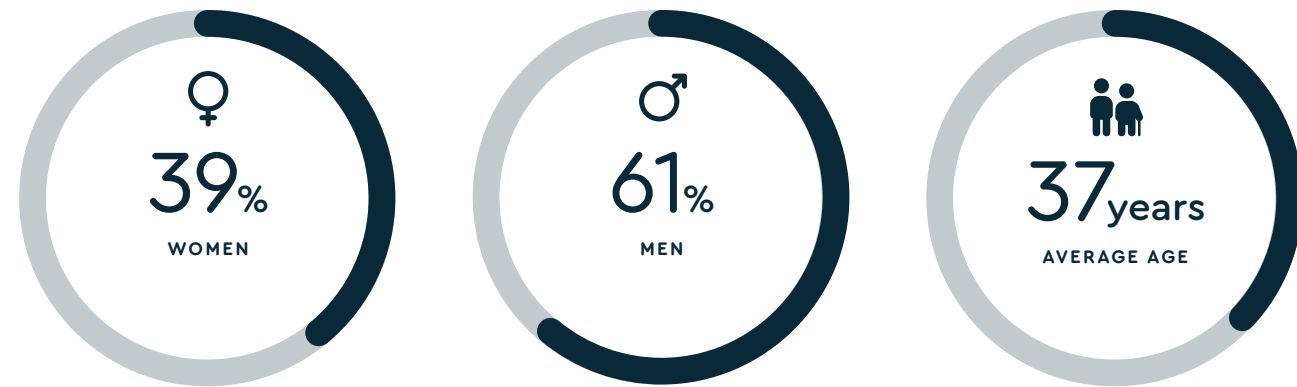
Sleep Cycle is one of the world's most popular sleep-health solutions and the leading sleep analysis application, with global brand recognition and millions of users in over 150 countries. Sleep Cycle is translated into 14 languages and reaches a vast part of the world's population by being available on most smart phones.

1) Active users as of December 2023.
 2) Percentage of active users as of December 2023.
 3) Quarterly average regarding subscribers from Q4 2021 to Q4 2023.

Source: Internal data

Together we make it happen

The people. Their knowledge, experience and understanding of all that Sleep Cycle is and can become, is invaluable. We want to highlight a handful of the amazing colleagues we have and show why 'together' is our key to success.



ANTONIA LUNDÈN GALLIPOLI

CUSTOMER SUPPORT (UP TO THE LEFT)

"I work with customer support at Sleep Cycle as well as deeper technical troubleshooting and some quality testing too. My role involves customer contact, helping our users with questions and issues and ensuring they have a good experience with the app. The role also includes troubleshooting the problems closely and escalating further bugs to the respective teams and testing new features to ensure that they work as intended before implementation.

The best thing about my role is that you are somewhat a bridge between the end-user and the rest of the company. You collaborate with all different departments and get to learn a lot of new things. I love troubleshooting and finding out what is causing a bug or some other unexpected behavior. It's always satisfying when you've been looking at a problem for a long time and finally figure out the cause and can present a solution to the user!"

EVELINA VOROBYEVA

IOS DEVELOPER (UP TO THE RIGHT)

"At Sleep Cycle, I work as an iOS developer within the Growth team. My main responsibilities are improving and optimizing the user experience in the app by focusing on areas such as subscriptions, conversion, onboarding and paywalls. I also have the role of Team Lead, which means that I work together with my team to continuously improve our work processes and collaboration within the group. The best thing about my role is the opportunity to create and influence the user experience for people through technology. I also love how dynamic this role is. It constantly provides me with exciting new challenges, initiatives and opportunities for personal growth and learning."

ANDREAS ROMAN

HEAD OF PRODUCT

"I work as Head of Product at Sleep Cycle. This means that within the production process, I execute the ideas we have developed at a strategic level, lead the creators and developers in their work and create the best possible conditions for us to get great things out, with good quality and on time. The best part of my role is the privilege and trust to work with world-class teams. Both as people and craftsmen, everyone at Sleep Cycle is unique. It's a special place with limitless possibilities, thanks to everyone who works here. I am grateful to contribute to that community. No two days are alike. The day-to-day development is ever-changing. We are never bored, we are constantly challenged and we take nothing for granted."

JOSEFIN WINBERG

DATA SCIENTIST

"In my position as Data Scientist, my responsibility is to use collected data to perform advanced analysis. I deepen our insights into user behavior, product usage patterns, and our business metrics. The best thing about working at Sleep Cycle is that we combine meaningful purpose with innovation and employee satisfaction. Our industry-leading position in sleep analysis offers the opportunity to work with the latest technology whilst being part of exciting developments in sleep research. In addition, Sleep Cycle values personal growth and creativity, creating a favorable work environment for our team members."



**ANNE BROENG**

CHAIRMAN SINCE 2023. BOARD MEMBER AND CHAIRMAN OF THE AUDIT COMMITTEE SINCE 2020

Born: 1961.
M.Sc. Economics, Aarhus University .

Anne works professionally as a board member and has broad experience of public and private companies. Previously, she served as CEO, CFO and CIO of PFA Pension.

OTHER BOARD ASSIGNMENTS:

Chairman of the Board of Velliv and Asta & Jul.P Justesen Fond. Board member of Energi Danmark A/S, VKR Holding, Aquaporin A/ S, Rambøll Group. Deputy Chairman of the charity 'Children's Rights National Association'.

PREVIOUS BOARD POSITIONS:

Several boardpositions, including Nasdaq Europe, Danske Commodities, Velux and IFU

SHARES IN THE COMPANY*:
10,000.

WARRANTS*: -

**OLOF NILSSON**

BOARD MEMBER SINCE 2020 AND CHAIRMAN OF THE REMUNERATION COMMITTEE SINCE 2023

Born: 1969.
M.Sc. Physics, Royal Institute of Technology (KTH) in Stockholm.

Olof has extensive experience from the venture capital industry as a VC investor, entrepreneur and board member. Previously, Olof worked as Head of Early Stage Investments at the Swedish state pension fund AP6, where he also launched a new mandate to invest in US technology funds, and prior to that, he was co-founder and COO of the incubator IQube.

OTHER BOARD ASSIGNMENTS:

Chairman of MATCHi AB. Board Member in High Estate AB, High Estate Holding 1 AB, Dr ZickZack AB and ViOchO1 Advisers AB.

PREVIOUS BOARD POSITIONS:

Chairman at Bokadirekt in Stockholm AB och Aumar AB. Board Member at Yanzi Networks AB, hittapunktse AB, Apotea AB, FPV Holding AB och Apolea Holding AB.

SHARES IN THE COMPANY*:
428.

WARRANTS*: -

**RASMUS JÄRBORG**

BOARD MEMBER AND MEMBER OF THE REMUNERATION COMMITTEE SINCE 2020

Born: 1976.
M.Sc. Economics, Stockholm School of Economics.

Rasmus has a background and vast experience from digitization and digital channels in the financial industry. He has been working as Chief Product Officer at Nordnet since 2018 and in 2021 was also appointed Deputy CEO of Nordnet. His background includes several senior positions at SEB, such as Chief Strategy Officer with responsibility for the bank's digitization and digital channels. Rasmus has previously also worked at the global investment Bank UBS in London.

OTHER BOARD ASSIGNMENTS: -

PREVIOUS BOARD POSITIONS:

Chairman of the Board at Shareville AB. Board member of Nordnet Ventures AB.

SHARES IN THE COMPANY*:
32,000.

WARRANTS*: -

**MATHIAS HØYER**

BOARD MEMBER AND MEMBER OF THE AUDIT COMMITTEE SINCE 2023

Born 1992.
M.Sc. Financial Economics at Oxford University.

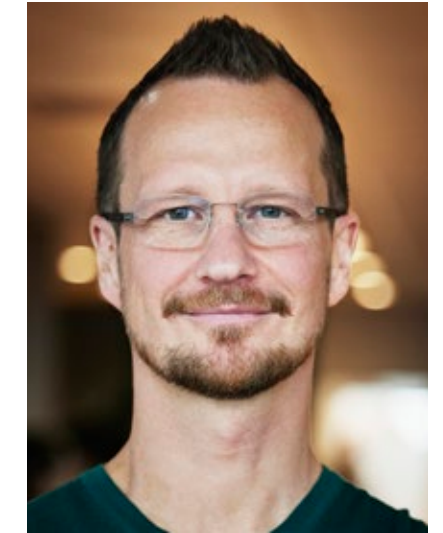
Mathias has experience as an investment manager in private equity with a focus on investments in listed and unlisted technology companies. He currently works as CFO at Booksy Group Corp.

OTHER BOARD ASSIGNMENTS: -

PREVIOUS BOARD POSITIONS: -

SHARES IN THE COMPANY*:
14,107.

WARRANTS*: -

**MACIEJ DREJAK**

BOARD MEMBER SINCE 2023

Born 1978.
Secondary Education / High School in Sciences.

Maciej has a background as a developer, system architect and entrepreneur. Maciej is the founder and main owner of Sleep Cycle and holds 43% of the shares and votes in Sleep Cycle through his companies. In addition to Sleep Cycle, he has also founded Ninja Games AB and Everdrone AB. He has also developed several successful apps, websites and other applications. Maciej currently works as a software development manager at Everdrone AB.

OTHER BOARD ASSIGNMENTS:

Board Member at Everdrone AB, h265 AB, MCGA AB och Velvet Cichlid AB.

PREVIOUS BOARD POSITIONS: -

SHARES IN THE COMPANY*:
8,707,984.

WARRANTS*: -

* Shareholding and warrants in Sleep Cycle AB (publ) as of 31 December, 2023



ERIK JIVMARK
CEO SINCE 2023

Född 1982.
M.Sc. in Business Administration at Lund University.

Erik is an experienced CEO with international experience from leading positions within digital product and service development. Erik comes most recently from Volvo Car Mobility AB where he was CEO and responsible for Volvo Cars Stockholm Tech Hub. Prior to that, Erik was Global Director of Digital at Volvo Cars AB based in both Sweden and the US. Erik has also worked at Accenture with a focus on digital and commercial transformation.

SHARES IN THE COMPANY*:
2,000.

WARRANTS*:
100,000 corresponding to 100,000 shares.



PER ANDERSSON
CFO SINCE 2021

Born: 1983.
M.Sc. Economics, Gothenburg School of Economics.

Per is a growth-oriented CFO with broad experience within strategy, business planning, capital markets and financial analysis. Prior to Sleep Cycle, he worked as CFO at listed Gapwaves AB. Previous experience includes positions at KPMG Deal Advisory, Mondelez International and PwC.

SHARES IN THE COMPANY*:
3,990.

WARRANTS*:
25,682 corresponding to 25,682 shares.



CECILIA MIKKOV
CHRO SINCE 2021

Born 1976.
B.Sc. Personnel Science with a focus in Psychology, Stockholm University.

Cecilia has a wealth of experience building and developing technology companies as well as leadership experience with responsibility for issues such as personnel, recruitment and organizational development in Swedish and international organizations. Prior to Sleep Cycle, Cecilia worked at NetEnt for 11 years in a number of different HR roles, most recently as Head of HR CoE.

SHARES IN THE COMPANY*:
0.

WARRANTS*:
19,288 corresponding to 19,288 shares.



MIKAEL KÅGEBÄCK
CTO SINCE 2020

Born: 1981
Ph.D. Technology and Computer Science, Chalmers University of Technology, Gothenburg.

In his role as CTO at Sleep Cycle, Mikael works, amongst other things, as head of the core technology team with our machine learning research. That research is central to Sleep Cycle. It drives our business forward and enables our users to gain insight into sleep quality and habits. Mikael's previous experience includes several years as a Ph.D student in machine learning and AI at Chalmers, as well as a system architect at H&M through Extenda and developer for the Swedish Air Force.

SHARES IN THE COMPANY*:
11,496.

WARRANTS*:
28,237 corresponding to 28,237 shares.



SAMUEL CYPRIAN
CPO SINCE 2021

Born: 1983.
M.Sc. Engineering, Computer Science, Uppsala University.

Samuel comes from a long experience within marketing and business development. Before his role at Sleep Cycle, Samuel broke new ground at Spotify. He was a key figure in the growth team and was involved its early expansion phase. Prior to Sleep Cycle, he worked as a growth manager at Projectplace and as CMO at Werlabs.

SHARES IN THE COMPANY*:
68,875

WARRANTS*:
34,795 corresponding to 34,795 shares.



A sustainability effort that creates customer- and-business value

Sleep Cycle's mission is to improve global health by helping people to sleep better. With this as a starting point, we conduct long-term sustainability work that is characterized by taking business ethical, social and environmental responsibility.

Good sleep is as important to our health as diet and exercise. Sleep Cycle's digital-sleep services help users fall asleep, sleep well, wake up more rested and better understand the cause and effect of their sleep habits. By influencing our sleep, we can also influence how we feel during the waking hours of the day.

Our vision is to improve sleep health globally. Because better sleep leads to healthier people, which is central to a prosperous world, where social and economic value is created as performance, innovation and resilience are fostered.

FIVE FOCUS AREAS SHOW THE WAY

Conducting long-term sustainability work is a matter of course for us, and within the framework of our business operations, five areas have

been identified as the most important for us to work with, monitor and report on. We also see that our work can contribute to a number of the UN's Global Targets. To clarify the direction of our work, we formulated ambitions for each focus area in 2022.

By focusing on these five sustainability areas, Sleep Cycle's ambition is to contribute in every way to optimizing the positive values that our sleep service creates for our users, colleagues, partners, the health sector and owners. Our responsibility also includes minimizing business risks through proactive sustainability work, robust processes, regulatory compliance and high business ethics.

FIVE FOCUS AREAS IN OUR SUSTAINABILITY EFFORTS

SDG	AREA OF FOCUS	AMBITION	CRITICAL QUESTIONS
10	Sustainable Customer Relations	Strengthen sustainable customer relations and offer a positive customer experience	User and client integrity Customer satisfaction, A product offering available worldwide.
8	Attractive Employer	An innovative workplace where people thrive and are given excellent opportunities to develop.	Exemplary working conditions, Equality, Inclusion, Health & safety.
3,17	Global Health	Contribute to improved health and better quality of life for people worldwide.	Global health work, Sleep research, (Exploring) Partnerships, Spreading/sharing knowledge.
7, 1, 2, 13	Reduced Climate Footprint	Reduce the business's climate footprint across our value chain.	Direct and indirect emissions of greenhouse emissions, Energy consumption
16	Responsible Entrepreneurship	Run a responsible business based on applicable laws and sound business principles	Business ethics, Anticorruption, Code of Conduct and Policy document

Sustainable customer relations

Protecting our users' personal health data and safeguarding their privacy is business critical for Sleep Cycle. With us, users are always in control of their own data.

For us, customer privacy is a matter of trust and a fundamental part of a good customer relationship. We cherish our proactive culture where customer integrity has the highest priority and the handling of customer data is based on compliance with laws and internal regulations, which specify how the data should be protected and may be used. Fundamentally, the user is always in control of their sleep data. In order for us to access the user's sleep and health data, they must actively give their consent.

CLEAR GUIDELINES FOR HANDLING SLEEP DATA

Sleep Cycle operates in a global market where laws and regulations differ from country to country, which complicates the question of when customer privacy is breached. We always want to do the right thing and have a zero vision when it comes to customer privacy incidents. In case an incident occurs, our ambition is to always quickly correct any shortcomings and learn from the incident to ensure that it does not happen again. Our data is classified as health data and thus as personal data, which requires a high level of security and also that we must report personal data incidents to the Swedish Data Protection Authority (IMY).

WE ALWAYS WANT TO DO THE RIGHT THING IN A COMPLEX REALITY

We continuously implement internal information initiatives to ensure a high level of awareness

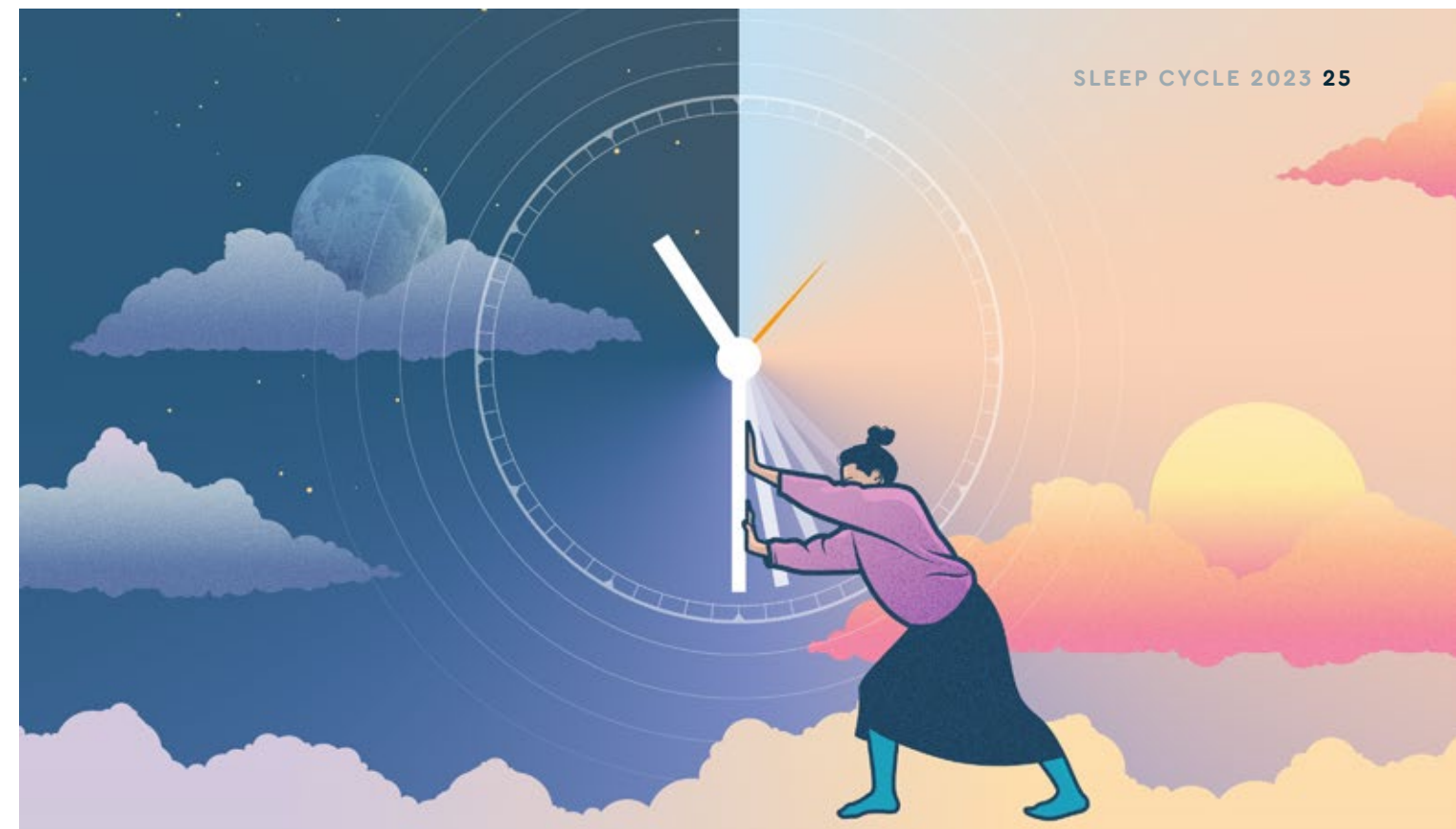
among employees of the importance of customer integrity together with a good knowledge of the regulations that govern the handling of personal data. With a view to our zero vision goal and based on Swedish legislation, we first measure the incidents that should be reported to IMY. In 2023, zero customer privacy incidents were reported to IMY.

A SATISFIED CUSTOMER IS A CUSTOMER WHICH RETURNS

Sleep Cycle has many returning customers who continuously use our sleep service. Primarily to sleep better but also because our digital sleep tool contributes to a better understanding of individual sleep habits and the motivation to change them. One measure of customer satisfaction is also the high ratings our users give us on Google Play and Apple AppStore. We are constantly working to improve user features. This includes making it easier to search for information yourself, as well as responding quickly to users who contact our customer service directly.

PRODUCT DEVELOPMENT FOR USER BENEFIT

In early 2022, Sleep Goal was launched to promote regular sleeping habits by helping the user schedule regular sleep routines. We have also continued our work to make users aware of how good sleep affects our ability to live well. In 2023, Sleep Cycle launched a feature where users can test their cognitive ability, which is then linked to the quality of their sleep.



Research has shown that there are strong correlations between cognitive ability and sleep, where people who sleep well, perform better in various tests and show higher reactivity.

Building on our long experience in analyzing sleep data, we have continued to develop features related to snoring. A breakthrough came when we discovered how snoring from different people in the same room can be identified using machine learning and a new algorithm. We call this feature "Who snores?". Being able to differentiate between multiple snorers enables an even more accurate sleep analysis and increases the number of users we can provide personalized advice and insights for, on individual snoring habits.

AMBITION:

Strengthen sustainable customer relations and offer a positive customer experience over time.

Attractive employer

As an employer, it is natural for us to offer a healthy work environment that is characterized by equality and inclusion, and that gives each employee the opportunity for professional development.

Our employees are Sleep Cycle's most important asset. By virtue of their competency and skillset, they inform our ability to create value and achieve our goals. Retaining knowledgeable and experienced employees while strengthening the organization with new skills is an important balance. Being seen as an attractive employer is therefore business-critical for us, and we are committed to developing an equal and healthy workplace characterized by professionalism and excellent opportunities for individual development.

PROUD TO BE AN EQUAL OPPORTUNITY TECH COMPANY

We strive to be an equal opportunity organization in every way, with the goal of a gender balance of at least 40/60. We have already come a long way with a total share of female employees of 39%. The proportion of female managers is 20% and the proportion of women in Group Management is 20%.

EMPLOYEE FEEDBACK ON SLEEP CYCLE

Using the digital tool &Frankly, we regularly measure employee Net Promotor Score (eNPS) and engagement throughout the year. Our goal is an eNPS score of at least 20. We did not reach this target in 2023 and ended up with an average eNPS of 5. The main reason for the lower figures are the changes the organization went through during the year. In order to increase the eNPS score, one action going forward is to follow up and involve the employees to understand we can

all do to improve. Something we have improved during the year is the response rate and we are pleased to see a response rate of 89% or above.

WE ARE BUILDING A COMPANY OF SUSTAINABLE EMPLOYEES

At Sleep Cycle, there is an obvious zero tolerance for discrimination and sexual harassment. It is important for the continued work of ensuring an equal and inclusive work environment, that we identify and continually add offers and benefits that contribute to a social and healthy community in the workplace as well as a good work-life balance.

The important preventive work of quickly identifying signs of poor health and stress among employees is a priority. As extra support, all employees are covered by a health insurance via Skandia with a focus on preventive measures. At Sleep Cycle we also run various health initiatives and sponsor each employee with SEK 4,000 annually in wellness contributions. In addition, employees are offered to participate in joint training sessions.

At the end of the year, Sleep Cycle had 38 employees. The focus for 2024 is to continue to develop and position the company as an attractive employer to both retain, and where necessary, recruit the skills we need.



AMBITION:

An innovative workplace where people thrive and are given excellent opportunities to develop.

Global health

Improving people's sleep and health is Sleep Cycle's purpose and what drives our business forward. Our vast sleep database is not only a central source for innovative development of our product, but also a major contributor to global sleep science.

Good health is a fundamental condition for people to reach their full potential and be an active part of society. With our sleep service, we help people get better sleep and thus a better quality of life. We already know that our service has a positive impact on users' sleep as over 70% say they sleep better with the help of Sleep Cycle's app.

UNIQUE SOURCE OF BETTER KNOWLEDGE ABOUT OUR SLEEP

Sleep research is a relatively young and inherently challenging field of study as it relies on large amounts of individual sleep data. Sleep Cycle's enormous database, with over two billion nights and around two million global users, offers unique opportunities for effective oversight of global sleep health. As a database, it is an incredibly valuable source for sleep research and sleep science. With the active consent of users, we therefore share anonymized and aggregated data at request with research projects worldwide.

SPECIFIC CONTRIBUTION TO IMPROVED GLOBAL HEALTH

To help the user better understand how to improve sleep quality, we take a broad perspective on health markers such as snoring and breathing. Our patented sound analysis algorithm captures and analyzes the sounds that occur when the user is asleep.

Coughs are compiled and presented in the app in a color-coded way, to indicate areas where the coughing frequency exceeds the average for a sufficient number of users. This provides an opportunity to identify anomalies at an early stage. Early detection of symptoms provides new opportunities to share information with critical societal functions. Insights into possible cough trends can have a potentially large societal benefit.

AMBITION:

To contribute to improved health and quality of life for people globally.



Reduced climate footprint

Sleep Cycle's ambition is to minimize our impact on the environment and climate. By initially mapping the emissions that our operations emit, we will in the next stage be able to set goals and develop a plan for reducing emissions over time.

Through its digital operations, Sleep Cycle has a limited impact on the climate and environment. We are aware that the majority of our emissions are indirect and are found within scope 2 and 3, with emission sources such as electricity, district heating, district cooling, operation and use of Sleep Cycle's products and services. As we form a clearer picture of our impact on the environment and climate, we also lay a foundation for the next phase of setting goals and activities that contribute to reducing our emissions.

SMALL, BUT IMPORTANT STEPS

The environmental impact of Sleep Cycle's business activities is mainly made up of purchases and travel for daily operational running, as well as the consumption of electricity and heat in our office premises. We primarily focus on what we can directly influence to reduce our environmental impact, for example by making conscious choices when purchasing materials and services, and by using trains and public transport for business trips whenever possible. In the first quarter of 2023, the head office in Gothenburg moved to new office premises in a BREEAM-certified property. This means that for example, the building's energy use, choice of building materials and location in relation to public transport all inform how the property's environmental performance is assessed. As tenants, additional value is created by a good indoor environment including lighting, acoustics and air quality as the

premises are designed to have a positive impact on well-being, health and productivity. Sleep Cycle uses cloud-based data storage for the operation of our sleep services, from suppliers who are actively engaged in sustainability work by minimizing emissions and energy use.

SUSTAINABLE SUITE OF PRODUCTS

Our goal in every development project and when updating our sleep service is to ensure efficient operations. From Sleep Cycle's perspective, efficient operations mean minimizing the battery consumption of the mobile phone. At present, we have reached a level where the app only draws a few percent per hour during use. As new features are added, the goal is to keep battery consumption at this level or lower.

AMBITION:

Reduce the climate footprint of our operations along the whole value chain.



WE FOCUS PRIMARILY ON
WHAT WE CAN INFLUENCE
IMMEDIATELY TO REDUCE OUR
ENVIRONMENTAL IMPACT

Corporate responsibility

Sleep Cycle shall run an organization based on ethical business practices and compliance in all aspects of its operations. There is zero tolerance for all forms of corruption.

Sleep Cycle's code of conduct sets the framework for how we act as a company as well as how our employees conduct relations with customers, suppliers and the rest of society. The Code of Conduct is based on the UN Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights and the UN Global Compact. In 2022, we also developed a sustainability policy that defines our positions and commitments. The Code of Conduct and Sustainability Policy are closely linked and reflect our culture and approach to the world around us and to each other. They cover all employees and all companies owned or controlled by Sleep Cycle.

For further information, please visit: investors.sleepcycle.com/en/governance/code-of-conduct

CLEAR EXPECTATIONS FROM PARTNERS & SUPPLIERS

The development of Sleep Cycle's services happens primarily within the company, which means that our purchases are limited. However, our expectations from the suppliers we work with are clear; they are required to comply with human rights, good business ethics, laws and regulations. We manage these expectations as part of the supplier agreement process.

In our efforts to maintain a transparent business climate and high business ethic, ensuring the safety and integrity of all people affected by our

operations is also important to us. For those who wish to bring to our attention that something improper has occurred or that there are shortcomings in compliance, our whistleblower function is available on our website for anonymous reports. In 2023, no cases were reported through the whistleblowing channel.

AMBITION:

Operate responsibly, based on applicable laws and sound business principles.



THE CODE OF CONDUCT IS BASED ON THE UNITED NATIONS UNIVERSAL DECLARATION OF HUMAN RIGHTS, THE ILO DECLARATION OF FUNDAMENTAL PRINCIPLES AND RIGHTS AND THE UN GLOBAL COMPACT

FINANCIAL REPORTS

MANAGEMENT REPORT

The Board and CEO for Sleep Cycle AB (publ), corporate ID number 556614-7368, with its registered office in Gothenburg, hereby submit the annual and consolidated financial statement for the financial year 2023.

ABOUT THE BUSINESS

Sleep Cycle drives the development of one of the world's most widely used sleep platforms. Sleep Cycle's sleep solutions use the company's patented sound analysis to help users fall asleep easier, measure sleep habits and improve sleep, and contribute with its large sleep database to improving sleep habits and increasing sleep awareness worldwide. Sleep Cycle is a global distributor of its holistic sleep service and is represented in more than 150 countries in 14 different languages. The parent company Sleep Cycle AB was created in 2009, and the Group's headquarters are in Gothenburg. Sleep Cycle's share has been listed on Nasdaq Stockholm since June 8, 2021 under the ticker SLEEP.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- In January 2023, a reorganization was carried out with the aim of linking commercial functions more closely with development and product strategy. As part of this change, former CCO Samuel Cyprian transitioned into the role of CPO. As a result of this change, Sandra Hansson left the management team at the same time as the position of CCO disappeared.
- Sleep Cycle's Board of Directors adopted a dividend policy with the aim of distributing between 40–60% of annual profit after tax over time.
- On February 2, 2023, it was announced that Velvet Cichlid AB had decided not to complete the public cash offer. The majority of the costs related to the Board of Directors' evaluation of the offer were charged to the fourth quarter of 2022. Costs affecting comparability in the amount of tSEK 298 were charged to 2023.
- In April 2023, Sleep Cycle launched a new feature that, with the help of machine learning, can detect pauses in breathing during sleep. By detecting any pauses in breathing, the user is given important information about what factors affect their sleep quality and how it can be improved.
- In mid-May 2023, Sleep Cycle initiated a cost-efficiency initiative to save around SEK 25 million annually, while focusing the operations on product-driven growth. SEK 4.5 million in costs affecting comparability related to the cost-efficiency initiative were charged to the second quarter of 2023.
- Several new features were launched in the second quarter of 2023, including Bedroom Noise and Ambient Sound. These features lend an additional dimension to Sleep Cycle's sleep analysis and help users understand and improve their sleep.
- At the end of the second quarter of 2023, a new partnership was launched with Revolut, a provider of payment solutions for individuals. With the partnership, Revolut's most loyal customers will get access to Sleep Cycle as part of their membership.
- At the Annual General Meeting on 8 May, the audit firm Öhrlings PricewaterhouseCoopers was elected as new auditor in Sleep Cycle. The meeting elected Mathias Høyer as new board member, while Lars Berg and Ödgård Andersson declined being re-elected and were thanked for their service. Anne Broeng was elected new chairperson
- During an Extraordinary General Meeting on July 26, the decision was made to add an additional member to the board and to elect Sleep Cycle's founder and principal owner Maciej Drejak as new board member.
- On August 25, it was announced that Erik Jivmark had been appointed as the new CEO, replacing Carl Johan Hederöth. Erik Jivmark took office on November 1 and during the period October 1–31, the company's CFO Per Andersson was acting CEO.
- In September, Sleep Cycle released new features aligned with the updates in Apple iOS 17 and Watch 10.
- At an Extraordinary General Meeting held on November 23, the decision was made to implement a new incentive program for the company's CEO.
- The new Cough Radar feature was launched in November. Based on Sleep Cycle's data, the feature shows how coughs and colds develop in real time.
- After a strategic review, the decision was made to discontinue Sleep Cycle Kids. As a result of the discontinuation, earnings were charged with an impairment loss of SEK 6.3 million, with no impact on future sales.

THE GROUP'S KEY PERFORMANCE INDICATORS AND MULTI-YEAR OVERVIEW

tSEK	2023	2022*	2021*	2020*
Net sales	236,146	212,034	181,530	158,006
Net sales growth (%)	11.4%	16.8%	14.9%	29.9%
Currency-adjusted net sales growth (%)	3.1%	12.3%	21.4%	26.9%
Operating profit/loss	56,606	42,807	8,945	55,083
Operating margin (%)	24.0%	20.2%	4.9%	34.9%
Adjusted operating profit/loss	61,437	45,609	35,006	62,584
Adjusted operating margin (%)	26.0%	21.5%	19.3%	39.6%
Profit after financial items	58,192	42,827	8,867	54,933
Profit/loss for the year	46,142	33,941	7,014	43,131
Equity ratio (%)	26.5%	51.7%	46.2%	-1.9%**
Operational key performance indicators				
Total subscriptions (Thousands)	893	904	901	788
ARPU (SEK)	262	234	211	210
Average number of employees (#)	45	46	33	22

*Previous years have been adjusted to reflect the correction of VAT liability. For more information, see Note 36 Correction of errors.

** Negative Equity due to transition from K2 to IFRS on January 1, 2018 and correction of VAT liability corrected retroactively in Equity. Calculation and explanation of key performance indicators in the alternate key performance indicators on pages 66–67.

INCOME, COSTS AND EARNINGS

The Group's net sales increased during the year by 11.4 (16.8)% compared to the previous year, and amounted to tSEK 236,146 (212,034). Currency-adjusted net sales growth was 3.1 (12.3)%. The increase in sales is mainly due to positive currency effects and higher ARPU. Average Revenue per subscription (ARPU) increased by 12% (11%) to SEK 262 (234). In addition to currency effects, ARPU was positively impacted by the price increases implemented last year. The total number of paying subscribers at the end of the year was 893k (904k).

Operating profit amounted to tSEK 56,606 (42,807), and the operating margin was 24.0 (20.2)%. Adjusted operating profit amounted to tSEK 61,437 (45,609) and the adjusted margin was 26.0 (21.5)%. The item other external costs includes costs affecting comparability of tSEK 298 (2,802) related to the public cash offer in 2022. In addition, tSEK 83 is included in other external costs and tSEK 4,450 in personnel costs related to the cost-efficiency initiative implemented in the second quarter of 2023. Results have been affected by an impairment of tSEK 6,341, reflecting a strategic decision to discontinue Sleep Cycle Kids. Excluding the impairment, the margin was 28.7%. The improved margin is a result of the cost-efficiency initiative for increased profitability and continued growth. The implementation has had a positive impact on the cost level and margin and entails a reduction in the number of employees, reduced purchases of external services and lower marketing costs. In addition, personnel costs, after adjustment for costs affecting comparability, amounted to tSEK 55,057 (54,201) and the average number of employees was 45 (46) people. The increase in personnel costs is related to the change of CEO.

Net financial income during the year amounted to tSEK 1,586 (20). Tax on the year's earnings was tSEK -12,050 (-8,886). The Group's profit for the year amounted to tSEK 46,142 (33,941). Earnings per share before dilution amounted to SEK 2.28 (1.72) and after dilution to SEK 2.28 (1.69).

CASH FLOW AND FINANCIAL POSITION

The Group's liquidity is good as a result of good financial results and advance payments. Cash flow from operating activities amounted to tSEK 52,723 (61,528). The change in cash flow from operating activities is primarily due to payments from Apple that do not follow monthly payments and negatively impact working capital. This affects cash flow in that accounts receivable on the balance sheet date are higher as they relate to a longer period, but where the payment is made in the future period without the accounts receivable having fallen due.

Cash flow from investment activities amounted to tSEK -6,813 (-7,769) related to capitalized development expenses and the acquisition of tangible assets.

Cash flow from financing activities amounted to tSEK -145,302 (14,006) and relates to repayment of lease liabilities, option premiums, and dividend paid during 2023. The change is due to dividends paid.

Cash flow for the year amounted to tSEK -99,392 (67,765). The Group's cash and cash equivalents at the end of the year amounted to tSEK 133,471 (232,862).

The Group's equity amounted to tSEK 60,998 as of December 31. Opening balance on January 1 was tSEK 156,510. The company's share capital amounts to tSEK 563.

OPERATIONAL KEY PERFORMANCE INDICATORS

The total number of paying subscribers at year-end was 893k (904k). The decrease is due to a weaker market with fewer downloads. The negative trend in the number of paying users from previous quarters was broken in the third quarter of 2023, and we saw an increase in the number of paying users. Average revenue per user (ARPU) increased by 12 (11)% and amounted to SEK 262 (234). In addition to currency effects, ARPU was positively impacted by the price increases implemented last year. The average number of employees was 45 (46).

PARENT COMPANY

Since all material activities in the Group are conducted in the parent company, the comments above refer to both the parent company and the Group.

The Parent Company's turnover amounted to tSEK 236,146 (212,034), and operating profit amounted to tSEK 56,252 (42,697). Adjusted for items affecting comparability, the Parent Company's operating profit amounted to tSEK 61,083 (45,499).

The result from financial items amounted to tSEK 2,199 (157). Tax on this year's profits amounted to tSEK -12,101 (-8,890). Profit/loss for the year amounted to tSEK 46,350 (33,964). Cash and cash equivalents amounted to tSEK 133,363 (232,746) on the balance sheet date. Cash flow from the parent company amounted to tSEK -99,383 (67,778). Equity amounted to tSEK 61,189 (156,494) on the balance sheet date.

INNOVATION AND DEVELOPMENT WORK

Innovation and development work is a cornerstone of the Group's strategy to reinforce the customer offering, thereby ensuring future organic growth. 2023 saw a number of new product features introduced in the Sleep Cycle app, such as Breathing disruptions, Bedroom and Ambient noise, and Cough radar.

The Group's expenditure for research and development amounted to tSEK 37,109 (32,542) in 2023. Of this, tSEK 24,290 (22,560) was expensed as personnel costs, tSEK 7,733 (3,064) was expensed as other external costs, and tSEK 5,086 (6,918) was capitalized as intangible assets. For further information, see notes 12 and 19.

PERSONNEL

The average number of employees in the Group in 2023 totalled 45 (46), all of whom are employed in Sweden. See the Corporate Governance Report, pages 40–41, for the Guidelines on remuneration to senior executives.

RISKS AND UNCERTAINTIES

PRODUCTION DISTRIBUTION

Sleep Cycles' product is mainly sold through two platforms, and is therefore dependent on these players to keep and attract new users. Depending on just two distributors entails a risk both for product distribution and Sleep Cycle's growth. Sleep Cycle therefore evaluates actively different strategic initiatives and possibilities to reduce the risk of being dependent on so few sales channels.

THE COMPETITION AND MARKET

Sleep Cycle is a leader in its sector, and is actively investing in product development. As interest for health and fitness increases, the interest in creating sleep technology also increases at a similar pace. Large companies today provide their users with a wide range of products in the same segment as Sleep Cycle's product, which could have a negative effect on Sleep Cycle's market shares. In order to ensure its position in the market, Sleep Cycle is actively working to provide users with an innovative and diversified product offering.

DATA SECURITY AND SENSITIVE DATA

Sleep Cycle handles a large amount of personal data on customers and employees. Sleep Cycle is therefore required to comply with any laws and regulations that are applicable to data protection and privacy, which includes compliance with GDPR. If Sleep Cycle's data security is exposed to a cyber attack or a computer virus, Sleep Cycle risks a drop in consumer confidence, as well as the company's reputation and brand being harmed. Sleep Cycle is working internally with systematic quality work on a regular basis, which includes policies and guidance documents describing how collaborators must handle and protect sensitive company information. There are also continual reviews of the IT environment and security procedures relating to this, in order to ensure that Sleep Cycle has up-to-date and sufficient security.

SKILLS AND KEY PERSONNEL

Sleep Cycle senior executives and other key personnel have considerable experience and skill sets. To ensure the company's success, Sleep Cycle is dependent on its ability to recruit and retain qualified and competent personnel in the company. If such resources were lacking, the company's future expansion and growth targets could risk being suspended or downsized. The company is also dependent on a strong culture that is reflected in the brand in order to appear as an attractive employer. Changes in company culture and how Sleep Cycle is perceived by employees may affect the ability to recruit competent staff.

FINANCIAL RISKS

Financial risks refers primarily to risks such as currency risks, interest rate risks, credit risks, counterparty risks and liquidity. Sleep Cycle has very good liquidity where there is no borrowing at present, along with a positive operating cashflow. Risk management is regulated by the Board's established Treasury Policy. The overall responsibility for managing the Group's financial risks, as well as for developing methods and principles for managing such risks, lie with the Group's management and financial director. See note 4 for more information on financial risks.

EXPECTED FUTURE DEVELOPMENT

The company's expectations are that increased investments in product development along with continued investments in marketing and price increases implemented in 2022 and 2023 will contribute to increased growth in 2024 and beyond. The company's ambition is to launch new features and offerings that attract new users, which, together with sales in new channels and on new platforms, will contribute to long-term sales growth. The company aims to achieve revenue growth of more than 30% per year. In 2023, a persistently challenging market climate and price changes contributed to lower growth in the number of subscribers than in previous years. The lower growth in the number of subscribers has been partly compensated by higher revenue per user. The higher revenue per user has also been positively impacted by exchange rate fluctuations, for which the future development in 2024 is uncertain. The uncertainty in the world as a result of inflation, higher interest rates and geopolitical changes is expected to affect the ability to attract new users to Sleep Cycle in 2024.

SUSTAINABILITY AND RESPONSIBILITY

The Board of Directors of Sleep Cycle has adopted a Code of Conduct, which is anchored throughout the organization. The Code of Conduct is based on the UN Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work and the UN Global Compact. The Code is reviewed and approved annually by the Board of Directors. The Code applies to all employees and sets the level of professionalism and integrity of employees, with the aim of ensuring that each employee acts lawfully and appropriately in relation to the company's stakeholders.

The management of employee-related matters in Sleep Cycle is based on a number of policies and procedures. The most important are our Code of Conduct, Diversity Policy (including Inclusion and Integrity) and Employee Handbook. Responsibility for personnel-related policies lies with the Chief Human Resources Officer ("CHRO").

Sleep Cycle's operations do not pose any particular environmental risks and do not require any special environmental permits or decisions from authorities. Sleep Cycle is an entirely digital product and thus does not require any transport or manufacturing processes that can pose environmental risks. Sleep Cycle is headquartered in Gothenburg, Sweden. See pages 22–33 for the company's sustainability report.

PROPOSAL FOR DISPOSAL OF PROFITS

Parent company	
Total earnings (SEK) at the disposal of the Annual General Meeting	
Share premium reserve	288,147
Retained earnings	9,513,685
Profit/loss for the year	46,349,605
Total non-restricted equity	56,151,437

The Board of Directors proposes that, following the adoption of the balance sheet for Sleep Cycle AB for 2023, the Annual General Meeting appropriates the above funds as follows:

To the shareholders the following will be distributed:

SEK 2.30 per share ¹	46,638,395 ²
to be carried over	9,513,042
Total	56,151,437

¹ See Note 5 for dividend policy. SEK 1.30 per share constitutes an ordinary dividend and SEK 1.00 per share constitutes an extraordinary dividend.

² Based on the number of outstanding shares as of December 31, 2023. The dividend amount is subject to change due to a new issue of shares up to the record date.

The Board of Directors of Sleep Cycle AB (publ) has adopted a dividend policy with the goal that the dividend over time shall amount to between 40–60% of annual profit after tax.

Sleep Cycle has a history of good profitability and strong cash flows. With a business model with limited investment needs and prepayments, the Board believes that the company can deliver on its long-term strategic objectives, including investments for increased growth, combined with an annual dividend.

The last day of trading with the right to receive dividends is April 11, 2024 and the proposed record date for dividends is April 15, 2024. Euroclear expects to send the dividend to shareholders on April 18, 2024.

Concerning the parent company's and the Group's results and position in other respects, please refer to the following results and balance sheets, reports on changes in equity, cashflow analyses and notes. All amounts are given in thousands of Swedish kronor (tSEK) unless otherwise stated.

CORPORATE GOVERNANCE

THE BASICS OF SLEEP CYCLE'S CORPORATE GOVERNANCE

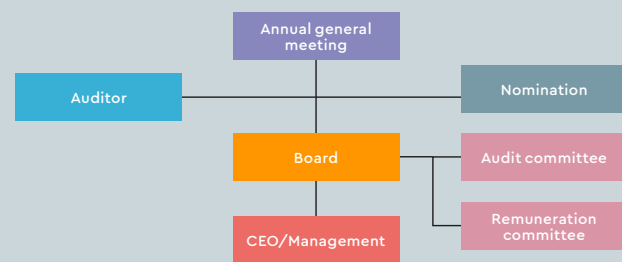
Sleep Cycle AB (publ) is a Swedish public limited liability company with offices in Gothenburg and Stockholm. Since June 8, 2021, the company's share has been listed on Nasdaq Stockholm. The main decision-making bodies are the General Meeting, the Board and Sleep Cycle's CEO. The General Meeting appoints the Board of Directors, which in turn appoints the CEO, who manages the day-to-day management in accordance with the Board's guidelines. Corporate governance is an important part of ensuring that Sleep Cycle is managed sustainably, responsibly, and as efficiently as possible in order to realize strategies and create value for customers and stakeholders. Sleep Cycle has followed the Swedish Corporate Governance Code (the "Code") from the date that its shares were listed on Nasdaq Stockholm. This Corporate Governance Report is part of the Board of Directors' Report and is submitted in accordance with the Annual Accounts Act and the Code. The Corporate Governance Report has been reviewed by Sleep Cycle's auditors, as set out in pages 69-71.

Sleep Cycle reports no deviations from the Code during the financial year 2023, except for what is stated below regarding approval of the minutes of the Extraordinary General Meeting and the time for information about the names of the members of the nomination committee. No violations of applicable stock exchange rules or best practices in the stock market have been reported in relation to Sleep Cycle.

SHARES

As of December 31, 2023, the total number of shares was 20,277,563. Each share in the company entitles the holder to one vote at the General Meeting, and each shareholder has the right to vote for all shares that the shareholder holds in the company. Shareholdings representing at least one-tenth of the voting rights of all shares in Sleep Cycle include Maciej Drejak (through company) with 42.9% of the votes and Pierre Siri (through company) with 23.6% of the votes.

ORGANIZATIONAL CHART



GENERAL MEETING

According to the Swedish Companies Act (2005:551), the General Meeting is the company's highest decision-making body. At the General Meeting, shareholders exercise their voting rights on key issues, such as the adoption of income statements and balance sheets, appropriation of the company's profits, discharge from liability for the members of the Board of Directors and the CEO, election of Board members and auditors, and remuneration to the Board of Directors and auditors.

The Annual General Meeting must be held within six months of the end of the financial year. In addition to the Annual General Meeting, an Extraordinary General Meeting may be convened. In accordance with the Articles of Association, notice of General Meetings is given through an announcement in the Swedish Official Gazette and by making the notice available on the company's website. At the same time, an announcement that notice has been issued shall be published in Svenska Dagbladet.

Shareholders wishing to participate in the proceedings of a General Meeting must be registered in the share register maintained by Euroclear Sweden six banking days prior to the meeting and must notify the company of their intention to participate in the General Meeting by no later than the date specified in the notice convening the meeting. Shareholders may attend general meetings in person or by proxy and may be assisted by a maximum of two persons. Shareholders can usually register for the General Meeting in several different ways, which are

specified in more detail in the notice to convene the General Meeting. Shareholders are entitled to vote for all shares held by the shareholder. Shareholders who wish to have a matter addressed at the General Meeting must submit a written request to the Board of Directors. The request must normally be received by the Board of Directors by no later than seven weeks prior to the Annual General Meeting.

ANNUAL GENERAL MEETING 2023

The Annual General Meeting for 2023 was held on May 8, 2023 in Gothenburg. The Annual General Meeting adopted the income statement and balance sheet as well as the consolidated income statement and consolidated balance sheet for the financial year 2022. In accordance with the Board of Directors, the Annual General Meeting decided on a dividend of SEK 7.00 per share, of which SEK 1.00 per share constitutes the ordinary dividend for the financial year 2022 and SEK 6.00 per share constitutes the extraordinary dividend.

The Annual General Meeting decided to grant the members of the Board of Directors and the discharge from liability for the CEO for the financial year 2022.

The Annual General Meeting decided that the number of members of the Board of Directors shall be four without deputies and that the number of auditors shall be one without deputies. Anne Broeng, Olof Nilsson, and Rasmus Järborg were re-elected as members of the Board of Directors and Mathias Høyer was elected as a new member of the Board of Directors for the period until the end of the next Annual General Meeting. Anne Broeng was elected Chairman of the Board. It was decided that remuneration to the Board of Directors shall be paid with tSEK 700 to the Chairman of the Board and tSEK 250 to each of the other Board members. For work in the Audit Committee, it was decided that tSEK 100 shall be paid to the Chairman and tSEK 50 to each of the other members. For work in the Remuneration Committee, it was decided that tSEK 50 shall be paid to the Chairman and tSEK 25 to each of the other members.

The registered accounting firm Öhrlings PricewaterhouseCoopers AB was elected as the company's auditor for the period until the end of the next Annual General Meeting. It was decided that remuneration to the auditor shall be paid as invoiced.

The Annual General Meeting decided to approve the Board of Directors' proposed remuneration report for 2022.

EXTRAORDINARY GENERAL MEETING JULY 26, 2023

On July 26, 2023, an Extraordinary General Meeting was held in Gothenburg. The general meeting decided, in accordance with the nomination committee's proposal, to increase the company's Board of Directors by one member through election of Maciej Drejak as new member of the Board of Directors for the period until the end of the next Annual General Meeting. The Annual General Meeting further decided that directors' fees shall continue to apply in accordance with the resolution of the Annual General Meeting on May 8, 2023. For the incoming Board member, remuneration shall be paid pro rata for the Board member's actual period of service.

According to the Code, shareholders or proxies of shareholders who are not members of the Board of Directors or employees of the Company shall be appointed to approve the minutes of the General Meeting. At the Extraordinary General Meeting held on July 26, 2023, Board members Rasmus Järborg (representing own holdings) and Olof Nilsson (representing Petter Wallin, GLA Invest S.A., h265 AB and MCGA AB) were appointed to approve the minutes together with the Chairman. Due to the fact that there was no other shareholder present at the meeting, Sleep Cycle thus deviated from that code provision.

EXTRAORDINARY GENERAL MEETING NOVEMBER 23, 2023

On November 23, 2023, an Extraordinary General Meeting was held in Gothenburg. The general meeting decided, in accordance with the Board of Directors' proposal, to implement an incentive program for the CEO through a directed share issue of not more than 100,000 warrants with the right to subscribe for 100,000 new shares in the company. Subscription of shares by exercise of the warrants may be effected during the period from and including December 1, 2026 through January 2, 2027. The increase of the company's share capital may, upon full exercise of the warrants, amount to an approximate maximum of SEK 2,777.78, with reservation for the increase that may occur as a result

of recalculation in accordance with the terms and conditions.

According to the Code, shareholders or proxies of shareholders who are not members of the Board of Directors or employees of the Company shall be appointed to approve the minutes of the General Meeting. At the Extraordinary General Meeting on November 23, 2023, Board members Rasmus Järborg (representing own holdings) and Maciej Drejak (representing Petter Wallin, GLA Invest S.A., h265 AB and MCGA AB) were appointed to approve the minutes together with the Chairman. Due to the fact that there was no other shareholder present at the meeting, Sleep Cycle thus deviated from that code provision.

ANNUAL GENERAL MEETING 2024

The next Annual General Meeting will be held on April 11, 2024 in Gothenburg.

AUDITOR

The auditor shall review the company's annual report and accounts as well as the administration of the Board of Directors and the CEO. After every financial year, the auditor shall submit an auditor's report and the auditor's report on the consolidated financial statements to the Annual General Meeting. According to the company's articles of association, the company shall have a minimum of one and a maximum of two auditors and a maximum of two deputy auditors. An authorized public accountant or registered public accounting firm shall be appointed as auditor along with a deputy auditor, where applicable.

At the 2023 Annual General Meeting, the registered accounting firm Öhrlings PricewaterhouseCoopers AB was elected as the company's auditor for the period until the end of the 2024 Annual General Meeting. Ulrika Ramsvik will be the lead auditor. The auditors report observations from their audit work to the Board, and the auditors check their audit and risk assessment plan with the audit committee, on an annual basis.

NOMINATION COMMITTEE

Companies that comply with the Code must have a Nomination Committee. According to the Code, the General Meeting shall appoint the members of the nomination committee or specify how the members are to be appointed. According to the Code, the Nomination Committee shall consist of at least three members and a majority of these shall be independent in relation to the company and the Group management. In addition, at least one member of the Nomination Committee shall be independent in relation to the largest shareholder in terms of voting rights or the Group of shareholders who collaborate on the management of the company.

According to the instruction for the Nomination Committee in Sleep Cycle adopted at the Annual General Meeting on May 19, 2021, the Nomination Committee shall, in addition to the Chairman of the Board, consist of representatives of the three largest shareholders in terms of voting rights as of September 30 of the year prior to the Annual General Meeting.

Once each of the three largest shareholders appointed a representative, the Chairman of the Board convened the first meeting of the Nomination Committee. The composition of the Nomination Committee for the 2024 Annual General Meeting was presented on Sleep Cycle's website on November 10, 2023. According to the Code, the company shall, by no later than six months prior to the Annual General Meeting, provide information on the company's website about the names of the members of the Nomination Committee and, where applicable, which owner the member represents. Due to the fact that the 2024 Annual General Meeting will take place approximately one month earlier in the year compared to previous years, Sleep Cycle has deviated from the said code provision. The Nomination Committee for the 2024 Annual General Meeting consists of the following members:

Member	Appointed by	% of votes as of 09/30/2023
Martin Anthonson	MCGA AB and h265 AB	Total 42.9
Erik Olsson	GLA Invest SA	23.6
Anna Sundberg	Handelsbanken Fonder	3.6
Anne Broeng, Chairman of the Board Sleep Cycle		

The Nomination Committee jointly represents 70.1% of the votes in the company. The Nomination Committee has appointed Anna Sundberg as Chairman.

The Nomination Committee shall prepare and present the following proposals to the Annual General Meeting:
- Chairman of the Meeting,

- Number of members of the Board of Directors,
 - Board members,
 - Chairperson,
 - Directors' fees with a breakdown between the Chairman and the other members of the Board and remuneration for committee work,
 - Auditors,
 - Fees to the company's auditors, and
 - To the extent deemed necessary, amendments to the applicable instruction for the Nomination Committee
- As part of its mandate, the Nomination Committee shall fulfil the tasks that are incumbent on the Nomination Committee in accordance with the Swedish Companies Act and the Swedish Corporate Governance Code.

Information about the work of the Nomination Committee and the instructions to the Nomination Committee can be found on the company's website, <https://investors.sleepcycle.com/>.

BOARD

The Board is the company's highest decision-making body after the General Meeting. According to the Swedish Companies Act, the Board of Directors is responsible for: the company's administration and organization, which means that the Board of Directors is responsible for, among other things, setting objectives and strategies, ensuring procedures and systems for the evaluation of the objectives set, continuous assessment of the company's results and financial position and assessment of operational management. The Board of Directors is also responsible for ensuring that the annual report and interim reports are prepared on time. In addition, the Board of Directors appoints the company's CEO.

The members of the Board of Directors are normally elected by the Annual General Meeting for the period until the end of the next Annual General Meeting. According to the company's Articles of Association, the Board of Directors, insofar as it is elected by the General Meeting, shall consist of a minimum of three members and a maximum of ten members without deputies.

According to the Code, the Chairman of the Board shall be elected by the Annual General Meeting and shall have special responsibility for the management of the Board's work and for ensuring that the Board's work is well organized and efficiently executed.

The Board follows written rules of procedure, which are revised annually and adopted at the statutory board meeting. The rules of procedure regulate, among other things, the Board's practices, functions and allocation of work between the Board members and CEO. In connection with the statutory Board meeting, the Board also sets out instructions for the CEO, including for financial reporting. The Board of Directors is responsible for appointing any committees and has appointed an Audit Committee and a Remuneration Committee. The Board adopts the committees' respective rules of procedure, which regulate the committees' work. The Board is further responsible for preparing and adopting policies, as well as for monitoring compliance with any such policies.

The Board of Directors meets according to an annually established schedule. In addition to these Board meetings, additional Board meetings may be convened to address matters that cannot be referred to an ordinary Board meeting. In addition to the Board meetings, the Chairman of the Board and the CEO maintain an ongoing dialogue regarding the management of the company.

COMPOSITION OF THE BOARD OF DIRECTORS

In 2023, the Board of Directors consisted of five members elected by the Annual General Meeting, four men and one woman. Anne Broeng was elected Chairman of the Board. All members of the Board of Directors are independent in relation to the company and its management and all members, with the exception of Maciej Drejak, are independent in relation to major shareholders. For a more detailed presentation of the Board of Directors, see pages 18-19.

THE BOARD'S WORK IN 2023

In 2023, the Board held 12 board meetings (of which 1 per capsulam), all of which have been recorded. The Board of Directors has established rules of procedure which describe in detail which agenda items are to be included at the various board meetings of the year. During the first part of the year, the Board of Directors focused on the follow-up of the business and the plan that has been put in place for establishment of policies, evaluation of internal controls, and risk assessment. One of the Board meetings during the year concerned the streamlining, program including a more optimized strategy with a focus on the core product, which was subsequently implemented. Other items addressed included

the company's strategic direction and overall goals, adoption of the budget for the coming financial year, Objectives and governance, technical development of the company's product as well as sleep and health related to marketing and product development. Throughout the year, reports from the audit and the Remuneration Committee have been discussed.

Every month, the CEO sends out a monthly report containing, among other things, a financial report and current events in the business. This is meant to keep the Board informed of developments in the company's operations. The Board of Directors also approves the financial reports before they are published. The Board continuously evaluates the the work of the CEO, but conducts a formal review once a year at which the executive management is not present. Once a year, an evaluation of the work carried out by the Board of Directors and the Board's committees is conducted in order to create a good basis for the development work of the Board and committees. It is the Chairman of the Board of Directors who is responsible for the evaluation and for presenting it to the Nomination Committee. In 2023, an internal evaluation was made by the Board's chairman, who conducted structured interviews with each individual Board member, to get their opinion of the Board's work. All viewpoints were compiled and discussed by the Company's Board of Directors. The results of the evaluation have been presented and discussed in the Nomination Committee. The conclusion was that there is a good mix of competence of the Board and that its work is functioning effectively. In 2022, a formal Board evaluation was carried out with external assistance and presented to the Nomination Committee, which is why an internal evaluation was considered sufficient for 2023.

AUDIT COMMITTEE

Sleep Cycle has an Audit Committee consisting of two members, Anne Broeng (Chairman) and Mathias Høyer. The Audit Committee shall, without prejudice to the Board's responsibilities and duties in general, monitor the company's financial reporting, monitor the effectiveness of the company's internal control, internal audit and risk management, keep itself informed of the audit of the annual report and consolidated accounts, review and monitor the auditor's impartiality and independence, paying particular attention to whether the auditor provides the company with services other than accounting services, and assist in the preparation of proposals for the election of auditor by the General Meeting. All members of the Audit Committee are independent in relation to the company and its management as well as in relation to major shareholders.

REMUNERATION COMMITTEE

Sleep Cycle has a Remuneration Committee consisting of two members, Olof Nilsson (Chairman) and Rasmus Järborg. The remuneration committee is tasked with preparing the Board's decisions in matters relating to remuneration principles, salary and other employment conditions for senior executives, remuneration guidelines, as well as the remuneration report, to monitor and evaluate programs for variable remuneration, both ongoing and any such programs that have been concluded during the year for senior executives, as well as to evaluate the application of remuneration guidelines on senior executives, adopted by the Annual General Meeting, as well as the current salary structures and salary levels in the company. The Remuneration Committee shall regularly, and always after its meetings, report its decisions, proposals, notes, conclusions, etc. in writing to the Board of Directors.

Name	Attendance board meetings	Attendance audit committee	Attendance remuneration committee
Anne Broeng ¹	12/12	6/6	
Lars Berg ²	3/12		1/5
Olof Nilsson ³	12/12	3/6	4/5
Mathias Høyer ⁴	8/12	3/6	
Rasmus Järborg	12/12		5/5
Ödgård Andersson ⁵	3/12		
Maciej Drejak ⁶	5/12		

¹Chairman of the Board as of the 2023 Annual General Meeting. Board member and Chairman of the Audit Committee since 2020.

²Chairman of the Board through the 2023 Annual General Meeting. Due to a conflict of interest, Lars Berg has not participated in a board meeting that dealt with matters related to the 2022 public cash offer.

³Member of the Audit Committee through the 2023 Annual General Meeting. Chairman of the Remuneration Committee as of the 2023 Annual General Meeting.

⁴Elected at the 2023 Annual General Meeting.

⁵Member of the Board through the 2023 Annual General Meeting.

⁶Board member as of the Extraordinary General Meeting on July 26, 2023.

CEO AND OTHER SENIOR EXECUTIVES

The CEO is subordinate to the Board of Directors and is responsible for the company's general management and daily operations. The work allocation between the Board and CEO is given in the rules of procedure for the Board and the instructions to the CEO. The CEO is also responsible for preparing reports and compiling information from management for Board meetings, and is rapporteur of any material relating to board meetings. According to the instructions for financial reporting, the CEO is responsible for financial reporting in the company and shall consequently ensure that the Board of Directors receives sufficient information to enable the Board of Directors to be able to evaluate the company's financial position. The CEO shall keep the Board of Directors continuously informed of the development of the company's operations, the development of sales, the company's results and financial position, liquidity and credit situation, important business events and any other event, circumstance, or condition that can be assumed to be of material importance to the company's shareholders.

In 2023, the company's management team consisted of five members, including the CEO, four of whom are men. Any lack of equality is noted and taken into account for future recruitment. For a more detailed presentation of management, see pages 20-21.

REMUNERATION

BOARD OF DIRECTORS' FEES

At the Annual General Meeting held on May 8, 2023, it was decided that directors' fees shall be paid as tSEK 70 to the Chairman of the Board and tSEK 250 to each of the other members, tSEK 100 to the Chairman of the Audit Committee and tSEK 50 to other members of the Audit Committee and tSEK 50 to the Chairman of the Remuneration Committee and tSEK 25 to the members of the Remuneration Committee.

GUIDELINES ON REMUNERATION TO SENIOR EXECUTIVES

General information

These guidelines for executive remuneration (the "Guidelines") concern the remuneration for Sleep Cycle AB (publ)'s ("Sleep Cycle" or the "Company") senior executives, including the CEO. The guidelines are forward-looking, i.e. they are applicable to remuneration agreed and amendments to remuneration already agreed after adoption of the guidelines by the annual general meeting 2021. These Guidelines do not apply to any remuneration decided or approved by the general meeting.

The guidelines' promotion of the Company's business strategy, long-term interests and sustainability

In short, Sleep Cycle's business strategy is to empower people to sleep better to improve global health. Sleep Cycle develops a sleep health solution and sleep tracking application. Sleep Cycle's vision is to become the leading sleep health solution globally. For more information regarding the Company's business strategy, please see www.sleepcycle.com. It is a prerequisite for the successful implementation of the Company's business strategy and safeguarding of its long-term interests, including its sustainability, that the Company is able to recruit and retain qualified personnel and senior executives. To this end, it is necessary that the Company offers competitive remuneration. These Guidelines enable the Company to offer the senior executives a competitive total remuneration, while at the same time promoting the Company's business strategy and long-term interests, including its sustainability. Long-term share and share price-related incentive plans have been implemented in the Company. Such plans have been resolved by the general meeting and are therefore excluded from these guidelines.¹ The board of directors assesses that the possibility of a well-balanced fixed remuneration together with the possibility for variable remuneration as well as participation in possible share-related incentive plans resolved by the general meeting will enable Sleep Cycle to recruit and retain qualified personnel and senior executives by being a competitive employer.

Forms of compensation

The remuneration shall be on market terms and may consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. Additionally, the general meeting may resolve on share and share price-related remuneration.

Fixed salary

The senior executives' fixed salary is revised each year and shall be competitive and based on the individual's competence, responsibility and performance.

Variable remuneration

Variable cash remuneration covered by these Guidelines shall aim at promoting the Company's business strategy and long-term interests, including its sustainability. Variable cash remuneration shall be based on predetermined and measurable criteria, which can be financial or non-financial, shall directly or indirectly be linked to the achievement of Sleep Cycle's business strategy and shall be measured over a

period of one or several years. They may also be individualized, quantitative or qualitative objectives. Further variable cash remuneration may be awarded in extraordinary circumstances, either for the purpose of recruiting or retaining senior executives or as remuneration for extraordinary performance beyond the individual's ordinary tasks, provided that such extraordinary circumstances are limited in time and only made on an individual basis. The total variable cash remuneration may amount to not more than 100 per cent of the senior executive's fixed annual cash salary. To which extent the criteria for awarding variable cash remuneration have been satisfied shall be determined and evaluated when the measurement period has ended and, for financial objectives, be based on the latest financial information made public by the Company. The remuneration committee evaluates variable cash remuneration to the CEO and the CEO evaluates variable cash remuneration to other executives.

Pension and other customary benefits

Pension benefits shall be premium defined and are secured by premium payments to insurance companies. Variable cash remuneration shall not qualify for pension benefits. Other possible benefits shall be customary and facilitate the senior executive's ability to perform its tasks, such as occupational health care, health insurance (Sw. sjukvårdsförsäkring), and company cars. The size of the pension premiums and other customary benefits may amount to not more than 30 percent of the fixed annual cash salary. Sleep Cycle may instead choose to provide exchange pension for salary (Sw. löneväxling), upon request by a senior executive, provided that the total cost for the Company remains largely the same. For any member of the group management not resident in Sweden, appropriate adjustments for compliance with mandatory rules or established local practice may be made, taking into account, to the extent possible, the overall purpose of these Guidelines.

Termination of employment

Upon termination of employment, the notice period may not exceed twelve months. Fixed cash salary during the notice period and severance pay may not together exceed an amount corresponding to the fixed cash salary for one year. When termination is made by the executive, the notice period may not exceed twelve months without the right to severance pay. Additionally, remuneration may be paid for non-compete undertakings. Such remuneration shall compensate for the loss of income and shall only be paid in so far as the previously employed executive is not entitled to severance pay. The remuneration shall amount to not more than 60 percent of the average monthly remuneration (both fixed and variable) paid by the Company during the 12 months preceding the time of termination of the employment and be paid during the time the non-compete undertaking applies, however not for more than 12 months following termination of employment for the senior executives.

Salary and employment conditions for employees

In the preparation of the board of directors' proposal for these Guidelines, salary and employment conditions for employees of the Company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time.

Deviation from the guidelines

The board of directors may temporarily resolve to derogate from the Guidelines if in a specific case there is special cause for the derogation and a derogation is necessary to serve the Company's long-term interests, including its sustainability, or to ensure the Company's financial viability.

The decision-making process to determine, review and implement the guidelines

The board of directors has established the remuneration committee. The remuneration committee's tasks include preparing the board of directors' decision to propose guidelines for executive remuneration. The board of directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the general meeting. The Guidelines shall be in force until new guidelines are adopted by the general meeting. The remuneration committee shall also prepare resolutions on remuneration-related matters, including resolutions to derogate from the Guidelines, monitor and evaluate programs for variable remuneration for the executive management, the application of the Guidelines for executive remuneration as well as the current remuneration structures and compensation levels in the Company.

The Board has submitted a separate remuneration report, which can be accessed by investors at: <https://investors.sleepcycle.com/>.

THE BOARD OF DIRECTORS' DESCRIPTION OF INTERNAL CONTROL OVER FINANCIAL REPORTING

The Board's responsibility for internal control is governed by the Swedish Companies Act and Swedish Code of Corporate Governance. The Board adopts policies and other governing documents and ensures that the content is conveyed to relevant stakeholders. This report is limited to a description of the internal control over the financial reporting of financial year 2023. The purpose of internal control in Sleep Cycle is to ensure reliable and accurate financial reporting, that the company's and the Group's financial reports are prepared in accordance with legal regulations and applicable accounting principles, that the company's assets are protected, along with compliance with other requirements.

CONTROL ENVIRONMENT

The control environment forms the basis for Sleep Cycle's internal control and includes how the board and management act, allocate responsibilities and authority within the organization, provides information on the business objectives and communicates the overall meanings for internal control. The control environment involves creating an appropriate risk culture and is concretized by factors such as corporate culture, integrity, ethics, competence, management philosophy, organizational structure, authority and responsibilities, as well as governing documents and guidelines. For each financial key process, the CEO appoints a relevant process owner. The process owner is responsible for mitigating significant risks in the process by means of appropriately designed and documented controls, which are subject to follow-up. The process owner is also responsible for ensuring that flowcharts, documented risk analyses, as well as risk- and control matrices are in place.

RISK ASSESSMENT

The risk assessment is the basis for internal control, as well as the starting point for the establishment of controls. Risk is defined as: the possibility of an event occurring and negatively affecting the possibility of achieving performance. Risk assessment is carried out continuously during the year and the Finance Department evaluates risks of material misstatement in financial reporting. The focus is on material performance and balance sheet items that have a relatively higher risk due to complexity or where the effects of any errors are likely to be substantial.

CONTROL ACTIVITIES

Control activities are the measures established by policies and procedures that help ensure the reduction of risks. The goal is to have an effective series of controls that are adapted to the business' conditions and risk tolerance. To ensure that the financial reporting gives a true and fair view, there are control activities that involve several parties in the organization, from the board and management to the finance department and other employees. Financial controls in Sleep Cycle's business process includes, among other things, approval of business transactions, account reconciliations and monthly performance monitoring. Reporting and analysis of financial outcomes are regularly submitted to the Board and management.

INFORMATION AND COMMUNICATION

There must be well-functioning two-way communication and flow of information between the board and management and Sleep Cycle's employees. An important part of internal control is to ensure effective dissemination of relevant information to both internal and external stakeholders. Sleep Cycle has an information policy adopted by the Board of Directors that deals with, among other things, the handling of financial information. Sleep Cycle shall ensure that all applicable policies and guidelines are made available to relevant parties. Sleep Cycle has a whistleblowing system that is accessible on Sleep Cycle's website. If needed, it can be used anonymously.

FOLLOW-UP

The Board of Directors continuously evaluates the information provided by the company's management, which includes both financial information as well as material issues relating to internal control. Sleep Cycle carries out self-assessment and independent tests to assess the effectiveness of internal control, which is carried out at least annually, and the results of the the assessment are reported to the Audit Committee. Suggestions for action plans and improvements are identified and implemented on an ongoing basis.

INTERNAL AUDIT

The need for a separate internal audit function is assessed annually. No reason to establish this has been identified based on the size of the company in combination with the established internal control environment.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

tSEK	Note	2023	2022*
OPERATING INCOME			
Net sales	6	236,146	212,034
Other operating income	7	864	529
OPERATING EXPENSES			
Work performed by the company for its own use and capitalized		1,105	3,224
Platform fees		-53,641	-49,741
Other external expenses	8.9	-53,127	-63,383
Personnel costs	11	-59,507	-54,201
Depreciation and write-downs of tangible and intangible assets		-14,858	-5,261
Other operating expenses		-376	-395
Operating profit/loss	10,12,13	56,606	42,807
FINANCIAL ITEMS			
Financial income	14	2,793	157
Financial expenses	15	-1,207	-137
Profit before tax		58,192	42,827
Tax on the year's earnings	16	-12,050	-8,886
Profit/loss for the year		46,142	33,941
Other comprehensive income		-	-
Year's comprehensive income		46,142	33,941
Earnings per share			
Earnings per share before dilution, SEK	17	2.28	1.72
Earnings per share after dilution, SEK		2.28	1.69
Average number of shares outstanding before dilution		20,277,203	19,729,788
Average number of shares outstanding after dilution		20,277,203	20,056,591

*Previous year has been adjusted to reflect correction of VAT liability. For more information, see Note 36 Correction of errors.

CONSOLIDATED STATEMENT ON FINANCIAL POSITION

tSEK	Note	12/31/2023	12/31/2022*
ASSETS			
Fixed assets			
Intangible fixed assets			
Capitalized expenditure for development work	18	4,474	9,595
Patent	19	-	-
Total intangible assets		4,474	9,595
Tangible fixed assets			
Assets with right-of-use	20	15,605	4,132
Leasehold improvements	21	738	-
Equipment and computers	22	1,703	1,468
Total tangible assets		18,045	5,601
Financial assets			
Other long-term receivables	24	411	411
Total financial assets		411	411
Deferred taxes			
Deferred tax asset	16	83	13
Total deferred taxes		83	13
Current assets			
Trade receivables	25	38,224	22,388
Other receivables	26	2,602	1,084
Current tax assets		2,148	2,628
Prepaid expenses and accrued income	27	31,086	27,943
Cash and cash equivalents	28	133,471	232,862
Total current assets		207,531	286,906
TOTAL ASSETS		230,545	302,525
EQUITY AND LIABILITIES			
Equity			
Share capital	29	563	563
Other capital contributions		288	119,229
Profit brought forward including profit/loss for the year		60,147	36,719
Total equity attributable to shareholders in the parent company		60,998	156,510
Long-term liabilities			
Lease liabilities	30	11,743	2,623
Total long-term liabilities		11,743	2,623
Current liabilities			
Lease liabilities	30	4,175	1,572
Accounts payable – trade		13,908	14,203
Other liabilities		10,322	8,900
Accrued expenses and deferred income	31	129,399	118,716
Total current liabilities		157,804	143,392
TOTAL EQUITY AND LIABILITIES		230,545	302,525

*Previous year has been adjusted to reflect correction of VAT liability. For more information, see Note 36 Correction of errors.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

tSEK	Note	Attributable to shareholders of the parent company			Total Equity
		Share capital	Other capital contributions	Retained earnings Incl. profit/loss for the year	
Opening balance as of January 1, 2022 according to the adopted balance sheet		540	102,292	6,066	108,898
Correction of errors (after tax)	36			-3,289	-3,289
Adjusted opening balance as of January 1, 2022		540	102,292	2,777	105,609
Profit/loss for the year (restated*)				33,941	33,941
Other comprehensive income (restated*)				-	-
Total comprehensive income (restated*)				33,941	33,941
Other changes in equity					
Option premiums	29		368		368
New share issues after issue costs and tax	29	23	16,570		16,593
Adjusted closing balance as of December 31, 2022 (restated*)		563	119,229	36,719	156,510
Balance as of December 31, 2022 according to the adopted balance sheet		563	119,229	41,042	160,834
Correction of errors (after tax)				-4,324	-4,324
Adjusted equity as of December 31, 2022		563	119,229	36,719	156,510
Profit/loss for the year				46,142	46,142
Other comprehensive income				-	-
Total comprehensive income				46,142	46,142
Other changes in equity					
Dividend	5		-119,229	-22,714	-141,943
Option premiums	29		288		288
Closing balance as of December 31, 2023		563	288	60,147	60,998

* See Note 36 for information on the adjustment made as a result of an error.

CONSOLIDATED STATEMENT OF CASH FLOW

tSEK	Note	2023	2022
Cash flow from operating activities			
Operating profit/loss		56,606	42,807
Adjustments for non-cash items, etc.:			
Depreciation and write-downs		14,858	5,261
Interest received		2,793	157
Interest paid		-1,207	-137
Tax paid		-11,639	-5,525
Cash flow from operating activities before changes in working capital		61,411	42,563
Change in working capital			
Change in operating receivables		-20,497	-2,309
Change in operating liabilities		11,809	21,274
Cash flow from operating activities		52,723	61,528
Investment activities			
Capitalization of development expenses	18	-5,086	-6,917
Acquisition of tangible assets	20, 21	-1,727	-852
Cash flow from investment activities		-6,813	-7,769
Financing activities			
Repayment of lease liabilities	30	-3,647	-2,899
Option premiums	29	288	368
Dividend	5	-141,943	-
New share issues	29	-	16,538
Cash flow from financing activities		-145,302	14,006
Year's cash flow		-99,392	67,765
Cash and cash equivalents at the start of the year		232,862	165,508
Reclassification of liquid assets		-	-411
Cash and cash equivalents at the end of the year	28	133,471	232,862

PARENT COMPANY'S INCOME STATEMENT

tSEK	Note	2023	2022*
OPERATING INCOME			
Net sales	6	236,146	212,034
Other operating income	7	864	529
Work performed by the company for its own use and capitalized		1,105	3,224
OPERATING EXPENSES			
Platform fees		-53,641	-49,741
Other external expenses	8,9,10	-57,378	-66,413
Personnel costs	11	-59,507	-54,201
Depreciation and write-downs of tangible and intangible assets		-10,961	-2,340
Other operating expenses		-376	-395
Operating profit/loss	12, 13	56,252	42,697
RESULT FROM FINANCIAL ITEMS			
Interest income and similar income	14	2,793	157
Interest charges and similar costs	15	-594	-
Profit before tax		58,451	42,855
Tax on the year's earnings	16	-12,101	-8,890
Profit/loss for the year		46,350	33,964

Since the parent company has no items that are reported as other comprehensive income, total comprehensive income for the year is equal to earnings for the year.

*Previous year has been adjusted to reflect correction of VAT liability. For more information, see Note 36 Correction of errors.

BALANCE SHEET – PARENT COMPANY

tSEK	Note	12/31/2023	12/31/2022*
ASSETS			
Fixed assets			
Intangible fixed assets			
Capitalized expenditure for development work	18	4,474	9,595
Patent	19	-	-
Total intangible assets		4,474	9,595
Tangible fixed assets			
Leasehold improvements	21	738	-
Equipment and computers	22	1,703	1,468
Total tangible assets		2,441	1,468
Financial assets			
Participations in Group companies	23	50	50
Deferred tax asset	16	18	-
Other long-term receivables	24	411	411
Total financial assets		479	461
Total fixed assets		7,395	11,524
Current assets			
Trade receivables	25	38,224	22,388
Other receivables	26	2,602	1,084
Current tax assets		2,148	2,628
Prepaid expenses and accrued income	27	31,086	27,943
Cash and bank balances	28	133,363	232,746
Total current assets		207,423	286,789
TOTAL ASSETS		214,818	298,314
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		563	563
Fund for development expenditures		4,474	9,595
Total restricted equity		5,038	10,158
Non-restricted equity			
Share premium reserve		288	119,229
Retained earnings		9,514	-6,857
Profit/loss for the year		46,350	33,964
Total non-restricted equity		56,151	146,336
Total equity		61,189	156,494
Current liabilities			
Accounts payable – trade		13,908	14,203
Other liabilities		10,322	8,900
Accrued expenses and deferred income	31	129,399	118,716
Total current liabilities		153,629	141,819
TOTAL EQUITY AND LIABILITIES		214,818	298,314

*Previous year has been adjusted to reflect correction of VAT liability. For more information, see Note 36 Correction of errors.

PARENT COMPANY'S CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

tSEK	Restricted equity		Non-restricted equity			Total equity
	Share capital	Fund for development expenditures	Share premium reserve	Retained earnings	Profit/loss for the year	
Opening balance as of January 1, 2022 according to the adopted balance sheet	540	4,638	102,292	-6,618	8,007	108,859
Correction of errors (after tax)				-2,193	-1,096	-3,289
Adjusted opening balance as of January 1, 2022	540	4,638	102,292	-8,811	6,911	105,570
Disposal of previous year's earnings				6,911	-6,911	-
Profit/loss for the year (restated*)					33,964	33,964
Other comprehensive income for the year (restated*)					-	-
Total comprehensive income (restated*)					33,964	33,964
Other changes in equity						
Option premiums			368			368
New share issues after issue costs and tax	23		16,570			16,593
Provisions for development expenditure reserve		4,957		-4,957		-
Adjusted closing balance as of December 31, 2022 (restated*)	563	9,595	119,229	-6,857	33,964	156,494
Balance as of December 31, 2022 according to the adopted balance sheet						
Balance as of December 31, 2022 according to the adopted balance sheet	563	9,595	119,229	-3,568	34,999	160,818
Correction of errors (after tax)				-3,289	-1,035	-4,324
Adjusted equity as of December 31, 2022	563	9,595	119,229	-6,857	33,964	156,494
Disposal of previous year's earnings				33,964	-33,964	-
Profit/loss for the year					46,350	46,350
Other comprehensive income					-	-
Total comprehensive income					46,350	46,350
Other changes in equity						
Dividend			-119,229	-22,714		-141,943
Option premiums			288			288
Provisions for development expenditure reserve		-5,121		5,121		-
Closing balance as of December 31, 2023	563	4,474	288	9,514	46,350	61,189

* See Note 36 for information on the adjustment made as a result of an error.

PARENT COMPANY'S CASH FLOW ANALYSIS

tSEK	Note	2023	2022
Cash flow from operating activities			
Operating profit/loss		56,252	42,697
Adjustments for non-cash items, etc.:			
Depreciation and write-downs		10,961	2,340
Interest received		2,793	157
Interest paid		-594	-
Tax paid		-11,639	-5,524
Cash flow from operating activities before changes in working capital		57,773	39,670
Change in working capital			
Change in operating receivables		-20,498	-2,309
Change in operating liabilities		11,810	21,281
Cash flow from operating activities		49,085	58,642
Investment activities			
Capitalization of development expenses	18	-5,086	-6,917
Acquisition of tangible assets	21, 22	-1,727	-852
Cash flow from investment activities		-6,813	-7,769
Financing activities			
Option premiums		288	367
Dividend		-141,943	-
New share issues		-	16,538
Cash flow from financing activities		-141,655	16,905
Year's cash flow			
Cash and cash equivalents at the start of the year		232,746	165,379
Reclassification of liquid assets		-	-411
Cash and cash equivalents at the end of the year	28	133,363	232,746

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 Drakegatan 10, 412 50 Gothenburg. Sleep Cycle drives the development of 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, plus with their large sleep database contribute to improving sleep habits and increased sleep awareness worldwide. The business is mainly conducted in the parent company. The parent company's participations in Group companies as of December 31, 2023 consists of the wholly-owned subsidiary Sleep Cycle Sverige AB (559278-9688).

Note 2 Key accounting policies

This is Sleep Cycle AB's fourth consolidated annual financial statement, which has been prepared in compliance with the EU recognized International Financial Reporting Standards (IFRS), together with interpretations from IFRS Interpretations Committee (IFRIC). Furthermore, the Group complies with the Swedish Annual Accounts Act, and the Swedish Financial Reporting Council's reporting RFR 1, Supplementary Accounting Rules for Groups.

New and amended standards, as well as improvements that came into effect in 2023, have not had any substantial effect on the Group's financial reports for the financial year.

The consolidated reports are given in Swedish krona (SEK), rounded off to the nearest thousand krona (tSEK), and concern the period January 1- December 31 for profit and loss statement-related items, and the December 31 for income statement-related items. Rounding-off differentials can occur. Assets and liabilities are reported in accordance with the amortized acquisition value method unless otherwise stated. The key accounting policies that are applied when drafting financial reports are described below. The differences between the parent company's accounting policies and the Group's accounting policies are reported last in this section.

Drafting financial reports in accordance with IFRS requires senior management to make assessments and appraisals, as well as assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. The actual outcome can deviate from its appraisals and assessments. The appraisals and assessments are regularly reviewed. Changes to appraisals are reported in the period when the change is made if the change has only affected this period, or in the period when the change is made and future periods if the change affects both the current period and future periods. Assessments made by senior management in the application of IFRS that have a substantial impact on the financial reports and appraisals made that may in turn entail significant adjustments to the following year's financial reports are described in more detail in note 3.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS THAT ARE NOT YET IN EFFECT

The new and amended standards and interpretations that are issued but which enter into effect for financial years starting after January 1, 2023 have not yet been applied by the Group. It is the senior management's assessment that, when applied for the first time, these will not have any substantial effect on the Group's financial reports.

CONSOLIDATED FINANCIAL STATEMENT

The consolidated financial statement includes the parent company Sleep Cycle AB and the companies over which the parent company has direct or indirect control (subsidiary companies). A controlling interest exists if Sleep Cycle AB has influence over the investee, is exposed to or entitled to variable returns from its involvement, and is able to use its influence over the investment in order to affect the return. When assessing whether a controlling influence exists, potential voting rights for shares are taken into account, and whether de facto control exists.

Subsidiaries are included in the consolidated financial statement from the acquisition date, and are excluded from the consolidated financial statement from the date on which the controlling influence ceases.

The Group has not conducted any business combinations during the reported financial years.

The Group's profit and components in other comprehensive income are in their entirety attributable to the parent company's owners.

All intra-Group transactions, dealings and unrealized gains relating to intra-Group transactions have been eliminated in the drafting of the consolidated financial statement. Unrealized losses have been eliminated in the same way as unrealized gains, but only to the extent that there were no impairment requirements.

SEGMENT REPORTING

Sleep Cycle's CEO, as the chief executive decision-maker, monitors and analyses profit and loss and the financial position of the Group in its entirety. The CEO does not monitor profit and loss at a disaggregated level lower than the consolidation. The CEO thereby also decides on allocation of resources, and makes strategic decisions based on consolidation in its entirety. Based on the above analysis, which is itself based on IFRS 8, it is concluded that the Sleep Cycle Group consists of a single reporting segment.

ITEMS AFFECTING COMPARABILITY

The Group's earnings have been affected by certain items affecting comparability. Non-recurring items are defined as non-recurring items that are not part of normal business operations and are therefore affect comparability between different periods. This refers to costs related to the 2021 IPO, 2022 public cash offer, and cost-efficiency initiative in 2023.

INCOME

The Group reports an income when fulfilling a performance commitment by transferring a promised service/application to a customer. The service is transferred when the customer takes control of the service/application, which can be at a point in time or over time. The transaction price is the remuneration that the Group expects to receive in exchange for transferring the service to the customer, after any deduction of discounts and VAT.

The major part of the Group's income consists of income from subscription services related to Sleep Cycle Premium. Sleep Cycle has determined Sleep Cycle Premium to comprise a performance obligation:

- A license to use Sleep Cycle Premium with access to the services included.

Sleep Cycle has developed a software that, in accordance with IFRS 15, is deemed to constitute a license of an intellectual property right. When the customer has access to Premium, Sleep Cycle thus gives the customer a license to use Sleep Cycle's intellectual property. Since the license can be used separately from the services included in Premium, the license is considered to be distinct.

Sleep Cycle has made the assessment that the free license/IP (Sleep Cycle Freemium) offered to customers does not constitute a performance obligation under IFRS 15. The main reason for this is that the offer to use this intellectual property right is not deemed to meet the requirement for a customer agreement in accordance with IFRS 15.

The services included in Sleep Cycle Premium are not dependent on the functionality offered to Freemium users. As a result, Sleep Cycle considers these services to be distinct in accordance with IFRS 15. The services provided to Premium users via the application, in addition to the license, are reported in a simplified form as a single performance commitment. Sleep Cycle's assessment is that it will not have any accounting effect to report these services as a single performance obligation, as these services are delivered to the customer in the same way over the contract period.

Customers receive and consume the benefits offered by Sleep Cycle's service at the same time that the company fulfils its performance commitment in relation to the services included in Sleep Cycle Premium. Thus, this performance commitment meets the criterion of IFRS 15, and the income must be reported over time.

Any commissions paid to the platform owners arise when a Premium user signs an agreement via such platforms. The Commissions are thus directly related to the agreements that are signed, and would not arise if the customer did not sign up for Sleep Cycle Premium via the platform owners. Any fees paid to the platform owners are thus an additional expense for concluding the agreement with the customer.

Normally, the entire agreement period is paid in advance by the customer. Advance payments are reported as a contractual liability (prepaid income) in the balance sheet, and any such income is reported linearly over the

subscription period. Sleep Cycle believes that a production method based on elapsed time is the method that best reflects how control of the services related to Sleep Cycle Premium is transferred to the customer.

Paid platform fees are reported as an asset, prepaid cost, and are depreciated so that the cost is reported for the period in which the income is reported (over the agreement period).

To a very small extent, the Group has sold gift cards that can be used for access to Sleep Cycle Premium later on. Gift cards are reported as income in the same way as other sales of subscription services. A very small part of the Group's income consists of direct sales in the app. This income is reported at a given point in time, once the customer accesses the purchase.

DIVIDENDS AND INTEREST INCOME

Dividend income is reported once the shareholder's right to receive payment has been established.

Interest income is reported broken down over the term using the effective interest method. The effective interest rate is the interest rate that makes the present value of all future deposits and payments during the fixed interest term equal to the carrying value of the receivable.

LEASING AGREEMENT – THE GROUP AS LESSEE

The Group recognizes a right-of-use asset and corresponding lease liability for all leases in which the Group is a lessee, with the exception of short-term leases (lease periods of 12 months or less) and for leases where the underlying asset has a low value; for these leases the Group recognizes lease payments as an operating expense on a straight-line basis over the lease term.

The lease liability is initially measured at the present value of the lease payments not paid at the inception date, discounted by the implicit interest rate of the lease. If this interest rate cannot be determined, the Group will use the incremental borrowing rate. The incremental borrowing rate is the rate that a lessee would have to pay for financing by borrowing over a corresponding period and with equivalent collateral. For the company's leases, a marginal borrowing rate of 3.5% and 4.97%, respectively, has been used when discounting the remaining lease liability.

At the date of acquisition, the right-of-use asset is recognized at the same value as the discounting lease payments. In subsequent periods, the right-of-use asset is measured at acquisition cost less accumulated depreciation and impairment. Depreciation takes place over the term of the contracts.

Sleep Cycle has a rental contract for office premises, which is reported as a right-of-use asset in the statement on financial position. The current lease agreements for office premises run until December 31, 2025 and February 28, 2028 respectively, with an option to extend. The lease period is reviewed if there is an indication that an option will be exercised or not exercised, and at least one year before the option expires.

FOREIGN CURRENCY

The consolidated financial statement is prepared in Swedish kronor, which is the parent company's functional currency and reporting currency. Transactions in foreign currency are converted into Swedish kronor with the transaction date's rate of exchange. Receivables and liabilities in foreign currency are converted as per the exchange rate on the balance sheet date. Exchange gains and losses on operating receivables and operating liabilities are reported in the operating profit/loss as other operating income or operating expenses. Gains and losses on financial receivables and liabilities are reported as financial items.

Exchange rate differences are reported in the profit and loss statement for the period in which they occur.

BORROWING COSTS

Borrowing costs are reported in profit/loss in the period in which they occur as there are no assets in the Group that can be subject to the capitalization of interest.

EMPLOYEE REMUNERATION

SHORT-TERM EMPLOYEE REMUNERATION

Employee remuneration in the form of salaries, bonuses, holiday pay, sick pay, etc., together with pensions are reported when such entitlements occur.

REMUNERATION IN THE EVENT OF TERMINATION OF CONTRACT

The Group reports severance pay when there is an existing legal or informal obligation, as well as when it is likely that an outflow of resources will be required to settle the commitment, and when the amount can be reliably calculated.

PENSIONS

As of 2022, the Group has occupational pension agreements with its employees. All pension costs concern defined contribution occupational pensions. A defined contribution pension is a pension plan according to which the Group pays fixed contributions to a separate legal entity. The Group has no legal or constructive obligations to pay additional contributions if this legal entity does not have sufficient assets to pay all employee benefits linked to the employees' service during the current period or prior periods. The Group's contribution to defined contribution pensions is charged to profit/loss for the year to which they relate.

SHARE-BASED REMUNERATION

The Group has a warrant program, see note 29.

TAXES

Income taxes consist of the sum of current tax and deferred tax.

CURRENT TAX

Current tax is calculated on the taxable profit for the period and on the adjustment of current tax for previous periods. Taxable profit differs from the reported profit/loss in the income statement as it has been adjusted for non-taxable income and non-deductible expenses, as well as for income and expenses that are taxable or deductible in other periods. The Group's current tax liability is calculated according to the tax rates that have been fixed or notified for the balance sheet date.

DEFERRED TAX

Deferred tax is reported on temporary differences between the carrying value of assets and liabilities in the financial reports, and the taxable value used in calculating taxable profit. Deferred tax is reported according to the so-called balance sheet method. Deferred tax liabilities are reported for basically all taxable temporary differences, and deferred tax assets are reported in principle for all deductible temporary differences to the extent that it is likely that the amounts can be utilized against future taxable surpluses. Deferred tax liabilities and tax assets are not reported if the temporary difference is attributable to goodwill, or if it arises as a result of a transaction that constitutes the first reporting of an asset or liability (which is not a business combination) and which, at the time of the transaction, does not affect either the reported or tax profit or loss.

Deferred tax is calculated according to the tax rates that are expected to apply for the period once the asset is recovered or the liability is settled, based on the tax rates (and tax laws) that have been decided or announced at the balance sheet date.

Deferred tax assets and liabilities are offset as they relate to income tax charged by the same authority, and when the Group intends to settle the tax with a net amount.

CURRENT AND DEFERRED TAX FOR THE PERIOD

Current and deferred tax is reported as a cost or income in the income statement, except when the tax is attributable to transactions that have been reported in other comprehensive income or directly against equity. In such cases, the tax must also be reported in other comprehensive income or directly against equity.

TANGIBLE FIXED ASSETS

Computers and equipment are reported at acquisition value after deduction of accumulated depreciation and any impairments. The acquisition value includes the purchase price and expenses directly attributable to the asset in order to reception and use it in accordance with the purpose of the acquisition.

Depreciation is expensed so that the asset's value has fallen by the estimated residual value at the end of its useful life, and is depreciated linearly over its estimated useful life, which is considered to be:

Computers	3 years
Equipment	3–5 years
Leasehold improvements	5 years

Estimated useful life, residual values and write-off methods are reviewed at least at the end of each financial year, and the effect of any changes in

estimations is reported prospectively. Assets with a right-of-use consist of a rental contract for premises. All assets with rights-of-use are depreciated over the duration of the agreements.

The carrying value of a tangible asset is derecognized from the statement on financial position in the event of its scrapping or disposal, or when no future financial benefit is expected from the use or scrapping/disposal of the asset. The profit or loss that arises from the scrapping or disposal of the asset, made up of the difference between any net income at the time of disposal and its carrying value, is reported in profit or loss for the period in which the asset is derecognized from the statement on financial position.

INTANGIBLE ASSETS

Intangible assets with a determinable useful life acquired separately or reprocessed internally, are reported at acquisition value, with a deduction for accumulated depreciation and any accumulated impairments. Depreciation takes place linearly over the asset's estimated useful life. Estimated useful life and write-off methods are reviewed at least at the end of each financial year, and the effect of any changes in estimations is reported prospectively.

CAPITALIZED EXPENDITURE FOR DEVELOPMENT WORK

The work to develop an internally processed intangible asset is divided into a research phase and a development phase. All expenses arising from the Group's research phase are reported as operating expenses when they arise. Expenses for the development of an asset is reported as an asset if all of the following conditions are met:

- it is technically possible to complete the intangible fixed asset so that it can be used or sold,
- the company intends to complete the intangible fixed asset, and to use or sell it,
- the conditions exist for using or selling the intangible fixed asset,
- the intangible asset is likely to generate future financial benefits,
- the required and adequate technical, financial and other resources exist to complete the development, and to use or sell the intangible asset, and
- the expenses relating to the intangible asset during its development can be reliably calculated.

If not all of the above criteria are met, development expenses are reported as an operating cost when they arise.

If it is not possible to report an internally processed intangible asset, development expenses are reported as a cost in the period in which they arise.

Depreciation starts when a product is commercially ready for sale. Depreciation is expensed so that the asset's value has fallen by the estimated residual value at the end of its useful life, and is depreciated linearly over its estimated useful life, which is considered to be 3–5 years.

PATENT

The Group's patent concerns a patent acquisition made in 2015. Depreciation is calculated over 5 years. Expenses for patent maintenance are expensed on an ongoing basis.

SCRAPPING AND DISPOSAL

An intangible asset is derecognized from the statement on financial position in the event of its scrapping or disposal, or when no future financial benefit is expected from the use or scrapping/disposal of the asset. The profit or loss that arises when an intangible asset is derecognized from the statement on financial position, made up of the difference between what is received at the time of disposal and the carrying value of the asset, is reported in the income statement when the asset is derecognized from the statement on financial position.

DEPRECIATION OF TANGIBLE AND INTANGIBLE ASSETS

Assets that have an indeterminate useful life, and intangible assets where depreciation has not yet begun, are examined at least annually for any impairment requirements, and when there is an indication of impairment. Assets that are depreciated are assessed for an impairment whenever events or changes in circumstances indicate that the carrying value is not recoverable.

An impairment loss is recorded with the amount by which the asset's carrying value exceeds its recoverable value. The recoverable value is the higher of the asset's fair value, less any selling expenses and its useful value. When calculating useful value, estimated future cash flow is discounted to present value with a discount rate before tax that reflects

the current market assessment of the time value of money and the risks associated with the asset.

If the recoverable value of an asset is determined at a lower value than the carrying value, the carrying value of the asset is written down to the recoverable value. An impairment loss must immediately be expensed in the income statement.

A previously reported impairment is reversed if the recoverable value is estimated to exceed the carrying amount. However, the reversal does not take place by an amount that raises the carrying value to a greater value than what it would have been if the impairment had not been reported in previous periods.

FINANCIAL INSTRUMENTS

REPORTING IN AND REMOVAL FROM THE STATEMENT ON FINANCIAL POSITION

A financial asset or financial liability is included in the statement on financial position when the company becomes a party under the contractual terms and conditions of the instrument. A receivable is recognized when the company has provided a service, and a contractual obligation is incumbent upon the counterparty to pay, even if the invoice has not yet been sent. Trade receivables are included in the statement on financial position after the invoice has been sent. Liabilities are included when the counterparty has provided a service, and a contractual obligation is incumbent upon the counterparty to pay, even if the invoice has not yet been received. Accounts payable are included when the invoice is received. A financial asset is derecognized from a statement on financial position when the rights in the agreement have been respected, cancelled or the company loses control of them. The same applies to part of a financial asset. A financial liability is derecognized from a statement on financial position when the obligation in the agreement is fulfilled or otherwise extinguished. The same applies to part of a financial liability. No financial assets and liabilities are offset in the statement on financial position, as the conditions for off-setting are not met. The acquisition and disposal of financial assets is reported on the transaction date. The transaction date is the day on which the company undertakes to acquire or dispose of the asset.

CLASSIFICATION AND VALUATION

Financial assets are classified according to the business model in which the asset is managed and its cash flow characteristics. If the financial asset is held within the framework of a business model, the purpose of which is to collect contractual cash-flows and the contractual conditions for the financial asset generate, at determined points in time, cash-flows that are only payments of capital sum and interest on the outstanding capital sum, the asset is reported at its amortized acquisition value. This business model is categorized as "hold to collect," which means valuation at amortized acquisition value.

Financial assets:

- Amortized acquisition value
- Fair value via other comprehensive income
- Fair value via the income statement

The Group does not hold any financial assets valued at fair value.

Financial assets valued at amortized acquisition value are initially reported at fair value including transaction costs. After first recognition, the assets are valued and reported at amortized acquisition value, see below.

Financial liabilities:

- Amortized acquisition value
- Fair value via the income statement

The Group has no liabilities valued at fair value.

Financial liabilities valued at amortized acquisition value are first reported at fair value including transaction costs. After first recognition, liabilities are valued and reported at amortized acquisition value, see below.

FAIR VALUE OF FINANCIAL INSTRUMENTS

For all financial assets and liabilities, the carrying value is considered to be a good approximation of its fair value, unless otherwise specified in subsequent notes.

AMORTIZED ACQUISITION VALUE

Amortized cost means the amount at which the asset or liability was initially recognized less amortizations, additions or deduction of the initial difference between the amount received/paid and the amount payable/received at maturity and less any impairment losses accrued using the effective interest method. The effective interest rate is the interest rate that, when discounting all future expected cash flows over the expected maturity, results in the initial carrying value of the financial asset or financial liability.

OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are offset and recognized in a net amount in the statement of financial position only when there is a legal right to offset, and an intention to settle them with a net amount or to simultaneously realize the asset and settle the debt.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and bank balances. Cash and bank balances are financial assets, which means that they are valued at amortized acquisition value. Due to the fact that bank funds are repayable on demand, the amortized acquisition value corresponds to nominal amount.

TRADE RECEIVABLES AND OTHER RECEIVABLES

The loss provisions for trade receivables is always valued at a value corresponding to expected losses on bad debt during the remaining maturity of the receivable.. Amortization of trade receivables is reported in operating expenses.

LEASE LIABILITIES

The Group's lease liabilities are valued and reported at amortized acquisition value.

ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

Accounts payable and other current liabilities are financial liabilities which means valuation at amortized acquisition value. However, accounts payable and other short-term liabilities' expected maturity is short, which is why the debt is reported at their face value without discounting.

DERIVATIVE INSTRUMENTS

The Group does not hold any derivative instruments.

WRITE-DOWNS OF FINANCIAL FIXED ASSETS

The Group assesses the future expected credit losses associated with assets recognized at amortized cost. The Group recognises a credit reserve for such expected credit losses at each reporting date. For trade receivables, the Group applies the simplified approach to credit provisioning, i.e. the reserve will correspond to the expected loss over the entire life of the trade receivable. To measure the expected credit losses, accounts receivable have been Grouped based on allocated credit risk characteristics and days past due. The Group uses forward-looking variables for expected credit losses. Expected credit losses are reported in the consolidated statement of comprehensive income under Other operating expenses.

PROVISIONS

Provisions are reported when the Group has an existing obligation (legal or constructive) as a result of an event, and it is likely that an outflow of resources will be required to settle the obligation, and a reliable estimation of the amount can be made.

CONTINGENT LIABILITIES

A contingent liability is a possible liability as a result of events that have occurred, and the occurrence of which will only be confirmed when one or more uncertain future events, which are not entirely within the control of the company, occur or do not occur, or an existing liability as a result of events that have occurred, but is not reported as a liability or provision, as it is not likely that an outflow of resources will be required to settle the liability, or the amount of the liability cannot be calculated with sufficient reliability.

ACCOUNTING FOR CASH FLOWS

Cash and cash equivalents consist of available cash, bank balances and, where applicable, other liquid investments with a maturity of 3 months or less from the acquisition date, and which are exposed to an insignificant risk of fluctuations in value. The cash flow statement is prepared in

accordance with the indirect method. The reported cash flow only covers transactions that have led to deposits and payments.

ACCOUNTING POLICIES FOR THE PARENT COMPANY

The Parent Company applies the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. Application of RFR 2 means that the parent company applies all IFRS approved by the EU within the framework of the Annual Accounts Act and takes into account the relationship between accounting and taxation. Amendments to RFR 2 that entered into force in 2022 have not had any material impact on the Parent Company's financial statements for the financial year.

The differences between the parent company's and the Group's accounting policies are described below:

CLASSIFICATION AND LAYOUTS

The parent company's profit and loss account and balance sheet are set out in accordance with the Swedish Annual Accounts Act's schemas. The difference with IAS 1 Presentation of financial statements that is applied for the issuance of the Group's financial reports is mainly reporting of investment income and costs, fixed assets and headings in equity.

SUBSIDIARIES

Shares in subsidiaries are reported at acquisition value in the parent company's statement on financial position. This means that transaction expenses are included in the carrying value for holdings in subsidiaries. In the consolidated financial statement, transaction expenses attributable to subsidiaries are reported directly in profit or loss when these arise. Paid shareholder contributions are reported as an increase in the carrying amount of the share. Impairment testing of shares in subsidiaries is carried out annually.

FINANCIAL INSTRUMENTS

The parent company does not apply IFRS 9 Financial Instruments: Accounting and valuation. In the parent company, a method based on the acquisition value is applied in accordance with the Swedish Annual Accounts Act. However, parts of the principles of IFRS 9 are still applicable - such as for amortization, recognition/ derecognition, and the effective interest rate method for interest income and expenses.

LEASING

The parent company applies the exemption from the application of IFRS 16 Leasing. Leasing costs are charged to profit/loss, and are reported linearly over the lease period.

CHANGES DECIDED IN RFR 2 WHICH HAVE NOT YET COME INTO EFFECT

Management estimates that changes to RFR 2, which have not yet come into effect, are not expected to have a substantial impact on the parent company's financial statements when they are applied for the first time.

PROPOSALS FOR CHANGES TO RFR 2 THAT HAVE NOT YET COME INTO EFFECT

Senior management considers that proposals for changes to RFR 2, which have not yet come into effect, are not expected to have a substantial impact on the parent company's financial reports when applied for the first time.

Note 3 Important appraisals and assessments

In preparing the financial statements, management and the Board of Directors must make estimates and assumptions about the future as well as assessments in the application of the Group's accounting policies. The assessments are based on experiences and assumptions that management and the Board of Directors deem reasonable under the circumstances. The actual outcome may then differ from these assessments if other conditions arise. The estimates and assumptions are evaluated on an ongoing basis and it is the assessment of management and the Board of Directors that there are no significant sources of uncertainty in estimates as of the balance sheet date that would present any significant risk of significant adjustments in the carrying amounts of assets and liabilities in the next financial year. The Board and management have made the assessment that there is no significant uncertainty in the application of the company's accounting policies that has a material effect on the reported amounts in the financial reports. Below is a description of the assessments that are most significant in the preparation of the company's financial statements.

CAPITALIZED DEVELOPMENT EXPENSES

The Group capitalizes certain development expenses as intangible assets in the balance sheet, including for the development of new functions and product offerings. Capitalization of development costs is based in part on the assessment that future economic benefits will be generated by the asset, and that it is technically possible to complete the asset so that it can be used in business operations. Intangible assets where depreciation has not yet begun are tested at least annually for impairment and when there is an indication for impairment. As of December 31, 2023, all intangible assets will be depreciated. The Group estimates the useful life of these assets to be 3-5 years based on the estimated state of the art and similar assets, which also corresponds to the period during which it is estimated that future economic benefits will accrue to the Group.

Note 4 Financial risk management and financial instruments

Through its operations, the Group is exposed to different types of financial risks, such as market, liquidity and credit risks. The market risk consists of currency risk and interest rate risk. Risk management is managed in accordance with established principles, where the Group's overall risk management focuses on unpredictability in the financial markets, and aims to minimise potential adverse effects on the Group's financial performance and position. It is the company's Board that is ultimately responsible for any exposure, management and monitoring of the Group's financial risks. The framework that applies to the exposure, management and monitoring of financial risks is established by the Board in a financial policy subject to annual review. In the financial policy, the Board has delegated responsibility for day-to-day risk management to the company's CFO. Since most of the business is conducted in the parent company, the reported amounts in the tables below are essentially the corresponding amount for the parent company.

MARKET RISKS**CURRENCY RISKS**

Currency risk refers to the risk that fair value or future cash flows fluctuate as a result of changes in exchange rates. The exposure to currency risk mainly results from payment flows in foreign currency, so-called transaction exposure.

TRANSACTION EXPOSURE

Transaction exposure entails a risk that the result is negatively affected by fluctuations in exchange rates for the cash flows that occur in a foreign currency. The Group's inflows and outflows consist mainly of SEK. The Group is therefore, to a limited extent, affected by changes in these exchange rates.

The carrying amount of the Group's net monetary liabilities that are the subject of translation to SEK as of the balance sheet date amount to; (expressed in SEK).

	12/31/2023	12/31/2022
EUR	932	2,136
USD	276	1,884
GBP	-640	-
JPY	7,074	6,012

SENSITIVITY ANALYSIS FOR TRANSACTION EXPOSURE

The sensitivity analysis for currency risk shows the Group's sensitivity in the event of a rise or fall of 5% in SEK against the most important currencies. The transaction exposure shows how the Group's operating profit/loss had been affected by a change in the exchange rate. This also includes outstanding monetary receivables and liabilities in foreign currency on the balance sheet date.

Currency exposure	2023	2022
EUR +/-5%	-/+ 303	-/+ 657
USD +/-5%	-/+ 450	-/+ 649
GBP +/-5%	-/+ 60	-
JPY +/- 5%	-/+ 354	-/+ 301

CURRENCY RISK RELATED TO OPERATIONAL RISKS

The Group mainly uses two platform owners in its sales to customers, GooglePlay and Apple AppStore. All transactions between Sleep Cycle and Google Play and Apple AppStore are in SEK, which is why there are no transactions in foreign currency regarding the Group's income. However, Google Play and Apple AppStore also mediate the Group's sales in foreign currency when the price of the subscription service is payable in the respective country's currency where the sale takes place. The currency effect that arises when Google Play and Apple AppStore convert foreign currency to SEK is offset by the income that Sleep Cycle receives 30 and 45 days later respectively. The impact on earnings is reported in net sales. During the year, pricing has been affected by fluctuations in exchange rates. A statement of this effect is presented in the Group's alternative key indicator "Currency-adjusted net sales growth", see page 67.

INTEREST RATE RISKS

Interest rate risk refers to the risk that fair value or future cash flows fluctuate as a result of changing market interest rates. Since the Group has no outstanding loans, this risk is limited. The interest rate on lease liabilities relating to current leases, through application of IFRS 16, was calculated to be 3.5% and 4.97%, respectively, at the time the contracts were concluded, which is deemed to correspond to the Group's marginal borrowing rate.

LIQUIDITY AND FINANCING RISK

Liquidity risk refers to the risk that the Group will have problems meeting its commitment related to the Group's financial liabilities. Financing risk refers to the risk that the Group cannot raise sufficient financing at a reasonable cost. At present, both the liquidity risk and the financing risk are limited.

A breakdown of maturity of contractual liabilities related to the Group's financial liabilities is presented in the tables below. The amounts in those tables are not discounted values and, where appropriate, they also include interest payments, which means that these amounts cannot be reconciled with the amounts reported in the balance sheets. Interest payments are determined on the basis of the conditions that apply on the balance sheet date. Amounts in foreign currency have been converted into Swedish kronor at the exchange rates on the balance sheet date.

The maturity periods of the Group's financial liabilities is presented below;

12/31/2023

	Within 3 months	3-12 months	1-2 years	3-5 years	More than 5 years	Total
Lease liabilities	1,198	3,594	4,793	7,742	-	17,328
Accounts payable - trade	13,908	-	-	-	-	13,908
Other current liabilities	10,560	-	-	-	-	10,560
Total	25,666	3,594	4,793	7,742	-	41,796

12/31/2022

	Within 3 months	3-12 months	1-2 years	3-5 years	More than 5 years	Total
Lease liabilities	665	1,014	1,351	1,351	-	4,381
Accounts payable - trade	14,203	-	-	-	-	14,203
Other current liabilities*	11,861	-	-	-	-	11,861
Total	26,729	1,014	1,351	1,351	-	30,445

* See Note 36 for information on the recalculation made as a result of an error.

CREDIT AND COUNTERPARTY RISK

Credit risk refers to the risk that the counterparty in a transaction causes the Group a loss by not fulfilling its contractual obligations. The Group's exposure to credit risk is mainly attributable to the placement of surplus liquidity. The credit risk is limited by placing only with counterparties with a very good rating.

The Group is exposed to a few counterparties in its trade receivables, accrued income and bank balances. Nevertheless, the credit risk is considered to be limited as the counterparties are considered to have good solvency.

The Group's maximum exposure to credit risk is assessed to correspond to the carrying amounts of all financial assets, and is shown in the table below.

The Group

	12/31/2023	12/31/2022
Trade receivables	38,224	22,388
Other receivables	3,013	1,496
Accrued income	233	-
Cash and cash equivalents	133,471	232,862
Maximal exposure to credit risk	174,941	256,746

CATEGORIZATION OF FINANCIAL INSTRUMENTS

The recorded value of financial assets and financial liabilities, broken down by valuation category in accordance with IFRS 9, is shown in the table below.

The Group

	12/31/2023	12/31/2022
Financial assets		
Trade receivables	38,224	22,388
Other receivables	3,013	1,496
Cash and cash equivalents	133,471	232,862
Total financial assets	174,708	256,746

All financial assets valued at amortized acquisition value.

	12/31/2023	12/31/2022
Financial liabilities		
Accounts payable - trade	13,908	14,203
Accrued expenses*	10,560	11,861
Total financial liabilities	24,468	26,064

* See Note 36 for information on the adjustment made as a result of an error.

All financial liabilities valued at amortized acquisition value.

There have been no reclassifications between the above valuation categories during the period.

For financial assets and liabilities, the carrying amount shown above is considered to be a reasonable approximation of fair value.

Note 5 Capital management

The Group defines capital as equity, as the Group currently has no raised loans. The Group has an established Treasury policy for managing excess liquidity that prescribes the asset management opportunities available. The Board of Directors of Sleep Cycle AB (publ) has adopted a dividend policy with the goal that dividends over time shall amount to between 40-60% of annual profit after tax. Sleep Cycle has a history of good profitability and strong cash flows. With a business model with limited investment needs and prepayments, the Board believes that the company can deliver on its long-term strategic objectives, including investments for increased growth, combined with an annual dividend.

Changes in the Group's capital are shown in the Group's report on changes in equity.

Note 6 Distribution of net sales

	The Group		Parent company	
	2023	2022	2023	2022
Distribution of net sales				
Subscription revenue	234,948	211,297*	234,948	211,297*
Other income	1,198	737	1,198	737
Total	236,146	212,034	236,146	212,034

Revenue from subscription services is reported over time for the period to which the subscription relates. Other revenue consists of technology sales and corporate sales, as well as direct in-app purchases. These revenues are reported at a given point in time when the customer has access to the purchase.

	The Group		Parent company	
	2023	2022*	2023	2022*
Information on geographic markets				
Sweden	236,146	212,034	236,146	212,034
Other countries	-	-	-	-
Total	236,146	212,034	236,146	212,034

Revenue from external customers is reported per geographic market based on where the selling company is based. All the Group's fixed assets are in Sweden.

	Parent company	
	2023	2022
Information on purchases and sales in the same Group		
Sales	0.00%	0.00%
Purchases	0.00%	0.00%

* See Note 36 for information on the adjustment made as a result of an error.

Note 7 Other operating income

	The Group		Parent company	
	2023	2022	2023	2022
Exchange rate gains	804	37	804	37
Contributions received	-	32	-	32
Other income	61	461	61	461
Total	864	529	864	529

Note 8 Other external expenses

	The Group		Parent company	
	2023	2022	2023	2022
Office costs	1,248	597	5,508	3,633
Consumable products, software and consumable items	6,230	5,642	6,230	5,642
Marketing expenses	22,727	34,786	22,727	34,786
Consultant fees, product development	9,823	7,973	9,823	7,973
Server and technology costs	3,620	2,725	3,620	2,725
Other external services	6,388	10,528	6,388	10,528
Other costs	3,091	1,133	3,082	1,127
Total	53,127	63,383	57,378	66,413

In 2023, other external services were affected by costs affecting comparability in the amount of tSEK 298 (2,802) related to the Board of Directors' evaluation of the cash offer in 2022 and tSEK 83 related to the cost-efficiency initiative implemented in 2023.

Note 9 Remuneration to auditors

	The Group		Parent company	
	2023	2022	2023	2022
PwC				
Audit assignment	1,100	-	1,100	-
Audit activities in addition to the audit assignment	11	-	11	-
Tax advising	581	-	581	-
Total	1,692	-	1,692	-
Mazars AB				
Audit assignment	-	800	-	800
Audit activities in addition to the audit assignment	-	100	-	100
Total	-	900	-	900
Total cost of remuneration to the auditor	1,692	900	1,692	900

Total fees to PwC and its international network amounted to tSEK 1,692 (0) for the financial year 2023. The fee to the Swedish accounting firm Öhrlings PricewaterhouseCoopers AB amounted to tSEK 1,111 (0), of which tSEK 1,100 (0) was for the audit assignment, tSEK 11 (0) for other statutory assignments and other audit assignments and tSEK 0 (0) for tax advice and other services.

Note 10 Leasing

The Group is the lessee mainly through a rental contract for premises. The Group's significant rental contract extends to December 2025. For these premises, the Group's estimated marginal borrowing rate at the time of concluding the contracts of 3.5% and 4.97%, respectively, has been used when discounting the lease liability.

A maturity analysis of lease liabilities is presented in note 4.

	The Group	
	2023	2022
Amount shown in the income statement		
Depreciation of rights-of-use	-3,898	-2,920
Interest charges for lease liabilities	-612	-137
Costs attributable to low-value leasing agreements	-14	-14
Total	-4,524	-3,072

	The Group	
	2023	2022
Cash flow		
Repayment of lease liabilities	-3,647	-2,899
Interest charges for lease liabilities	-612	-137
Short-term low value leasing agreements	-14	-14
Total	-4,274	-3,050

See note 20 for specification of assets with right-of-use.

The leasing agreements concern renting of premises. The Group has received revenue for subletting of offices amounting to tSEK 0 (458) in 2023.

PARENT COMPANY

The parent company applies the exemption from the application of IFRS 16 Leasing. Leasing costs are charged to profit/loss, and are reported linearly over the lease period.

The total cost of leasing agreements for the year amounted to tSEK 5,196 (3,290).

On the balance sheet date, the parent company had outstanding commitments in the form of minimum lease payments under non-terminable leasing agreements, with maturity dates as follows:

	12/31/2023	12/31/2022
Within 1 year	4,793	1,678
Between 1–5 years	12,535	2,703
Later than 5 years	-	-
Total	17,328	4,381

The leasing agreements concern renting of premises. The parent company has received revenue for subletting of offices amounting to tSEK 0 (458) in 2023.

Note 11 Average number of employees, salaries, other remuneration and social security costs

	The Group Average number of employees		Parent company Average number of employees	
	2023	2022	2023	2022
Men	26	29	26	29
Women	19	17	19	17
Total	45	46	45	46

All the people are employed in Sweden.

Members of the Board of Directors and other senior executives	The Group Number		Parent company Number	
	2023	2022	2023	2022
Women;				
Board members	1	2	1	2
Other senior executives	1	2	1	2
Men;				
Board members	4	3	4	3
Other senior executives	4	4	4	4
Total	10	11	10	11

Cost of remuneration to employees	2023		2022		Salary and other remuneration together with pensions to senior management	2023		2022	
	Parent company;						Group and parent company;		
Wages and other remuneration	37,652	33,700			Salary and other remuneration to senior management	10,349	8,959		
Social charges	11,689	10,506			of which bonuses and similar remuneration to senior executives	474	-		
Pension costs	6,338	6,179			Pension costs for senior executives	2,377	2,283		
Subsidiary;					Total	12,726	11,242		
Wages and other remuneration	-	-							
Social charges	-	-							
Pension costs	-	-							
Total wages and remuneration in the Group	37,652	33,700							
Total social charges in the Group	11,689	10,506							
Total pension costs in the Group	6,338	6,179							
Total for the Group	55,678	50,385							

All pension costs concern defined contribution occupational pensions.

Wages and other remuneration	2023	2022
Group and parent company;		
Salaries and other remuneration to members of the Board of Directors, the CEO and other senior executives	12,153	10,653
of which bonuses and similar remuneration to senior executives	474	-
Wages and other remuneration to other employees	27,303	24,741
Total	39,456	35,394

Remuneration to senior executives in 2023	Basic salary/ remuneration	Variable remuneration	Other perks	Pensions	Total
Anne Broeng, Chairman of the Board from the 2023 Annual General Meeting. Member of the Board and Chairman of the Audit Committee since 2020	613				613
Lars Berg, Chairman of the Board and Chairman of the Remuneration Committee through the 2023 Annual General Meeting	229				229
Olof Nilsson, member of the Board of Directors, member of the Audit Committee through the 2023 Annual General Meeting. Chairman of the Remuneration Committee as of the Annual General Meeting 2023	300				300
Mathias Høyer, Member of the Board of Directors and member of the Audit Committee as of the 2023 Annual General Meeting	175				175
Rasmus Järborg, Board member and member of the remuneration committee	275				275
Ödgård Andersson, Board member through the 2023 Annual General Meeting	104				104
Maciej Drejak, Board member as of the Extraordinary General Meeting on July 26, 2023.	108				108
Carl Johan Hederöth, CEO through 09/30/2023*	3,751		4	775	4,530
Erik Jivmark, CEO as of November 1, 2023	440		1	115	556
Other senior executives (4 persons)	5,663	474	16	1,487	7,640
Total remuneration	11,659	474	20	2,377	14,530

*Including severance pay of tSEK 1,116.

Remuneration to senior executives in 2022	Basic salary/ remuneration	Variable remuneration	Other benefits	Pensions	Total
Lars Berg, chairman of the Board and chairman of the remuneration committee	550				550
Anne Broeng, Board member and chairwoman of the audit committee	329				329
Olof Nilsson, Board member and member of the audit committee	290				290
Rasmus Järborg, Board member and member of the remuneration committee	275				275
Ödgård Andersson, Board member	250				250
Carl Johan Hederöth, CEO	2,425		4	632	3,060
Other senior executives (5 persons)	6,512		18	1,651	8,181
Total remuneration	10,631	-	22	2,283	12,935

Employment conditions for the CEO

The company observes a 12-month notice of termination towards the CEO, while the CEO observes a 6-month notice of termination towards the company. In the event of termination by the company, severance pay is payable corresponding to 6 months of salary. Severance pay is deducted from other income. A mutual notice period of 6 months applies between the company and other senior executives.

Warrants

The Group's options program is described in note 29. The company's CEO holds 100,000 options, equivalent to 100,000 shares.

Note 12 Research and development costs

Total expenditure on research and development that was expensed in the Group and the parent company during the year amounted to tSEK 32,024 (25,624). Under research and development costs, all costs associated with the development and maintenance of the technology platform as well as the development of algorithms for machine learning, including data analysis and quality assurance of the product, are taken into account.

Note 13 Items affecting comparability

	The Group		Parent company	
	2023	2022	2023	2022
Other external expenses				
External consultants & services	-381	-2,802	-381	-2,802
Personnel costs				
Wages and other remuneration	-4,450	-	-4,450	-
Total	-4,831	-2,802	-4,831	-2,802

The item other external costs includes costs affecting comparability of tSEK 298 (2,802) related to the Board of Directors' evaluation of the cash offer in 2022. In addition, a total of tSEK 4,533 has been adjusted for related to the cost-efficiency initiative implemented in 2023, of which tSEK 83 pertains to other external costs and tSEK 4,450 relates to personnel costs.

Note 14 Financial income

	The Group		Parent company	
	2023	2022	2023	2022
Interest income	2,793	157	2,793	157
Total	2,793	157	2,793	157

All interest income is attributable to financial assets measured at amortized cost.

Note 15 Financial expenses

	The Group		Parent company	
	2023	2022	2023	2022
Interest charges	1,207	137	594	-
Total	1,207	137	594	-

All interest charges are attributable to financial liabilities, which are valued at amortized acquisition value.

Note 16 Tax on the year's earnings

	The Group		Parent company	
	2023	2022	2023	2022
Current tax				
Current tax on earnings for the year	-12,119	-8,851*	-12,119	-8,851*
Deferred tax				
Deferred tax attributable to temporary differences	70	4	18	-
Deferred tax attributable to tax credits for equipment	-	-39	-	-39
Total	-12,050	-8,886	-12,101	-8,890

Income tax in Sweden is calculated at 20.6% on the year's taxable earnings. Below is a reconciliation between reported profit/loss and the year's reported tax;

Reconciliation of tax expenses for the year	2023	2022*	2023	2022*
Reported profit/loss before tax	58,192	42,827	58,451	42,855
Tax at the applicable tax rate 20.6%	-11,988	-8,821	-12,041	-8,828
Effect of non-deductible costs	-69	-65	-69	-64
Effect of other non-taxable income	9	1	9	1
Deficit for which deferred tax assets have not been reported	-2	-1	-	-
Reported tax expense for the year	-12,050	-8,886	-12,101	-8,890

Current tax of tSEK 0 (54) attributable to deductible issue costs is reported directly in equity.

The Group's and the parent company's deferred tax assets refer to the following items;

	The Group		Parent company	
	2023	2022	2023	2022
Deferred tax assets				
Temporary difference Leasehold improvements	18	-	18	-
Temporary difference of assets with right-of-use	-3,215	-851	-	-
Temporary difference lease liabilities	3,280	864	-	-
Total	83	13	18	-

* See Note 36 for information on the adjustment made as a result of an error.

Note 17 Earnings per share

The following earnings and weighted average number of ordinary shares have been used in the calculation of earnings per share before dilution;

	The Group	
	2023	2022*
Earnings per share before dilution		
Profit for the year attributable to the parent company's shareholders	46,142	33,941
Weighted average number of ordinary shares before dilution	20,277,203	19,729,788
Earnings per share before dilution, SEK	2.28	1.72

The following results and weighted average number of ordinary shares have been used in the calculation of earnings per share after dilution;

	The Group	
	2023	2022*
Earnings per share after dilution		
Profit for the year attributable to the parent company's shareholders	46,142	33,941
Weighted average number of ordinary shares before dilution	20,277,203	19,729,788
Effect of potential ordinary shares on options	-	326,803
Weighted average number of ordinary shares after dilution	20,277,203	20,056,591
Earnings per share after dilution, SEK	2.28	1.69

* See Note 36 for information on the adjustment made as a result of an error. For information on changes in the number of outstanding shares, see Note 29 Equity.

Note 18 Capitalized expenditure for development work

	Group and parent company	
	12/31/2023	12/31/2022
Opening acquisition values	11,931	5,013
Acquisitions for the year	5,086	6,918
Closing accum. acquisition values	17,017	11,931
Opening depreciation	-2,336	-376
Depreciation for the year	-3,865	-1,960
Closing accumulated depreciation	-6,201	-2,336
Opening depreciation	-	-
Amortization for the year	-6,341	-
Closing accumulated impairment losses	-6,341	-
Closing carrying amount	4,474	9,595

The activated development expenditure consists of wage costs including social charges for own employees, as well as expenses for contracted software development consultants operating within the company's product development. As of 12/31/2023, all intangible assets are depreciated.

After a strategic review, the decision was made to discontinue Sleep Cycle Kids. This action resulted in an impairment loss of SEK 6.3 million.

Note 19 Patents

	Group and parent company	
	12/31/2023	12/31/2022
Opening acquisition values	714	714
Acquisitions for the year	-	-
Closing accum. acquisition values	714	714
Opening depreciation	-714	-714
Depreciation for the year	-	-
Closing accumulated depreciation	-714	-714
Closing carrying amount	-	-

The Group's patent concerns a patent acquisition made in 2015. Depreciation is calculated over 5 years. Expenditure for patent maintenance is expensed on an ongoing basis.

Note 20 Assets with right-of-use

	The Group	
	12/31/2023	12/31/2022
Premises		
Opening acquisition value	10,085	5,484
Additional rights-of-use	15,370	4,601
Expired rights-of-use	-3,224	-
Closing accum. acquisition values	22,231	10,085
Opening depreciation	-5,953	-3,032
Expired rights-of-use	3,224	-
Depreciation for the year	-3,898	-2,920
Closing accumulated depreciation	-6,626	-5,953
Carrying amount	15,605	4,132

Note 21 Leasehold improvements

	Group and parent company	
	12/31/2023	12/31/2022
Premises		
Opening acquisition values	-	-
Acquisitions for the year	868	-
Closing accum. acquisition values	868	-
Opening depreciation	-	-
Depreciation for the year	-130	-
Closing accumulated depreciation	-130	-
Closing carrying amount	738	-

Note 22 Equipment and computers

	Group and parent company	
	12/31/2023	12/31/2022
Opening acquisition values	2,286	1,434
Acquisitions for the year	943	852
Scrappings	-324	-
Closing accum. acquisition values	2,904	2,286
Opening depreciation	-817	-438
Scrappings	241	-
Depreciation for the year	-624	-380
Closing accumulated depreciation	-1,201	-818
Closing carrying amount	1,703	1,468

Note 23 Participations in Group companies

	Parent company	
	12/31/2023	12/31/2022
Opening acquisition values	150	150
Paid shareholder contributions	-	-
Closing acquisition values	150	150
Opening depreciation	-100	-100
Amortization for the year	-	-
Closing accumulated depreciation	-100	-100
Closing carrying amount	50	50

The parent company holds shares in the following subsidiaries:

Company, corporate ID number	Registered office	12/31/2023 Share capital %*	12/31/2022 Share capital %*	12/31/2023 Carrying amount	12/31/2022 Carrying amount
Sleep Cycle Sverige AB (559278-9688)	Gothenburg	100%	100%	50	50

Note 24 Other long-term receivables

	Group and parent company	
	12/31/2023	12/31/2022
Bank guarantee	411	411
Total	411	411

Note 25 Trade receivables

	Group and parent company	
	12/31/2023	12/31/2022
Trade receivables, gross	38,224	22,388
Reserve for bad debts	-	-
Total trade receivables, net after reserve for bad debts	38,224	22,388
Trade receivables past due but not impaired	12/31/2023	12/31/2022
1-30 days past due	158	10
31-60 days past due	56	-
61-90 days past due	-	-
91-120 days past due	-	-
More than 121 days past due	-	-
Total	214	10

As of December 31, 2023, accounts receivable of tSEK 214 (10) were due without any impairment being deemed to exist. Of these, tSEK 214 (10) was settled as of February 2024 (January 2023). Accounts receivable are recognized after accounting for history, bad debt losses incurred during the year and expected future credit losses. For 2023, confirmed bad debt losses in the Group amounted to tSEK 0 (0). Management estimates that the carrying amount of trade receivables is consistent with the fair value. Payment was received in February 2024 and the customers' ability to pay is considered to be good.

Note 26 Other receivables

	The Group	
	12/31/2023	12/31/2022
VAT receivables	689	741
Tax Account Balance	1,905	343
Other items	8	-
Total	2,602	1,084

	Parent company	
	12/31/2023	12/31/2022
VAT receivables	689	741
Tax Account Balance	1,905	343
Other items	8	-
Total	2,602	1,084

Note 27 Prepaid expenses and accrued income

	The Group	
	12/31/2023	12/31/2022
Prepaid platform fees	27,118	23,671
Accrued income	233	-
Other items	3,735	4,272
Total	31,086	27,943

	Parent company	
	12/31/2023	12/31/2022
Prepaid platform fees	27,118	23,671
Accrued income	233	-
Other items	3,735	4,272
Total	31,086	27,943

Note 28 Cash and cash equivalents

	The Group	
	12/31/2023	12/31/2022
Bank balances	133,471	232,862
Total	133,471	232,862

	Parent company	
	12/31/2023	12/31/2022
Bank balances	133,363	232,746
Total	133,363	232,746

Note 29 Equity

	Number ordinary shares	Share cap. (tSEK)	Other capital contributions (tSEK)
Share capital and other capital contributions			
As of January 1, 2022	19,428,571	540	102,292
Option premiums			368
New share issue after issue expenses	848,992	23	16,569
As of December 31, 2022	20,277,563	563	119,229
Dividend			-119,229
Option premiums			288
As of December 31, 2023	20,277,563	563	288

As of December 31, 2023, the registered share capital comprised 20,277,563 ordinary shares with a quota value of SEK 0.03 per share, which are fully paid. No shares are held by the company itself or its subsidiaries.

On December 14, 2020, the Extraordinary General Meeting decided on an incentive program by issuing warrants to Board members, key personnel and other employees. The program comprised a maximum of 1,276 warrants, of which 1,225 were subscribed. The subscription period for the options expired on 31 March 2021. Each warrant entitled the holder to subscribe for 120 shares at a price of SEK 88.9 from December 1, 2023 through December 31, 2023. No options were exercised and have expired.

On 7 June 2021, the Extraordinary General Meeting decided on two incentive programs which issued warrants to both employees and the CEO. The program for employees comprised two series, of which series 1 comprised a maximum of 204,546 warrants and series 2 a maximum of 22,727 warrants, of which 187,910 warrants were subscribed for in series 1 and 17,512 warrants were subscribed for in series 2. The subscription period for the options in Series 1 expired on June 7, 2021 and for Series 2 on December 4, 2021. Each warrant entitles the holder to subscribe for 1 share at a price of SEK 94.5. Series 1 shares can be subscribed for from June 8, 2024 to August 7, 2024. Series 2 shares can be subscribed for from December 5, 2024 to February 5, 2025.

The warrants are issued against payment corresponding to the fair value of the warrant at the time of allocation. The fair value has been calculated on the basis of Black-Schole's valuation model, and amounted to SEK 9.9/ warrant.

The program for the CEO comprised a maximum of 340,909 warrants, all of which were subscribed. The subscription period for the options expired on 7 June 2021. Each warrant entitles the holder to subscribe for 1 share at a price of SEK 241.2 during the period from April 8, 2026 through June 7, 2026.

The warrants are issued against payment corresponding to the fair value of the warrant at the time of allocation. The fair value has been calculated on the basis of Black-Schole's valuation model, and amounted to SEK 2.9/ warrant.

In the event that all warrants in series 1 are taken up, the share capital will increase by SEK 5,220. In the event that all warrants in series 2 are taken up, the share capital will increase by SEK 486. In the event that all warrants in the CEO program are taken up, the share capital will increase by SEK 9,470.

On May 10, 2022, the General Meeting decided on an incentive program through the issue of warrants for employees. The program comprised a maximum of 90,000 warrants, of which 53,700 warrants were subscribed. The subscription period for the warrants expired on May 24, 2022. Each warrant entitles the holder to subscribe for 1 share at a price of SEK 71.2 from August 1, 2025 through August 31, 2025.

The warrants are issued against payment corresponding to the fair value of the warrant at the time of allocation. The fair value has been calculated on the basis of Black-Schole's valuation model, and amounted to SEK 6.9/ warrant.

In the event that all warrants are exercised, the share capital will increase by SEK 1,492.

On November 23, 2023, the Extraordinary General Meeting decided on an incentive program through the issuance of warrants for the CEO. The program comprised a maximum of 100,000 warrants, all of which were subscribed. The subscription period for the warrants expired on December 31, 2023. Each warrant entitles the holder to subscribe for 1 share at a price of SEK 52.6 from December 1, 2026 through January 2, 2027.

The warrants are issued against payment corresponding to the fair value of the warrant at the time of allocation. The fair value has been calculated on the basis of Black-Schole's valuation model, and amounted to SEK 2.92/ warrant.

In the event that all warrants are exercised, share capital will increase by SEK 2,778.

Other capital contributions

Other capital contributions consist of contributions from owners in the event of a new share issues and option premiums received.

Retained earnings

Retained profit/loss consists of accrued earnings reduced by dividends to shareholders.

Note 30 Reconciliation of liabilities related to financing activities

The table below presents the year's change in the Group's liabilities related to financing of activities. The table includes long-term and short-term liabilities.

	The Group		
	Lease liabilities	Other loan liabilities	Total
Opening balance in 2022	2,494	-	2,494
Items affecting cash flow:			
Repayment of lease liabilities	-2,899	-	-2,899
Items not affecting cash flow:			
Additional leasing agreements	4,601	-	4,601
As of December 31, 2022	4,196	-	4,196
Items affecting cash flow:			
Repayment of lease liabilities	-3,647	-	-3,647
Items not affecting cash flow:			
Additional leasing agreements	15,370	-	15,370
As of December 31, 2023	15,918	-	15,918

Note 31 Accrued expenses and deferred income

The Group		
	12/31/2023	12/31/2022
Contractual liability (prepaid income)	116,732	104,430*
Accrued salaries	2,193	-
Accrued holiday pay	4,935	5,236
Accrued social charges	2,183	1,645
Other items	3,357	7,405
Total	129,399	118,716

Parent company		
	12/31/2023	12/31/2022
Contractual liability (prepaid income)	116,732	104,430*
Accrued salaries	2,193	-
Accrued holiday pay	4,935	5,236
Accrued social charges	2,183	1,645
Other items	3,357	7,405
Total	129,399	118,716

* See Note 36 for information on the adjustment made as a result of an error.

The contractual liability consists entirely of prepaid subscription services for Sleep Cycle Premium. Contractual liability is recorded over time linearly over the length of the subscription. The subscription period does not, in any case, exceed 12 months, which is why an opening contractual liability is recorded as revenue for the entire current year.

Note 32 Pledged assets and contingent liabilities

Group and parent company		
	12/31/2023	12/31/2022
Pledged assets		
Blocked bank funds as collateral for bank guarantee	411	411
Contingent liabilities	None	None

Note 33 Transactions with related parties

The consolidated financial statements include the parent company Sleep Cycle AB and the wholly owned subsidiary Sleep Cycle Sverige AB (559278-9688). There have been no related-party transactions between Group companies.

Disclosures of remuneration to senior executives are presented in note 11.

Note 34 Dividend and disposal of profit

Parent company	
Total earnings (SEK) at the disposal of the Annual General Meeting	
Share premium reserve	288,147
Retained earnings	9,513,685
Profit/loss for the year	46,349,605
Total non-restricted equity	56,151,437

The Board of Directors proposes that, following the adoption of the balance sheet for Sleep Cycle AB for 2023, the Annual General Meeting appropriates the above funds as follows:

To the shareholders the following will be distributed:

SEK 2.30 per share ¹	46,638,395 ²
to be carried over	9,513,042
Total	56,151,437

¹ See Note 5 for dividend policy. SEK 1.30 per share constitutes an ordinary dividend and SEK 1.00 per share constitutes an extraordinary dividend.

² Based on the number of outstanding shares as of December 31, 2023. The dividend amount is subject to change due to a new issue of shares up to the record date.

The Board of Directors of Sleep Cycle AB (publ) has adopted a dividend policy with the goal that the dividend over time shall amount to between 40–60% of annual profit after tax.

Sleep Cycle has a history of good profitability and strong cash flows. With a business model with limited investment needs and prepayments, the Board believes that the company can deliver on its long-term strategic objectives, including investments for increased growth, combined with an annual dividend.

The last day of trading with the right to receive dividends is April 11, 2024 and the proposed record date for dividends is April 15, 2024. Euroclear expects to send the dividend to shareholders on April 18, 2024.

Concerning the parent company's and the Group's results and position in other respects, please refer to the following results and balance sheets, reports on changes in equity, cashflow analyses and notes. All amounts are given in thousands of Swedish kronor (tSEK) unless otherwise stated.

Note 35 Events after the balance sheet date

- On January 23, it was announced that Sleep Cycle is reorganizing and consolidating its operations to the head office in Gothenburg.
- At the end of February, Sleep Cycle announced an updated business strategy for increased profitable growth. The updated strategy focuses on cost-efficiency customer acquisition through increased commercial investments, PR, and an improved user experience. Furthermore, the strategy includes new initiatives to realize the value of Sleep Cycle's data and technology.
- At the end of February, changes in the senior management team were announced. Peter Alsterberg will join Sleep Cycle as CCO. Samuel Cyprian, CPO, and Cecilia Mikkov, CHRO, announced their intention to leave the company as the Stockholm office shuts down and operations relocate to Gothenburg.

Note 36 Correction of errors

During a review, it was discovered that Sleep Cycle is liable to pay VAT in Japan, as this is not handled by Apple and Google in this specific market. In total, another current liability of SEK 7.1 million has been booked as of December 31, 2023 for the years 2018 to 2023.

This error has been corrected by recalculating all affected items retroactively as follows:

The Group						
Balance sheet (excerpt)	December 31, 2022	Increase/Decrease	December 31, 2022 after correction	December 31, 2021	Increase/Decrease	January 1, 2022 after correction
Current tax assets	1,474	1,154	2,628	5,015	886	5,901
Other liabilities	-2,889	-6,012	-8,900	-1,908	-4,782	-6,690
Accrued expenses and deferred income	-119,250	534	-118,716	-104,707	607	-104,100
Net assets	160,834	-4,324	156,510	108,898	-3,289	105,609
Profit brought forward including profit for the year	-41,042	4,324	-36,719	-6,066	3,289	-2,777
Total equity	-160,834	4,324	-156,510	-108,898	3,289	-105,609

Income statement (excerpt)	2022	Increase/Decrease	2022 after correction
Net sales	213,271	-1,237	212,034
Other operating expenses	-329	-66	-395
Profit before tax	44,130	-1,303	42,827
Tax on the year's earnings	-9,155	268	-8,886
Profit/loss for the year	34,976	-1,035	33,941
Other comprehensive income	-	-	-
Total comprehensive income	34,976	-	33,941
Earnings per share before dilution	1.77		1.72
Earnings per share after dilution	1.74		1.69
Average number of shares outstanding before dilution	19,729,788		19,729,788
Average number of shares outstanding after dilution	20,056,591		20,056,591

Parent company						
Balance sheet (excerpt)	December 31, 2022	Increase/Decrease	December 31, 2022 after correction	December 31, 2021	Increase/Decrease	January 1, 2022 after correction
Current tax assets	1,474	1,154	2,628	5,015	886	5,901
Other liabilities	-2,889	-6,012	-8,900	-1,908	-4,782	-6,690
Accrued expenses and deferred income	-119,250	534	-118,716	-104,702	607	-104,095
Net assets	160,819	-4,324	156,495	108,859	-3,289	105,570
Profit brought forward including profit for the year	-31,431	4,324	-27,108	-1,389	3,289	1,900
Total equity	-160,818	4,324	-156,494	-108,859	3,289	-105,570

Income statement (excerpt)	2022	Increase/Decrease	2022 after correction
Net sales	213,271	-1,237	212,034
Other operating expenses	-329	-66	-395
Profit before tax	44,158	-1,303	42,855
Tax on the year's earnings	-9,159	268	-8,890
Profit/loss for the year	34,999	-1,035	33,964

DEFINITIONS OF KEY PERFORMANCE INDICATORS

Sleep Cycle applies the ESMA guidelines on alternative performance measures. This report presents certain financial performance indicators, including alternative key performance indicators that are not defined by IFRS. The company considers these key performance indicators to be an important complement, because they enable a better evaluation of the Company's economic trends. These financial key performance indicators shall not be assessed independently nor be considered to replace key

performance indicators that have been calculated in accordance with IFRS. In addition, such KPIs, such as Sleep Cycle has defined them, should not be compared with other KPIs with similar names used by other companies. This is due to the fact that the below key figures are not always defined in the same way and other companies may potentially calculate them in a different way than Sleep Cycle.

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 translated at the year's average exchange rates.	Used to measure the company's underlying net sales growth cleared for currency effects.
Operating profit/loss	Operating profit/loss before interest and tax.	Operating profit/loss is used to understand the company's earning capacity in relation to net sales.
Operating margin	Operating profit/loss as a percentage of the company's net sales.	Operating margin is an indication of the company's earnings capacity.
Items affecting comparability	Non-recurring items which are not part of the normal operations, and are therefore affecting comparability between different periods. Refers to costs related to the 2021 IPO, 2022 public cash offer, and cost-efficiency initiative in 2023.	The measure is used to understand the Group's development and to make comparisons between years.
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 adjusted for items affecting comparability.
Total subscriptions	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 annual subscription revenue per subscriber over the period. Quarters and periods are annualized.	The measure indicates the company's subscription revenue per subscription on average during the period.

RECONCILIATION OF ALTERNATIVE KEY RATIOS

The tables 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	2023	2022*
Net sales previous period	212,034	181,530
Net sales current period	236,146	212,034
Net sales growth	11.4%	16.8%
Currency-adjusted net sales previous period	229,045	188,808
Net sales current period	236,146	212,034
Currency-adjusted net sales growth	3.1%	12.3%

ARPU

tSEK	2023	2022*
Subscription revenue	234,948	211,297
Number of subscriptions previous period (thousands)	904	901
Number of subscriptions current period (thousands)	893	904
ARPU (SEK)	262	234

Operating profit/loss and operating margin

tSEK	2023	2022*
Net sales	236,146	212,034
Other operating income	864	529
Work performed by the company for its own use and capitalized	1,105	3,224
Platform fees	-53,641	-49,741
Other external expenses	-53,127	-63,383
Personnel costs	-59,507	-54,201
Depreciation and write-downs of tangible and intangible assets	-14,858	-5,261
Other operating expenses	-376	-395
Operating profit/loss	56,606	42,807
Operating margin	24.0%	20.2%

Adjusted operating profit/loss and adjusted operating margin

tSEK	2022	2021
Operating profit/loss	56,606	42,807
Items affecting comparability		
Other external expenses	-381	-2,802
Personnel costs	-4,450	-
Total items affecting comparability	-4,831	-2,802
Adjusted operating profit/loss	61,437	45,609
Adjusted operating margin	26.0%	21.5%

* See Note 36 for information on the adjustment made as a result of an error.

The annual report and consolidated financial statement have been approved for issue by the Board on March 7, 2024. The Group's statement of comprehensive income and statement on its financial position, as well as the parent company's income statement and balance sheet, will be subject to certification at the Annual General Meeting on April 11, 2024.

The Board and the CEO hereby certify that the annual report has been prepared in accordance with the Swedish Annual Accounts Act and RFR 2 Financial reporting for legal entities, and gives a true and fair view of the company's position and performance, and that the management report

gives a fair overview of the development of the company's performance, position and results, and describes the material risks and uncertainties that the company faces. The Board and the CEO hereby certify that the consolidated financial statement has been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and gives a true and fair view of the Group's position and performance, and that the Group's annual report gives a fair overview of the development of the Group's performance, position and results, and describes the material risks and uncertainties faced by the companies that are part of the Group.

Gothenburg, March 7, 2024

Anne Broeng
Chairperson of the board

Olof Nilsson
Board member

Rasmus Järborg
Board member

Mathias Høyer
Board member

Maciej Drejak
Board member

Erik Jivmark
Chief Executive Officer

Our audit report was submitted on the date indicated by our electronic signature
Öhrlings PricewaterhouseCoopers AB

Ulrika Ramsvik
Authorized auditor

AUDITOR'S REPORT

Unofficial translation

To the general meeting of the shareholders of Sleep Cycle AB (publ), corporate identity number 556614-7368

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Sleep Cycle AB (publ) for the year 2023 except for the corporate governance statement on pages 38–41. The annual accounts and consolidated accounts of the company are included on pages 34–68 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company and the group as of 31 December 2023 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2023 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 38–41. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the statement of comprehensive income and statement of financial position of the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Other matter

The audit of the annual accounts and consolidated accounts for 2022 was performed by another auditor who submitted an auditor's report dated 29 March 2023, with unmodified opinions in the Report on the annual accounts and consolidated accounts.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial

statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key Audit Matters

Revenue recognition

Referencing note 2, 6 and 31 in the annual report.

The majority of the group's revenues come from subscription services related to Sleep Cycle Premium, which is sold through platform owners. Payments from customers are made in advance for the entire contract period and is reported as prepaid revenues referred to as contract liabilities in the annual report. Revenues are recognized in the income statement linearly over the duration of the subscription period.

The group's accounting and recognition of revenues are based on daily sales data obtained from the platform owners who carry out the sale of subscription services to end customers. The recognition of revenues involves manual processes, which increases the risk of potential errors, primarily concerning the timing and amount.

How the area has been considered in the audit

Our audit has included, among other procedures:

- We have gained an understanding of the group's sales of subscription services and evaluated the group's processes, procedures, and internal controls related to revenues.
- We have evaluated the group's accounting policies and their compliance with IFRS Accounting Standards as adopted by the EU.
- We have obtained the daily sales data that the group has obtained from the platform owners, which forms the basis for the group's revenue recognition. Using the daily sales data, we have recalculated the group's revenues attributable to the year and the group's contract liabilities for prepaid subscription revenues, with the aim of verifying the timing of revenue recognition.
- We have reviewed the related disclosures in the annual report and reconciled them with the accounting records and other financial information.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–33. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisorsansvar. This description is part of the auditor's report.

Report on other legal and regulatory requirements The auditor's examination of the administration of the company and the proposed appropriations of the company's profit or loss

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the Managing Directors of Sleep Cycle AB (publ) for the year 2023 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Director's and the Managing Directors be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that

the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisorsansvar. This description is part of the auditor's report.

The auditor's examination of the ESEF report Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the ESEF report) pursuant to Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528) for Sleep Cycle AB (publ) for the financial year 2023.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the ESEF report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for Opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the ESEF report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Sleep Cycle AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of ESEF report in accordance with the Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the ESEF report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the ESEF report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the ESEF report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the ESEF report.

The firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the ESEF report has been prepared in a format that enables uniform electronic reporting of the annual accounts [and consolidated accounts]. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the ESEF report by the Board of Directors (and the Managing Director), but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a validation that the ESEF report has been prepared in a valid XHTML format and a reconciliation of the ESEF report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the ESEF report have been marked with iXBRL in accordance with what follows from the ESEF regulation.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 38-41 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Öhrlings PricewaterhouseCoopers AB was appointed auditor of Sleep Cycle AB (publ) by the general meeting of the shareholders on the 8 May 2023 and has been the company's auditor since then.

Gothenburg on the date indicated by our electronic signature
Öhrlings PricewaterhouseCoopers AB

Ulrika Ramsvik
Authorized Public Accountant

Contact

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